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THE EASTERN ECONOMIST

JULY 6, 1962

Bidhan Chandra Roy

SLOWLY — as with the stateliness of a funeral procession which, indeed, it is — the heroes of the Indian Revolution are leaving the scene of their glorious, even if somewhat prolonged, labours. The departure of Dr. Bidhan Chandra Roy, at the ripe age of 81, is one of the saddest because he was one of the most attractive figures in a great firmament. He represents, in a dashing and dramatic way, the wonderful appeal the nationalist movement made to men with superbly versatile talents. A great medical practitioner, he became a great organizer in private life before he became the Chief Minister of Bengal, where he showed supreme capacity as a political leader and administrator. Perhaps even more, he became an image of West Bengal, a man who was, in some sense, the State.

He was not less distinguished in the remarkable courage with which he threw himself into his task. With failing health and, indeed, after two heart attacks, apart from the stroke which finally laid him low on June 23, he clung relentlessly to his duties, working hours which would have wrecked men of nearly half his age. There was thus demonstrated anew the tremendous capacity of India's great national leaders to maintain for themselves standards well beyond the endurance of normal men. They seemed born in an age of giants, and their average norms steadily grew with the challenges which faced the nation. That was truly, as a result of this collection of greatness, a heroic age. This is the time — at the passing of one of the most notable of that group which it has been India's great fortune to bear in the last hundred years — that one should sigh for the past. But this is also the time to sing its praises. There are few countries in the world which have so wonderful a galaxy to show of men of character, intellect, courage and dedication, placed unrelentlessly for half a century at the service of their countrymen. When one salutes Bidhan Chandra Roy at this hour of his elevation to the highest ranks of India's leaders, one must lower the flag not only to him, but also to the passing of this Heroic Age, to which he gloriously belonged.

While he was of the same quality as the great heroes of the Revolution, Bidhan Chandra Roy was great enough to be different. He did not have need, as they did, to live very keenly in the hurly-burly of Indian political life, going frequently to jail and sustaining, by his example, the doctrines of Satyagraha and resistance to foreign rule. Nevertheless, he could maintain in public life a character of service with the best of those who spent much time in solitary confinement. For during this period he was available continuously in the service of suffering and, indeed, almost until his dying days, he contributed freely to the treatment of those who were unable to pay for his services. He became not merely a servant of the sick; in his concept of service, he reached out into every aspect of the life of West Bengal. He touched education no less than health; he adorned industry no less than agriculture; and he became a monument to manysidedness in public life which has no equal in the India that we have known.

He was in almost all things that he handled a student, and yet a master; a leader who could take wise counsel whilst never declining the power of decision. Therein lay his weakness. His tremendous ascendancy over his fellows often persuaded Bidhan Chandra Roy that the power of decision was his, and belonged not to a group but only to himself. Thus there was generated in West Bengal — as it has been, in somewhat different circumstances, generated in Delhi — an unwise dependence upon one man's claim to wisdom. Knowing that age was descending on him and, indeed, that warnings had been sounded that his physical frame could not endure incessent strain, he nevertheless lacked the capacity to delegate authority, and to build round himself a group of independent thinkers who could correct his own judgment, and abate his enthusiasm where it was misdirected. There came thus to be in his immediate entourage an unworthy acceptance of the Chief Minister's preferences even when they were in error. His very greatness was thus the source of a major defeat. Put more charitably, one might say that he carried the defects of his abundant qualities.

At this moment of deep emotional feeling throughout India at the departure of one of our greatest sons, we would do wrong not to remember the special place that Bidhan Chandra Roy occupied in the life of West Bengal in the period after 1948, when, with consummate skill he gathered to himself the threads of power and became the symbol, as well as the substance, of the pulsating life of India's most difficult State. To the people of Bengal we in India should now pay tribute; for Bidhan Chandra Roy was, if anything, a great son of Bengal. But we should extend to them even more, at this hour of their deep bereavement, our assurance that the terrible scars that West Bengal bears, which even Bidhan Chandra Roy has been unable to heal, are scars which lie on India's face; that we accept for all time the responsibilities which her favourite son had taken fully unto himself and was unable, although he died in full harness, to discharge fully.

We ourselves are not so happily placed in terms of great leadership that we can throw anything that is great and new into Bengal's pool. But, perhaps, this is the time to remember that the leadership of the very few in the Heroic Age of India has ended. Indeed, each tragic passage of a hero reminds us that both the Revolution and the Heroic Age are dying before our eyes. We will need to broaden the shoulders of normal men to take the burden of giants; but at least a new partnership can be born in the process of this sharing. And, indeed, India might even be a better world when the succession is clearly demarcated, and the heroes of the Revolution throw upon the people of India what, in the last analysis, must be their own challenge and their own responsibility. Let us, in laying Bidhan Chandra Roy to rest, raise him for ever in our hearts. Greatness, while dying, begins to live forever. That must be the consolation of Bengal and, indeed, of all India at this time of deep, yet elevating, sorrow.

India and the West

THERE has been increasing evidence this week in India and in Western capitals, notably London and Washington, that the relations between India and the West are under a temporary cloud. The immediate reason given for misgivings on both sides is the controversy over Russian MIGs which India has proposed to purchase, although a final decision has not yet been made. But those who imagine that the present controversy is the sole element in the current difficulties are greatly understating the procession of recent events culminating in the current crisis. The word 'crisis' has been deliberately used; a crisis atmosphere surrounds those, in Washington and London at least, who are currently dealing with these problems. Delhi, it seems, for reasons which are still not adequately explained, is out of touch with the extent to which bonds with the Western world are under strain.

There is widespread feeling in the West—and, unfortunately, the preference for Russian MIGs has lent it some countenance—that Indian neutrality is leaning increasingly towards the Soviet Union. One element in the case is displayed in a frequently quoted statistic that out of 25 recent votes in the United Nations, 21 of India's votes have been cast on the side of the Soviet Union and only four on that of the Western world. There are other less happy complaints; one of the most curious is a powerful personal equation, which cannot be adequately explained to the Indian people. This is no other than the widespread feeling in the West that Mr. Krishna Menon, who is India's main spokesman in the United Nations as well as elsewhere, cannot be trusted to be neutral because he is strongly prejudiced in favour of the Communist world. In the Indian Union, while there is lively controversy on Mr. Krishna Menon, it has not happily degenerated into glaring resentment on any universal scale. There are many who consider that Mr. Krishna Menon is, indeed, a liability to the Indian Union's international interests and, to some extent, to her domestic policies. But it is an undoubted fact that the receiving end in the West, so far as Mr. Krishna Menon is concerned, has been damaged beyond repair. We may consider this wildly unjust; but it is a fact.

One of the reasons why apprehensions have been entertained that Mr. Krishna Menon is exerting undue influence on policy is the currency given, perhaps erroneously, to the setback in the Prime Minister's health. But the point that the Prime Minister has in the last three months gone on three holidays is itself a little indication that his state of health cannot be without concern. And it is becoming increasingly clear that the Prime Minister, at least in his recent Press conferences, tends to show a larger degree of irritation with the Western world than it would seem, in present circumstances, it is either wise or statesman-like to display. In the net result there is an undoubted feeling that the Prime Minister and Mr. Krishna Menon are a little thoughtless in their criticism of the West at a time when the West has its own problems of persuasion, particularly with the Congress in the United States and with the numerous Governments in the Aid-India Consortium.

There is probably ground for considerable complaint on our side. Whether or not we recognise the point that Goa was a departure from Gandhian policy, there is no doubt that the Goa episode has detracted considerably from the courteous and invariably appreciative hearing that Indian statements of the case receive in the Western world. To an extent which is quite alarming the grand image of the Prime Minister as the embodiment of the Gandhian legend has suffered not a little. And thus a combination of both tangible and intangible forces prevents Indian explanations, as on Goa and Kashmir, from receiving their due. We may justly complain of the severity of the tone of the criticisms of India on both the Goa and Kashmir debates in the Security Council. But if Mr. Adlai Stevenson has erred in excess on both occasions—*The Eastern Economist* certainly believes he has — can we claim that the Prime Minister's utterances at his last Press Conference have been more balanced, tolerant and in the long run conducive to better understanding? Mistakes have been made on both sides. It is probable that there is, indeed, a substantial difference of opinion which cannot in the short period be bridged. This is no reason for a counsel of despair; still less for Mr. Menon's recklessness.

The essence of the democratic approach is that it should provide for differences. Indeed, its glory is that friendships, under democracies, go so far beyond differences that discussion of these differences can be free and eventual decisions readily accommodated, however distasteful they may first look. India claims the right to speak out her mind. She cannot deny an equal right to other democracies, whether large or small. It is not incumbent on them to accept our view on Goa or Kashmir any more than we accept theirs on the cold war or nuclear explosions. Intolerance on our part will only call forth intolerance on theirs; and the creation of illwill makes eventual removal of differences more difficult, as we are beginning to find, all too tragically, on Pakistan. It is the path of wisdom for us, as well as of our friends abroad, to recall the path of moderation and good sense. The world, as well as India, has everything to lose by a break in continuous understanding of India's needs. For India great national interests are being imperilled; has the Ministry of External Affairs measured accurately the incidence of its present unguarded utterances on our long-term political and economic interests? There is to be sensed very clearly amongst non-officials in Delhi that we, no less than our friends abroad, are responsible for these tensions that have unhappily come on us at a critical time. Acerbation of present differences will only suit the Communist world; it would be folly even otherwise.

The Enlarged Common Market

By Our Special West European Correspondent in Paris.

NEW DELHI's failure to secure from Mr. Duncan Sandys the "guarantees" hoped for, and Mr. Morarji Desai's decision to go to Brussels to argue the Indian case to all the West Europeans together, typify the shift that occured this month in discussions of Britain's admission to the Common Market. Not only in this matter, but in every other from wheat and butter to nuclear weapons, it has been realised that the procedure of negotiating specific guarantees before Britain joins is fruitless. The only workable solution is for Britain and the Six to resolve to unite, first economically and later politically, and then face up jointly to their new responsibilies: their responsibilities to the Commonwealth, to the developing nations as a whole, to the European neutrals and to the USA and its dependents. There is still talk of prior guarantees and preliminary assurances on which the upshot is supposed to depend; London has been saying for so long "we won't join unless this, unless that and unles the other", that she cannot afford to appear to be dropping all her demands and deserting her freinds outside Europe. Yet the method has changed radically. What were previously presented as conditions to be fulfilled before a hypothetical British entry are now taken as tasks to be tackled by the enlarged Common Market after Britain's certain entry.

This is in no sense a defeat for Britain, though it might appear at first glance that she has been obliged to abandon the quest for specific guarantees and to join the Six without making conditions. On the contrary, she has succeded in persuading the Six that the conditions she set reflected international realities of the highest importance, to which the enlarged Common Market will have to apply itself. She has convinced them that the addition of Britain to their number is not simply an enlargement such as would result from another West Germany appearing among them, but a radical transformation of their whole enterprise, because of Britain's multifarious connections with the Commonwealth, with the English-speaking world and with the small nations of Europe. In return, the Six have proven to London that it is impossible to work out beforehand detailed means of respecting all these connections (despite the hasty promises made by the British Government last year) and that the only solution is for the Seven to re-think the whole problem on a higher plane after Britain's entry. Thus, instead of trying to guarantee beforehand, by tariffs and quotas, outlets for so many pounds of New Zealand butter or Australian wheat, the enlarged and transformed Common Market would have to find global solutions to the chronic excess of cash-exports of food. Instead of hoping to assure India her traditional textiles markets, the West Europeans would have to find ways of maintaining and expanding India's exchange resources.

This change in method was foreseen as early as last January by many people in Brussels and Paris. It was in echoing their views that I wrote here on Febraury 2, after recalling that numerous questions of detail had been left unsettled by the Rome Treaty: "Inevitably, if there are difficulties in Brussels, people will suggest doing the same thing in Britain's case: admit her after she has sworn a mighty oath to work for European integration and then settle the rest inside the club. Unfortunately, London's public insistence on specific guarantees for Commonwealth interests before she signs on the dotted line could make impossible adoption of this sensible method. As long as Britain demands detailed arrangements in favour of her present camp-followers, the Six will reply by demanding specific counter-guarantees, and matters could drag on indefinitely — because at that level of *quid pro quo*, many problems are simply insoluble. It is by taking a larger view, with the risks it entails, by agreeing on a general line of policy that all seven nations will follow and then filling in the details later, that Commonwealth interests would probably be best protected in the long run."

Already at that time, these people were forecasting the general sort of approach that is now being used in Brussels: "The common feature of all these solutions is that the method of bargaining Britain's entry by an impossible exchange of detailed guarantees should be abandoned as soon as its infinite complexity is recognised. Instead, Britain will join the Common Market after subscribing to general principles which will not be dictated by the Six but which will represent an effort to solve European problems at the European level. The details would be worked out later in a community spirit; this is the only way the Six have solved any of their problems because, although there was some elaborate horsetrading before the Rome Treaty was signed, most of the guarantees and escape clauses written at that time have never been invoked — they proved to be dead letters once the association faced up to its problems as an association. Give the Brussels talks a few more months to lose themselves in the labyrinth they are heading for, and you can expect to see the Gordian-knot cutters get a good hearing for proposals of this kind."

The conversion to this point of view may be dated from the start of this month. By then it was clear that it was false to present the situation in these terms: "Britain will not join if they are not met before hand; but she will not join if they are not met". This was false, firstly because it had turned out to be impossible to meet those conditions, but secondly because it had become apparent that there could be no question of Britain not joining. For the talks to fail and Britain to withdraw her application would have meant the end of the Common Market, even as a six-nation enterprise, for it could not survive the responsibility of shutting the door in Britain's face. It would also have meant, at a later date, the dislocation of the Commonwealth, for the trust that has been shaken by Britain's attempt to enter Europe would not have been restored simply because she failed to get in. At this moment, both the Common Market and the Commonwealth are out on a limb. The only prospect of saving both is to go forward, for there is no going back; Britain will have to join the Common Market and that association will have to make generous arrangements with the Commonwealth that safeguard its interests. Those arrangements, naturally, will have to be made by the enlarged association as a group; they cannot take the form of unilateral assurances dispensed by Britain before her entry and then accepted by the Six.

The Gaullist Cabinet may have been the last to recognise the new situation, but it was the first to declare it publicly. The last: because as lately as last month Paris seemed to imagine that Bri-

tain's admission could be made conditional on a prior bargain about atomic defence. The first: because there was some heartburning in London after the Champs meeting between de Gaulle and Macmillan when inspired reports from Paris stated that Britain's entry was now a foregone conclusion. Critics of the Premier took this to mean that at Champs he had abandoned all his preconditions and virtually surrendered to de Gaulle. On the contrary, the surrender, if any, was on the other side: the French President realised that there could be no refusing Britain on this pretext or that, and that the only solution to the problems he had created (a propos European unity and defence, for example) was to press forward: admit Britain and then treat those questions at the wider European level.

For it should be clear that de Gaulle was as much out on a limb as anybody, and Mr. Macmillan was his only hope of salvation. He had led the European unity movement into an impasse, by refusing the suprantionality that was the ambition of its inventors while seeking to build a looser federation without Britain as founder-member. The only way out of this dead-end was to disarm all his European Unity critics by admitting Britain, who favoured his idea of a loose federation. Equally serious if less widely recognised is the impasse to which his independent atomic defence policy is heading. Its realisation supposes, not only an open breach with the USA, but the building of an isotope separation plant at Pierrelatte for which the first estimates were 100 million francs, but which is now seen to cost 400 million francs. All his opponents from Left to Right would rally to a motion of censure or a refusal to vote these credits: the European Unity fanatics, the friends of Britain, the NATO loyalists, the critics of a national nuclear force, and the defenders of sound money. The present French Government could be brought down tomorrow — or rather next week, after the Algerian affair is formally settled; a trial run, in the shape of a platonic censure resolution, has already gathered more than the necessary majority. A European federation including Britain, which could devise a joint defence policy within which France's nuclear force would be less of an absurdity, is the only way forward for de Gaulle. On the political and military level, too, as well as on the economic, the solution is to unite with Britain and work out the details later. No one can impose pre-conditions which, if not met, would lead to rejection of Britain's application.

Mr. Sandys's inability to guarantee the things Delhi wanted reflects the obverse side of this situation. Ultimately, the Australian and New Zealand Premiers, who went to London to take a more aggressive line, got little more. Mr. Heath has realised that he would be misleading them if he repeated the firm promises made incautiously last year, for it has emerged that there is no way to devise formal arrangements with the Commonwealth without cutting across the obligations that the enlarged Common Market has contracted toward its own industry and agriculture, toward the USA and Latin America, and toward Africa and the other developing regions. There is no way of adding up everybody's preferences and merging everyone's protected markets and guaranteed outlets, because they are all basically incompatible. Fresh global solutions will have to be sought, in which international agreements covering all the producers and consumers of various products (textiles, wheat, etc.) replace the mutually conflicting protected areas that survive from the age of European empires. Only the enlarged Common Market including Britain will be capable of that

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THE WEEK'S NOTES

Obituary

P. D. TANDON

WITH THE passing away of Mr. P. D. Tandon on July 1, 1962, the Indian Union has lost one of her foremost freedom fighters. For his selfless and dedicated work, and for his uncompromising attitude in all matters wherein he did not agree with his colleagues, he will always be remembered throughout the country. Only a year ago he was awarded the Bharat Ratna — the highest award for service to the motherland — which described him as "the doyen among the fighters of the national movement".

Early in his political career he had realised that the economic progress of the country through expansion in both industry and trade was as essential as the political freedom. To encourage industry and commerce in northern India he did valuable work in consolidating and popularising the Punjab National Bank. He was associated with the Bank as its Secretary long before the realisation dawned upon the political leaders of his standing that an industrial revolution was essential in order to raise the level of living of the people.

His performance as the Speaker of the U.P. Assembly will go down in the history of the State because of the extreme impartiality with which he conducted the affairs of the Assembly. He was also elected to the high office of the Congress President in 1950 but his unyielding attitude again forced him to give it up before the completion of his tenure. He was a lover of Hindi and one of the founders of the Hindi Sahitya Sammelan. Unfortunately, his love for Hindi was wrongly interpretted in certain quarters so as to paint him as a communalist. This was indeed unfortunate because he was a nationalist of the highest order and a follower of Kabir who preached communal harmony. He was a man of saintly aptitudes and had great faith in nature cure. He avoided the use of medicines as far as possible. The country will always remain in his debt for his dedicated service.

Central Borrowings

NEW LOANS

THE UNION GOVERNMENT has floated three fresh loans for Rs. 250 crores, the outstanding feature of which is that the terms offered to the investors are more attractive than those of any loans floated previously. This may be illustrated with reference to the yield on the new and the old loans. The interest on the new 1968 National Plan bonds which will be issued at Rs. 99.20 would work out to be 3.90 per cent as against 3.78 per cent on a similar loan maturing in 1968 floated earlier. Again the interest on the 1972 loan would work out to be 4.10 per cent as against 3.98 per cent on a comparable old loan. This also applies to the third long-term loan maturing in 1985 whose yield will be 4½ per cent as against 4.11 per cent, available on an old loan maturing in 1981. The Union Government has also consented to accept the old maturing loans for conversion. Two such previous loans are to mature this year, one on July 15 and the other on November, 15.

The yield on the new loans is certainly tempting for all investors. The simultaneous action taken by the Reserve Bank to restrict the subscription to these loans by the scheduled banks by withdrawing money from the Reserve Bank is designed to mop up the true savings of the people. The normal quota of withdrawal of the banks has been reduced by half which will force them to fall back upon their own resources for subscription to the new loans.

There are clear indications that the new loans will be fully subscribed as ample funds are available in the domestic market which are not getting utilised because of the paucity of foreign exchange. Many industrial projects have failed to attain maturity because the much-needed foreign exchange resources to match the domestic funds are not available. If and when foreign exchange position becomes easy, the surplus funds will certainly get absorbed, creating tightness once again in the market. Currently there is a plethora of funds which makes the task of the Union Government in raising loans comparatively easy.

The increase in the interest rates of the new loans will naturally depress the market prices of the old, long-term securities. This is the price of the dear money policy which the country must pay. The advantages accruing rom the dearer money policy will certainly overweigh the disadvantages since the saving habit in the country will receive a genuine stimulus. The chain-reaction of rising yields on gilt-edged securities will also communicate pressure on the deposit rates leading to higher cost on credit. To the extent that the burdens on the industry will increase so as to make the Indian manufactures non-competitive in the international markets, the impact of the new money policy will be harmful.

Central Africa

RWANDA AND BURUNDI

IN RECENT years the wind of change has been blowing fast over the African continent. One after the other many new nations have regained their sovereignty and have joined the brotherhood of free nations. The latest to regain independence are the twin States of Rwanda and Burundi, situated in Central Africa and surrounded by the republic of Congo, Tanganyika, Kenya and Uganda. Jointly, the two States cover an area of 20,916 sq. miles and have a population of 4,85,000. From July 1, Burundi will be a monarchy while Rwanda will establish a republic.

Keeping in view the smallness of the two states, could they not be united after independence? The explanation for the cleavage lies in the historical growth of the two countries—first under the Twa, then under the Hutu and lastly under the Tutsi—which resulted in the establishment of two kingdoms. The mandate of 1919 which entrusted these countries to Belgium brought them together under the name of Rwanda-Urundi. Even though the mandate imposed political unity, the Belgian administrators did not abolish the traditional forms of organisation with the result that the two countries kept apart socially as well as emotionally. Political separation will also force economic segregation which may have serious repercussions on the economic development of the two lands. This is indeed unfortunate but there is no doubt that "enforced unity" may prove still worse.

Except for 900 soldiers, the Belgians have withdrawn all their forces. The UN passed a resolution in the last week of June according to which Belgium was asked to withdraw the remaining soldiers from Rwanda-Urundi before August 1, 1962. The Soviet Union amendment to bring forward the date of withdrawal to July 1, 1962 was defeated. The resolution, however, insisted that the Belgian forces "will no longer have any role to play". Lest the history of Congo be repeated in these twin States, the United Nations has authorised an emergency aid of $2 million. A special UN representative and a team of experts have also been appointed for supervising the evacuation of Belgian troops and to provide assistance to the new Governments in administrative matters.

China

TENSION IN TAIWAN

SOUTH-EAST ASIA seems to be in the grip of a bellicose spell. Hardly had the Laos tangle been resolved when reports appeared in the press that the Chinese Communists were amassing their troops along the Taiwan Straits. Only four years ago, the off-shore islands of Quemoy and Matsu, which are under the control of Nationalist China, were shelled heavily by the mainland Chinese. Beyond wasting the shells, the Communists gained nothing—strategic or otherwise. Communist China's renewed militant activities at this hour when the country is plagued by food shortages are indeed intriguing. Ostensibly the moves are prompted by the fear—real or imaginary—of an offensive from Chiang Kai-Shek's forces to overpower the mainland.

An immediate outcome of these developments has been to prompt President Kennedy and Premier Khrushchev to make the position of the USA and the USSR clear in case of a flare-up in this area. In a news conference in Washington on June 27, 1962, Mr. Kennedy is reported to have said: "It seems important that the position of the United States Government be clearly understood. Our basic position has always been that we are opposed to the use of force in this area. In the earlier years, President Eisenhower made repeated efforts to secure the agreement of Communist China to the mutual renunciation of the use of force in the Taiwan area; our support for this policy continues.

"One possibility is that there might be aggressive action against the offshore islands of Matsu and Quemoy. In that event, the policy of this country will be that established seven years ago under the Formosa Resolution.

"The United States will take the action necessary to assure the defence of Formosa and the Pescadores. In the last crisis in the Taiwan area in 1958, President Eisenhower made it clear that the United States would not remain inactive in the face of any aggressive action against the offshore islands which might threaten Formosa.

"Exactly what action would be necessary in the event of any such act of force would depend on the situation as it developed. But there must be no doubt that our policy, specificaally including our readiness to take necessary action in the face of force, remains just what it has been in this matter since 1955."

Again, according to a press report from Moscow, Premier Khrushchev declared on July 2, 1962 that the Soviet Union would back mainland China in any military crisis in that zone. If Chiang Kai-Shek launched an offensive on the mainland, the Russian army would fight shoulder to shoulder with the Chinese forces. "This is not the first time the friendship of the Soviet and Chinese people has been tested" said Mr. Khrushchev.

Will Mao or Chiang Kai-Shek take initiative in raking up trouble when such firm statements have been made by the leaders of the two camps? If anyone of them does make a military move, the outcome is a foregone conclusion. There may be loss of lives on both the sides and some wastage of armaments, but in terms of territorial gains no one would gain. It would be a futile tussle.

A Letter to the Editor

GANDHI AND THOREAU

[We reproduce below the relevant portion of a letter addressed by Mahatma Gandhi to Mr. Kodanda Rao. Its significance lies in the fact that it gives a fuller amplification of the following quotation from Mahatma Gandhi, appearing at the end of the second paragraph of the Special Article, under the above caption, published in our issue of June 8, 1962: "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....." .

We are thankful to Mr. Kodanda Rao for providing us with this interesting letter. —Ed.]

WARDHA,
10th September, 1935.

Dear Kodanda Rao,

The statement that I had derived my idea of Civil Disobedience from the writings of Thoreau is wrong. The resistance to authority in South Africa was well advanced before I got the essay of Thoreau on Civil Disobedience. But the movement was then known as Passive Resistance. As it was incomplete I had coined the word Satyagraha for the Gujarat readers. When I saw the title of Thoreau's great essay, I began the use of his phrase to explain our struggle to the English readers. But I found that even 'Civil Disobedience' failed to convey the full meaning of the struggle. I therefore adopted the phrase Civil Resistance. Non-violence was always an integral part of our struggle.

Yours sincerely,
Sd/- M.K. GANDHI.



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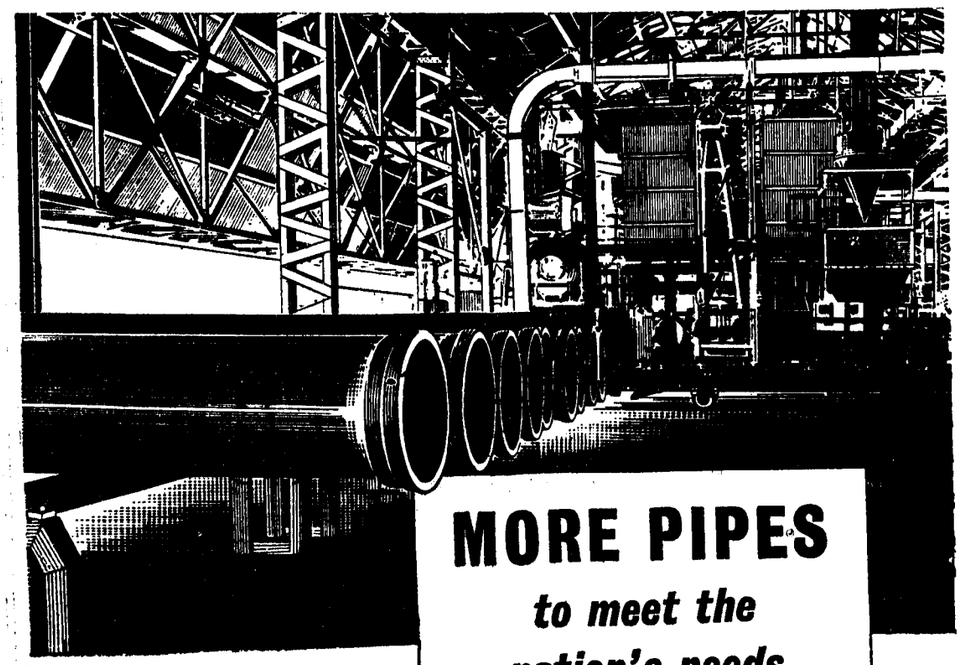
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The World Abroad

THE SEARCH FOR TRUTH

By ODYSSEUS

IN HER NEW BOOK, "From Fear Set Free" (Gollancz. London,. 1962. 25 sh.), Mrs. Nyantara Sahgal reveals herself as a domesticated woman, who centres her life on her family and children, but who yet manages to cultivate the intellectual interests that she acquired at college and from the Nehru and Pandit families into which she was born.

Whereas centuries ago it was possible for continents to lead, like mediaeval China, India, and Europe, isolated lives, unconscious of each other's existences, today modern communications — radio and jet air travel — have made us all conscious of each other. This would be all to the good were it not that modern weapons — the H bomb and inter-continental missiles — have at the same time made us all afraid of each other. The fluctuating major tensions between the USSR and the USA, criss-crossed by threats over Tibet, Nepal, Ladakh, Berlin, Laos, and elsewhere, together with rising unrest in Africa which has extended the cold war to that unhappy continent, spread anxiety in all corners of the world. This anxiety impinges less on the ordinary man in the Asian village or the European street, because these matters are, for the most part, and happily, beyond his grasp. But the intellectual shares Mrs. Sahgal's sense of individual helplessness before the knowledge that the decision to let loose a war which would end civilisation as we know it, rests with a handful of ministers and generals in Moscow and Washington, DC.

West Europeans and North Americans hold that the short term solution lies in maintaining a balance of nuclear power between the USSR and the USA so that both are deterred from using it by knowing that to start a war would mean the destruction of both. The long term solution, in their view, is to work for phased armaments reduction, controlled by inspection.

Mrs. Sahgal questions this global security system. At what stage does one feel really secure and what are all the bombs worth if they bring no peace of mind to their possessors? Mrs. Sahgal does not say so in so many words but the context of her argument suggests that the solution for her lies in Gandhi's code of non-violence. On learning of China's aggression against Ladakh, Mrs. Sahgal felt that if India had to defend its freedom, military strength would not satisfy her. She rejects "wanton destruction" and clings to non-violence. She would want to bar the way with her body, knowing that she might die, but that four-hundred million other, similarly pledged, would not all die. This, she says, was what Gandhi meant by sublimating physical to moral force. It had suffered setbacks but never for long. Great good is sometimes eclipsed but a thin stream of it continues to flow, enduring evidence of the creative principle that survives all disaster.

WHEN SATYAGRAHA WILL WORK

My sympathies are deeply with Mrs. Sahgal in her conviction of the vital importance of upholding moral values, but I believe that she confuses the argument by seeming to imply that satyagraha is the supreme and sole practical application of these values.

There are circumstances in which satyagraha will work, and where it is, therefore, infinitely preferable to violence, but there are others in which it will not work, and in which, I suggest, the highest morality consists in readiness to fight physically in defence of threatened values.

What did satyagraha in India prove? That it is a weapon which unarmed masses can use in a rebellion for political freedom against rulers who, sooner or later, respond to their consciences and to public opinion, their own and that of other countries. General Dyer's shooting at Amritsar in 1919 was a turning point in Indo-British relations, precisely because it shocked public opinion in both countries so deeply. In a Hitlerian or Stalinesque dictatorship, censorship would have prevented public opinion from hearing about Amritsar, and such a shooting of a "mere" 379 people would have meant nothing to the Nazis who reduced the Jews in Germany from several millions to a few thousands. There is no answer to a gas chamber or a machine gun if you are ready to use them ruthlessly.

In contrast, the Duke of Connaught, when opening the new Indian legislature in 1921, went out of his way to say "the shadow of Amritsar lengthened over the fair face of India". Note that he spoke as representative of the rulers and that his speech must have been approved as official policy. On the other hand, could India's Himalayan frontier be defended by satyagrahis? Mrs. Sahgal urges that four-hundred millions, pledged to satyagraha, would not all die. But first, the idea of persuading four-hundred millions to give up their lives as satyagrahis is wholly unreal: it is a physical impossibility. Even under Gandhi's leadership complete non-violence was never attained, as the killing of 21 policemen at Chauri Chaura in the U.P. in 1922 and around 600 acts of terrorism by Bengali and other terrorists between the wars testify. Nevertheless, supposing that four-hundred million were (a) capable of grasping the idea and (b) of carrying it out, the survivors would be free only as long as there existed an undefeated Indian army, aided by the soldiers of friendly countries. The satyagrahis might be a great help to these armies, but if the armies were defeated nothing could prevent the satyagrahis from losing their freedom. That 27 per cent of India's budget is spent on arms suggests that Mrs. Sahgal's uncle does not agree with her.

An idea, such as non-violence, only works with people sufficiently morally developed to respond to it. This does not dismay Mrs. Sahgal, who says that it has after all taken millenia for men to learn to walk upright, why, then, do people imagine that non-violence, the final stage of the process of refining human beings, can be arrived at quickly? This is to take a philosophical view of such extraordinary extended length as to be meaningless to you and me who have only a few score years to live on this earth. What matters to the Tibetans, for example, is what has happened to them here and now, in their present lives, not what may be possible fifty thousand years from now. What did happen to them?

YOU CAN'T LIVE IN ISOLATION

In 1950, without warning, Chinese armies invaded Tibet, which appealed to the UNO for help. To those who are always telling us that foreign policies should not be based on armed strength but "on the UNO", the outcome must have been a shock. The UNO de-

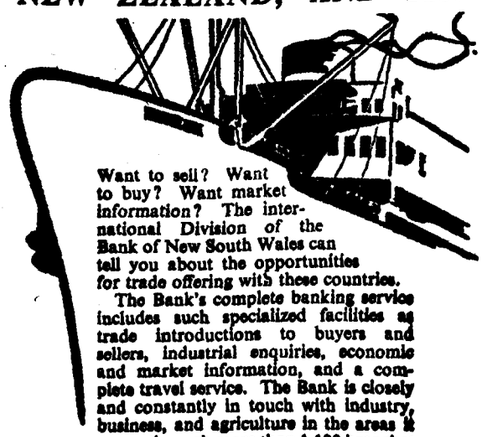
cided not to intervene on the excuse that the "legal position was not clear." Of India's attitude towards Tibet's appeal to the UNO, the Dalai Lama quietly writes in his book "My Land and People" (Weidenfeld & Nicolson. London. 1962) that it was "disappointing. We felt abandoned to the hordes of the Chinese army. Now we had to learn the bitter lesson that the world had grown too small for any people to live in harmless isolation." Within a few weeks the Chinese garrison in Lhasa rose to 13,000, requisitioning supplies on a scale which led "our simple economy to break down ..... the people of Lhasa were reduced to the edge of starvation ..... In this period of mounting tension," continues the Dalai Lama, "in which opposition merely angered the Chinese, I reasoned that violence was useless. The Chinese would always win if we fought ..... Our only hope was to persuade the Chinese peaceably to fulfil the promises made in their agreement. That meant co-operation whenever possible and passive resistance whenever it was not. For violent opposition was not only impractical, it was unethical." The Dalai Lama and Mrs. Sahgal see eye to eye. The outcome has been that the Tibetans are subject to alien rulers and an alien philosophy of life.

I do not suggest that the Tibetans could have resisted the Chinese by force. By then, it was too late. The fact is, as the Dalai Lama sadly recognises, the world has grown too small for any people to live in isolation. The solution is to cultivate the friendship of countries with like interests to one's own and to form part of a system of security, regional or global. This is a counsel of despair to the perfectionist, like Mrs. Sahgal. I feel, however, that what she leaves out of account is that evil as well as good exists in the world. Mrs. Sahgal's faith in non-violence is equivalent to faith in the ultimate triumph of good. I submit, however, that while evil can be held at bay, it can never be eliminated. Why? Various philosophers have given various answers, but only the materialists, like the Marxists, reject this view, because they reject free will. Unfortunately, one half of the world is subject to Marxist Determinism and the other half is either so well off materially, or so intensely pre-occupied with seeking material advance, that it is becoming indifferent to spiritual values.

Those who have striven to uphold spiritual values have, in all ages, been few. The masses are always average sensual men. In the past, however, the influence of the few has been sufficient to colour popular ideals. Exceptions to the spiritual leadership of the elite have been a few periods of history of striking increases in material prosperity when man has seemed to be rapidly attaining command over the universe. Then (as today) spiritual values are at a discount. C.E.M. Joad defines such a period of material prosperity and increasing spiritual indifference as decadent (see his "Decadence". Faber. London. 1948). In the past, such ages have ended in disasters, usually through barbarian invasions which have opened up "dark ages." Thereafter, there gradually emerges a renaissance of interest in spiritual values. In times of storm men are humble and remember God. But the advent of democracy has created a new factor, which may break the old circle of decadence and renaissance. Political flattery of the masses in democracies substitutes adulation of the lowest common denominator for respect for the culture of an elite and could render impossible the spiritual renaissances which have recurred in the past, and could ensure the permanent triumph of materialism.

There is no easy solution. Clearly, educated people have a tremendous obligation to perfect their understanding of eternal values and to persist in trying to influence popular thinking by their deeds and words. If, in addition, they have, like Mrs. Sahgal, a gift for writing, their opportunities for influence are wider and their responsibilities greater still. I may disagree with Mrs. Sahgal's belief that non-violence solves all problems, but in her search for the truth, and propagation of it, as she sees it, I am her devoted admirer. In the clash of argument between searchers, the truth becomes clearer.

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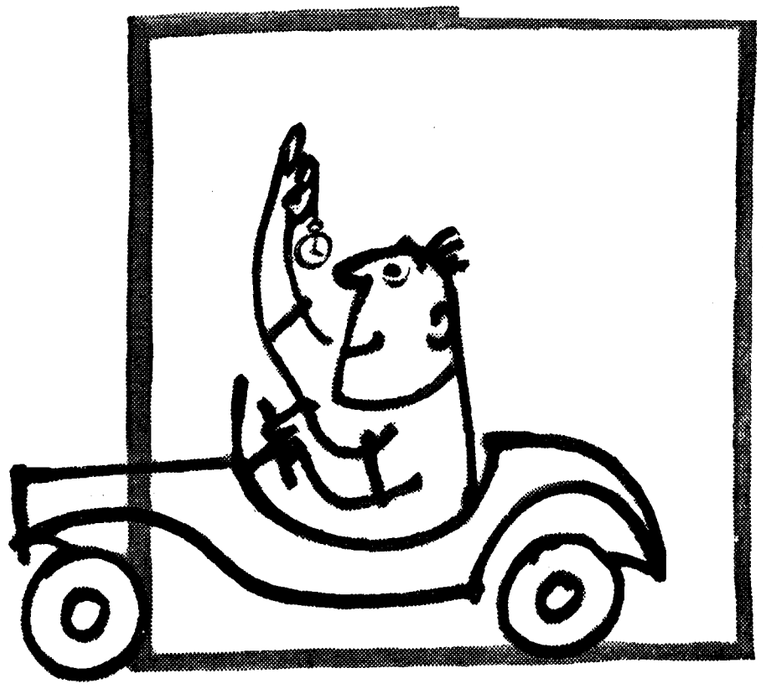
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Economic Report from the U.S.

U.S. CREDIT TO CANADA

By GUY SIMS FITCH

WASHINGTON, July 2.

ANOTHER convincing demonstration of the shared determination of five nations to help one another withstand capital outflows that threaten international monetary stability is provided by the extension of external credits to Canada. The assistance is truly massive in size and scope, involving more than $1,000 million from the United States and the United Kingdom, plus France, Germany, Belgium and the Netherlands—the latter four countries via Canada's first International Monetary Fund drawing.

The United States is making available $650 million to help its northern neighbour and long-time friend, despite its own balance-of-payments difficulties. This is nearly two-thirds of the total aid package, and underscores the key US role in world financial affairs. At the same time, the Canadian government has announced a number of unilateral steps to help defend the stability of its currency and reinforce its sagging fiscal and balance-of-payments positions. Admittedly, many of these could affect adversely the United States and other countries.

The projected increase in Canadian interest rates, for instance, could draw funds from and lead to increased borrowing in the United States, where interest rates would be lower. Also, while the Canadian government has given assurance that new surcharges, or added tariffs, on about half of Canada's imports are temporary, they could—especially if allowed to stand for long—have an unfavourable impact on the $9,200 million US-Canadian trade. These developments might tend to increase the US payments imbalance. The United States cannot help but recognize this risk, but it also recognizes its traditionally close ties with Canada and its interest in international efforts to stabilize and strengthen the free world's financial mechanisms. Moreover, the Canadian and US positions differ significantly, both in kind and degree.

While Canada has been running huge trade deficits, the United States has a healthy surplus in its trading accounts—its excess of exports over imports. The overall Canadian payments deficit, furthermore, is much larger than that of the United States in relation to the size of its economy, and it has been growing in an alarming fashion. The US payments deficit on the other hand, has been declining steadily in these past two years, and appears to be well under control.

In contrast to Canada's marked domestic inflation, the current US economic expansion has been largely non-inflationary in charactr, with price levels generally stable. This underscores the fact that every country mus approach its problems in the light of its own circumstances and its own international position. For the United States, with an economy and a currency that are basic to the free world's economic and financial progress, this has meant no general import restrictions, but rather an emphasis on increasing its trade surplus through an ambitious export expansion programme. The United States has no intention, of course, of retreating from its international responsibilities. It has been attempting, however, to cut back on its military outlays abroad and to curtail the net loss of dollars under its vast foreign economic aid programme—both major causes of its balance-of-payments troubles. Its goal is to have about 80 per cent of its aid outlays spent for the purchase of American goods and services.

In these efforts, the United States has been working with the Organization for Economic Co-operation and Development and other international bodies to have other industrial nations—particularly those with strong payments positions—assume agreater share of the common aid and defence burden. In addition, West European nations are being urged to widen their capital markets so as to reduce the drain on US dollars sustained through the constant tapping of US markets. Above all, the United States is demonstrating that its economy is competitive and that it can further accelerate a growth rate which, while commendable, has still to fully utilize the nation's vast productive potential. In view of the prominent international position of the United States, continued US economic growth in the present non-inflationary climate could contribute immeasurably to the economic strength of all free nations.

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Special Article

ECONOMIC GROWTH OF DEVELOPING COUNTRIES: 1950-51—1958-59

THE depressingly low rate of growth in gross domestic product of the developing countries is the central theme of the World Economic Survey, 1961. Pakistan, Honduras, Peru, Thailand, Portugal, Tunisia, Morocco, India, Chile, Indonesia, Ireland and Argentina all have growth rates of less than five per cent from pitifully low bases in many cases. India's place in this group should temper our enthusiasm and disturb our complacency. The growth of these countries has been hampered by the slow rate of industrialisation consequent upon shortages in foreign exchange. Their salvation lies in the expansion of the industrial sector and the promotion of the export trade. Will they be able to pursue their planned path to prosperity?

The analysis made by the UN Survey indicates a close correlation between the rate of growth in manufacturing production and gross domestic product. In almost all the underdeveloped countries the annual rate of growth in gross domestic product has lagged because of the slowness of the manufacturing sector; wherever an exception occurs when the rate of growth in manufacturing production has raced ahead of the gross domestic product, the results are to be interpreted with caution. This may be illustrated with reference to the case of Pakistan. Whereas the annual rate of growth in manufacturing production in Pakistan during 1950-51 to 1958-59 was 9 per cent, the rate of growth of gross domestic production was one-third at 3 per cent per annum. This is because in 1950-51 the industrial base in Pakistan was extremely small. Whatever increase occurred during the last decade, it tended to exaggerate the gains in percentage terms.

In almost all the developing countries the industrial sector constituted only a "minor segment" of the economy. In no case was industry more than one-fourth of the total economy. On the other hand, the advanced countries enjoy the privilege of having transformed their economies to such an extent as to claim more than half of the total output from the industrial sector alone. That shows the gap which needs to be bridged in order to industrialise the developing countries. Capital goods industries in particular need special attention. Currently in some of the advanced under-developed countries emphasis is being placed on this vital aspect.

The table below shows the relationship which exists between the growth in manufacturing production and

RELATIONSHIP BETWEEN GROWTH OF MANUFACTURING PRODUCTION AND OF GROSS DOMESTIC PRODUCT: 1950-1951 TO 1958-1959

Country	Annual rate of Growth (Percentage)		Manufacturing Production as percentage of Gross Domestic Product	
	Manufacturing Production	Gross Domestic Product	1950-51	Change from 1950-1951 to 1958-1959
Republic of Korea	19	5	7	6
China (Taiwan)	15	8	17	3
Venezuela	12	8	9	2
Brazil	11	6	20	9
Philippines	11	6	11	5
Jamaica	10	10	13	—
Pakistan	9	3	7	5
Rhodesia and Nayasaland	8	7	8	3
Congo (Leopoldville)	8	6	12	3
Greece	7	6	19	1
El Salvador	7	5	12	2
Honduras	7	3	9	3
Israel	6	9	24	—3
Algeria	6	8	12	—2.
Turkey	6	6	10	—
Colombia	6	5	14	2
Peru	6	4	16	1
Thailand	6	4	12	1
Mexico	5	5	21	—
Ecuador	5	5	14	—
South Africa	5	5	22	—1
Panama	5	5	11	—
Portugal	5	4	34	3
Tunisia	4	3	10	1
Morocco	4	2	15	2
India	3	3	17	—
Chile	3	3	15	—
Cyprus	2	5	15	—3
Indonesia	2	4	9	—1
Ireland	2	1	27	2
Argentina	1	2	23	—1

gross domestic product from 1950-51 to 1958-59. In the case of the Indian Union the rate of growth in manufacturing production as well as gross domestic product is the same at 3 per cent per annum. It may be asked as to why the manufacturing rate of growth has been so small while industrial investment has taken place on a wide scale since the beginning of the First Plan in 1951-52. The data used by the World Economic Survey is based upon the national income estimates prepared by the Central Statistical Organisation of the Government of India. While the share of the factory establishments has been steadily rising and has more than doubled during the last decade, the share of the small enterprises has been almost stagnant. The fact is made clear by a study of the table below. In the overall picture of industrial growth including both small enterprises and factory establishments, the rate of rise tends to be on the lower side. The index of industrial production relating to the organised sector of industry has, however, recorded a rate of rise of 7 to 8 per cent per annum on the average, while in the case of power generation the increase has been much higher at more than 15 per cent per annum.

INDIAN UNION: NATIONAL INCOME ORIGINATING FROM

(Rs. Abja)

	(a) Factory Establishment	(b) Small Enterprises
195-051	5.5	9.1
1951-52	6.4	9.5
1952-53	6.4	9.7
1953-54	6.9	9.8
1954-55	7.5	9.6
1955-56	7.8	9.7
1956-57	9.0	9.8
1957-58	9.8	10.0
1958-59	10.0	10.3
1959-60	11.1	10.8
1960-61	13.4	11.4

Abja=100 crores=1000,000,000.

One of the major limiting factors in the economic development of the under-developed countries arises from the balance of payments. Most of these countries have always depended upon their primary products for earning foreign exchange. The developing of export trade in manufactures has not increased significantly in recent years. Whenever the developing countries have attempted to compete with the advanced countries in manufactures, a number of obstacles arose—mainly of quality and price. In the case of those manufactures where even these hurdles were overcome, new problems appeared in the shape of economic grouping of industrially advanced countries. The Economic Survey particularly draws attention to the apprehensions of the developing countries in regard to the impact of the E.E.C. and the E.F.T.A. on their exports. If the developing countries are to march on the road to progress they must be assisted in the expansion of their export trade. Aid, on whatever scale, can only supplement their resources. Any steps taken to limit the foreign exchange earning capacity of these countries will nullify the impact of even the financial assistance offered by the industrially advanced countries.

The performance of the centrally planned economies in the sphere of foreign trade is encouraging, in percentage terms, as compared with the developing countries as well as the developed countries. During the past decade, the foreign trade of the centrally planned economies increasd at an average annual rate of 12 per cent which is nearly three times the rate of growth in foreign trade of the developing countries and nearly one-third faster than that the industrially developed economies. The less developed countries amongst the centrally administered economies have a happy record in expansion of foreign trade. They could not have achieved this vast rate of growth without speeding the process of industrialisation. Also, the economic co-operation between the centrally administered economies was one of the reasons for expansion in trade.

The fate of the under-developed countries is intricately linked with the developments in the advanced countries. According to the Survey, the current year may be another year of overall stability. The world economic indicators, however, show a different picture. It seems the halting progress witnessed in the United States in the first qurater of 1962 and the rather weak growth of the domestic demand in Western Europe and Japan are likely to slow down the tempo of development in the industrially developed countries which in turn will have their impact on the under-developed countries. The year 1962 may not give the necessary push for development to the under-developed economies because of the readjustments which are taking place in the industrial countries. There are clear indications of slackness in business expenditures and as a consequence the foreign exchange earning capacity of the developing countries will stand reduced. It may also reduce the volume of aid, thus further hitting the advance of the developing countries.

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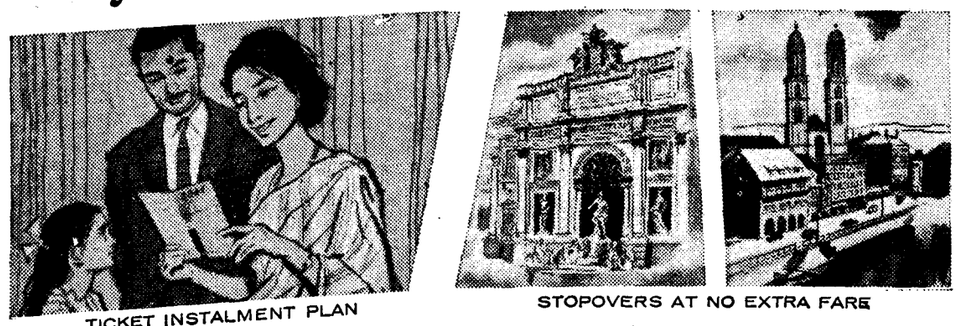
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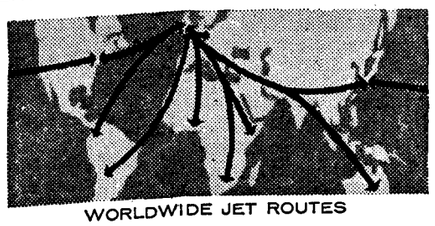
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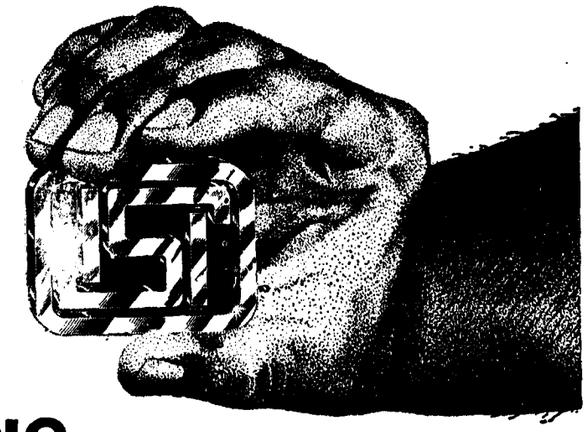


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THE BUSINESS WORLD

Costlier Credit Again

By

CROESUS

CALL it a process of trial and error, or a case of becoming wiser with experience, the credit control policy of the Reserve Bank of India has been undergoing changes from time to time, which is only as it should be. The first really stringent measure of monetary control to be imposed by the Reserve Bank of India was introduced in September, 1960 — to be precise, on September 21, 1960. It was from that day that the system of quotas and penal rates governing the borrowings of scheduled banks from the Reserve Bank of India has been in force. Actually, prior to this rather drastic move, the Reserve Bank had asked all scheduled banks to bring down bank credit during the slack season of 1960 by Rs. 110 crores. Although, in the event, the decline in bank credit was not even remotely anywhere near this figure, it must be conceded that the curb had a measure of success.

At any rate, the psychological impact of this drastic measure was so great that the Reserve Bank was obliged, within two months, to relax the rule regarding additional reserve requirement, and it was reportedly admitted by the authorities themselves that this was done with a view to assisting banks to meet the seasonal demand for credit against the background of the stiffening of the terms of access to Reserve Bank credit as per the Reserve Bank directive of September 21, 1960. An appeal was made to the scheduled banks last year also to bring about a normal seasonal contraction of credit with the same end in view as in the previous year, namely the enable the banks to take on the credit load of the succeeding busy season. The response in 1961 was better than in 1960 and it seems to be the intention of the Reserve Bank to bring down the bank credit this year even more sizeably than last year. "This year," says a Reserve Bank press communique accordingly, "the need for banks to secure normal seasonal return of funds is all the greater, in view of the pressures which have been in evidence on the price level and the necessity to hold the price-line in the interest of the exports in our external payments situation."

The fear of inflation that is implied here would appear to be certainly justified with the unpredictable effects of the reduction in imports and the fall in industrial production (may be also in agricultural production) on the country's price structure. It may be argued that these very two factors, namely, the reduction in imports and the fall in production will themselves contribute to a fall in the demand for funds from banks or bank credit. But, even so, financial circles feel, there is need to impound as much purchasing power as possible in the prevailing circumstances, and one of the sure ways in which this could be done is by tightening the scheduled banks' access to the Reserve Bank. This is precisely what the Reserve Bank's scheme of slab rates of lending (which has been transformed into a four-tier system in the place of a three-tier one that obtained hitherto) seeks to achieve by reducing the quota, on the one hand, and raising the penal rates, on the other.

The details of this system may be noted here for purposes of record. With effect from July 2, 1962, the size of the individual quotas of scheduled banks, which represent the amount which they can borrow at Bank Rate has been reduced to half of the amount in force till now; from now on, for each quarter, it will be the equivalent of 25 per cent (instead of 50 per cent) of their average statutory reserves required to be maintained by them with the Bank in the previous quarter. Thus, on borrowings upto 100 per cent of the quota, the Bank Rate (i.e. 4 per cent) will be charged. On borrowings over 100 per cent and upto 200 per cent, an additional rate of one per cent over the Bank Rate (i.e. 5 per cent) will be charged. On borrowings, over 200 per cent and upto 400 per cent of the quota, the additional rate will be two per cent above the Bank Rate (i.e. 6 per cent) and on borrowings in excess of this, it will be 2½ per cent above the Bank Rate (i.e. 6½ per cent).

These measures, it is stated, "are designed to induce banks to achieve a greater measure of self-reliance and reinforce their efforts to meet the growing credit needs of the private and public sectors through more effective mobilisation of financial resources." The banks are undoubtedly in a better position today than they were in 1960, thanks to the successful efforts of the Reserve Bank in persuading all banks to raise their paid-up capital and build up more reserves so as to bring about a better credit-deposit ratio. Many banks have ere now acted on this advice. Fortunately for the banks, their deposits also have been steadily increasing, partly due to the higher rates of interest now offered on deposits and partly due to the aggressive publicity campaigns of the banks. Thus, on June 2, 1962, the aggregate deposits of scheduled banks amounted to Rs. 2,005.54 crores, as against Rs. 1,766.15 crores on June 23, 1961, or an increase of nearly Rs. 240 crores. The relatively more comfortable position than in the previous years in which the scheduled banks find themselves today is evidenced by the fact that their borrowings from the Reserve Bank have fallen to the negligibly low level of Rs. 2.59 crores (as against Rs. 11.59 crores for the corresponding period in 1961) and their portfolio of investment in Government Securities has improved from Rs. 543.36 crores on June 23, 1961, to Rs. 583.36 crores on June 22, 1962.

What exactly the effects of the Reserve Bank's latest move would be remains to be seen. However, on the point that it would arrest the rising trend in prices, opinions seem to differ. For, as was maintained by this writer in September, 1960, in these columns, inasmuch as the borrowing from the banks will henceforth become more costly, there is bound to be an increase in industrial costs to a corresponding extent. It may be recalled that it is mainly the rise in industrial costs (brought about by the rise in prices of industrial raw materials and manufactures) that accounted for the perceptible rise in the commodity prices index in 1960. One can only hope that this would not be the outcome of the latest move.

Business Notes

Foreign Exchange Crisis

MULTI-PRONGED ATTACK

SOME FEVERISH thinking is apparently taking place in New Delhi for devising measures to overcome the current foreign exchange crisis shadows of which appear to be lengthening after the non-commitment by the Aid-India Club of its assistance for the current year of the Third Plan. The key role in this activity is envisaged to be played by the Union Minister without Portfolio, Mr. T. T. Krishnamachari, the Finance Minister, Mr. Morarji Desai, and the Minister for International Trade, Mr. Manubhai Shah. While Mr. Morarji Desai is at present on a tour of the West European countries which are members of the Aid-India Consortium, presumably with the object of prevailing upon them to finalise their commitments at a higher level so as to make available a matching assistance to the aid that has been promised by the USA for the second year of India's Third Plan, opinion here appears to be veering round to the view that any lasting solution of the current foreign exchange crisis lies in cutting down maintenance imports to the bare minimum and even freezing them at the level of the current export earnings of the country. This is considered to be absolutely necessary (though it will entail appreciable hardship and somewhat slowing down of the industrial tempo of the country) as India would thereby free herself from relying on foreign aid which should be exclusively reserved for import of capital goods that can be expected to yield returns without much time-lag. Utilisation of foreign exchange for import of capital goods too, it is thought, may have to be on a decreasing scale.

One should, therefore, not be surprised if further cuts in maintenance imports, over and above those announced last month, are resorted to. Low-priority imports, it is suggested in official circles, can be pruned further say by Rs. 25 crores per annum, especially by cutting down drastically the import bill of such industries as can be placed in the "non-essential" category. This may cause some unemployment in these industries, but opinion seems to be growing that this course should be preferred to the present device of keeping most, if not all, of the industries at the semi-starvation level. Further tightening of the licensing of new units is also not ruled out, for the grant of a licence to set up a new unit implies an obligation on the part of the Government to allocate foreign exchange required for its working. A fresh look on the Third Plan is as well envisaged (as was done in the case of the Second Plan in 1957-58) in order to determine the irreducible hard core of this Plan.

While the recent loans made available by the United States, the United Kingdom and West Germany and the $100 million fresh accommoration sought from the International Monetary Fund are expected to provide some elbow room for maneouvres on the foreign exchange front, it is just appropriate that the Ministry of International Trade has been asked to strive every nerve to step up export earnings. The forthcoming meeting of the Board of Trade at Calcutta on July 6, thus, assumes great significance, inasmuch as the crucial problem of cutting down industrial cost in the country is to be deliberated upon at this meeting. The fixing of targets for the country's principal exports, namely tea, jute manufactures and cotton textiles, is obviously a step in the right direction. A target of 231 million kgs. (Rs. 140 crores worth) for tea exports, of 8,30,000 tons (Rs. 150 crores worth) for jute manufactures and of Rs. 65 crores for cotton textiles are not beyond achievement, provided the industries concerned go all out in improving their present export performance. Fortunately the gravity of the situation is realised by these industries.

Banking

CREDIT CURBS HELP BANK DEPOSITS

IN THE year 1961, aggregate deposits of scheduled banks (excluding P.L. 480 deposits) increased by Rs. 180 crores (to a peak of Rs. 1,757 crores), as compared with a rise of only Rs. 102 crores in 1960. This expansion is the largest rise in scheduled bank deposits recorded in any year so far — the previous maximum increase was Rs. 163 crores in 1959. Time deposits made a major contribution to this growth, in that they rose by as much as Rs. 144 crores, while demand deposits increased by just Rs. 36 crores.

According to the "Report on the Trend and Progress of Banking" during the year 1961, just released by the Reserve Bank of India, the pressure on the resources of banks noticed in the previous year (1960) eased considerably during the year under review, as a result of a large accretion of bank deposits, coupled with only a moderate expansion in the volume of bank credit. This has brought about a noticeable improvement in the liquidity position of our scheduled banks. It may be noteworthy that this improvement has happened against the background of a higher economic activity in the country, but the forced improvement in liquidity position — for it is mainly due to the Reserve Bank's measures — may have also acted as a check to a still higher economic activity!

The reduced pressure on the resources of banks and the improvement in their liquidity position was naturally reflected in the reduction in borrowings from the Reserve Bank. Thus, according to the Report, the banks' borrowings from the Reserve Bank fell by Rs. 43 crores, as compared to a rise in these borrowings of Rs. 50 crores in 1960. For the same reason, and also by reason of the fact that the growth of advances was at a pace lower than that of deposit resources of scheduled banks, it became possible for the banks to increase their investments in Government securities by Rs. 39 crores to Rs. 439 crores in 1961; in sharp contrast to this, investments were actually liquidated to the tune of Rs. 96 crores in 1960 in order to meet the sizable rise in the demand for credit. Notwithstanding this, as the Report has pointed out, the investment-deposit ratio in 1961 still stood fractionally lower at 29.2 per cent — it was 29.4 per cent a year before — on account of the relatively greater pace of the increase in deposits during the Report Year.

The Report further goes on to observe that the three-tier system of overall restraint was continued throughout the year. Out of the two measures of general-credit restraint, introduced in 1960, namely, the additional reserve requirements and the system of quotas and slab rates on lending to scheduled banks, the former was withdrawn in January, 1961, in order to facilitate credit expansion by banks for seasonal purposes, as also for relieving the acute monetary stringency that had developed then. The Reserve Bank also sanctioned additional specified quotas to enable scheduled banks to borrow at the Bank Rate, and this was done, it is pointed out, to serve as an incentive to them to increase their lending to small-scale industries and co-operative institutions.

Woollens

HOW TO IMPROVE EXPORTS?

THE ONE problem that has been exercising the mind of Government spokesmen, as also of the business community, is the foreign exchange crisis that the country has been passing through. It is not surprising, therefore, that this subject should have claimed the particular attention of Mr. G. K. Singhania, Chairman of the Federation of Woollen Manufacturers in India. (F.W.M.I.).

Speaking at length on the present foreign exchange situation vis-a-vis the woollen exports and the future possibility for their expansion, at the 21st Annual General Meeting of that body, recently in Bombay, Mr. Singhania observed that the problem of promoting exports was basically linked with that of the effective utilisation of idle capacity of the industries, which, as is well-known, ranges from 40 per cent to 50 per cent, thanks to the shortage of foreign exchange. It was Mr. Singhania's view that, though the activisatiion of the idle capacity of the industry did not require capital investment, any initial expenditure of foreign exchange on the industry could be more than made up by compelling the recipiant units of the industry to export a certain percentage of their products. The issuing of additional installation spindles in the industry, at the time, when there is an acute shortage of raw materials, on account of the foreign exchange difficulty, he said, had forced the industry to run no more than 1½ shifts. In this connection, the F.W.M.I. Chief recalled the observations made by the Estimate Committee of the Second Lok Sabha that "the over-licensing of spindles in such excessive numbers has accentuated the problem of raw materials and worsened the already low utilisation of the existing productive capacity."

The F.W.M.I. Chairman also drew attention to the the fact that when an increase in export entitlements from 75 per cent to 85 per cent in 1960-61 was given to improve exports, the exports of fabrics, piece-goods hosiery and other items had actually declined. He felt that, even if the industry were given a cent per cent export entitlement instead of the present 85 per cent, the incentive would not be adequate for the industry to enable it successfully to compete in the world markets by reason of its worn out and out-moded machinery. Although the industry may not be in a position to increase its exports in view of the present exchange position, Mr. Singhania was sporting and imaginative enough to suggest that at least 10 per cent of the annual production would have to be earmarked for export and also that all manufacturers and/or exporters who received Actual Users' Licence for wool tops should deposit a part of the value every year and a pool, which should be under the control of Export Promotion Council, should be set up out of these deposits.

Two important factors, namely, high cost of production and low quality of products have been retarding the export promotion not only in this industry but in all the industries generally, stated the F.W.M.I. Chief, and without modernisation and rehabilitation of machinery, he added, there could be no other practical solution to the prsent impasse.

Non-ferrous Metals

INDUSTRY'S PLEA FOR CONTINUANCE OF PROTECTION

FOLLOWING THE Tariff Commission's recommendations of 1957 and 1959, protection to the non-ferrous metals industry was discontinued in all cases, but for a few items of semi-manufactures of non-ferrous metals and alloys, such as lead sheets, zinc sheets, zinc strips, copper rods (other than electrolytic copper rods), copper pipes and tubes, brass rods and brass pipes and tubes. Interests representing these items of manufacture recently again approached the Tariff Commission for continuance of protection. The Chairman of the Tariff Commission, Mr. K. R. P. Aiyangar, stated that this section of the non-ferrous metals industry had prayed for continuance of protection for a further period of three to five years. The case of the indigenous industry is that it is still suffering from several handicaps, such as inadequate supply of raw materials and shortage of qualified technical personnel, among others. Although the consumers of manufactures of this industry too are in favour of continuance of protection generally, they have also complained that the prices charged by the manufacturers are higher than the landed costs at which imports are made, or could be contracted.

Referring to the question of the capacity of the industry, Mr. Aiyangar noted that, at the time of the last inquiry, there were seven units engaged in the manufacture of one or the other item of non-ferrous semi-manufactures still in the protected list. With the establishment of three more units, the total has risen to ten. (However, only eight units, it would appear, have been registered with the Development Wing). The present aggregate capacity (on single-shift basis) has been estimated at 4,156 tonnes for copper or brass rods (three units), 4,121 tonnes for copper or brass pipes and tubes (three units) and 3,840 tonnes for lead sheets (three units) and 2,650 tonnes for zinc sheets or strips (two units). These are, of course, exclusive of the capacity in ordnance factories. Besides these, it is stated, there are also as many as twenty-eight small-scale industries engaged in manufacturing these items.

As against this, the current domestic demand has been estimated at 4,000 tonnes for copper or brass rods (other than electrolytic) 1,500 tonnes for copper pipes and 4,000 tonnes for copper and zinc tubes. The demand for zinc sheets and zinc strips has been estimated at 4,000 tonnes and 5,000 tonnes, respectively.

Barring a small indigenous production of copper, zinc concentrates and lead for the production of semi-manufactures, Mr. Aiyangar pointed out, the requirements of the non-ferrous metals industry for these virgin metals had to be imported. The current production is stated to be: copper (8,330 tonnes), lead (3,664 tonnes), and zinc concentrates (9,253 tonnes). As the Tariff Commission Chief pointed out, the production of copper, lead and zinc is expected to go up to as much as 32,000 tonnes, 18,000 tonnes, and 8,000 tonnes, respectively, by the end of the Third Plan period. But, even then, to quote Mr. Aiyangar himself, the indigenous production will fall far short of the domestic demand, which is rising at a very fast rate. Consequently, the bulk of the country's requirements will have to be met, perforce, by continued imports. This cannot be helped. But as the industry is not only to be assured of protection but also of supply of raw materials, involving expenditure of our precious and scarce foreign exchange resources, the indigenous industry owes it to the country to economise the use of imported raw material as much as possible by resort to practices such as reclaiming from waste that are adopted in other countries. Indeed, this must be insisted upon by the authorities as a pre-requisite not only to the continuance of protection, but also to the grant of import quotas and releases of indigenous raw materials.

New Issues

KIRLOSKAR - ASEA

TWO MORE companies are reported to have finalised their plans for securing public subscriptions for their capital.

Kirloskar-Asea Ltd., Bangalore, is approaching the public on July 9 for subscription to its 8,575 equity shares of Rs. 100 each. The subscription list closes on July 11, or later at the discretion of the directors.

The authorised capital of this company is Rs. 1 crore, all in equity shares. The issued capital is Rs. 25 lakhs. Of this, capital worth Rs. 8.5 lakhs is being subscribed by the Swedish collaborators, Messrs. Allmanna Svenska Elektrisa Aktiebolaget.

The company has been floated to undertake the manufacture of all kinds of machinery and motor control gears and switchgears (HT and LT), lighting arrestors and other electrical and mechanical equipment. It will be setting up its factory near Bangalore.

The total capital outlay on the project is estimated at Rs. 35.50 lakhs. The foreign collaborators have agreed to lend the company a sum of Rs. 10.5 lakhs to meet the foreign exchange expenditure on purchase of machinery in the E.P.A. area.

SANDVIK ASIA

SANDVIK ASIA LTD., a new company floated by the Swedish firm Sandvikens Jernverks Aktiebolag, Sandviken, in association with some Indian interests, to undertake the manufacture of the parent company's patented coromant tungsten carbide products, is expected to enter the capital market in the near future with an offer of 12,000 ordinary shares of Rs. 100 each. The authorised capital of the company is Rs. 1 crore, all in equity shares. Of this, capital worth Rs. 60 lakhs, is being issued in the first instance. Capital worth Rs. 36 lakhs will be held by the parent Swedish company and worth Rs. 12 lakhs by the Indian directors of the new company and their friends. The offer to the public is the residue of this initial issue.

The company has already set up its factory at Poona where the manufacture of rock drill steel, used in mining, dam and road construction, commenced a few months ago. Production of tungsten carbide tips, used for cutting tools and parts for wire drawing dies, is expected to start soon. The initial production of these tips will be from mixed powder imported from Sweden. It is, however, proposed to use ore from next year.

Chemicals

F.A.C.T. ACHIEVES A NEW HIGH

AT THE eighteenth annual general meeting of The Fertilisers and Chemicals Travancore Limited, the Chairman, Mr. T. A. Joseph, made a reference to the large-scale expansion that awaits the company in the coming few years. Having achieved the first stage of expansion, the company is preparing for the second one which also involves the installation of an oil gassification plant which is likely to be commissioned towards the end of August. With the introduction of this plant, the factory will not use wood gassification plant and, therefore, will no longer utilise firewood as raw material. This improved plant will be fed by raw neptha and is likely to achieve higher efficiency. With the completion of the second stage, the company's capacity would have risen to 30,000 tons of nitrogen per annum, the end-products being one lakh tons of ammonium sulphate, 33,000 tons of ammonium phosphate, 8,000 tons of ammonium chloride and 44,000 tons of superphosphate. The company also is engaged in the planning of third stage of its expansion for which the Government of India had sanctioned Rs. 4.27 crores worth of foreign exchange and credit facilities in UK, USA, West Germany and Switzerland. The capital investment involved in the third stage of expansion is nearly Rs. 10 crores. On the completion of the third stage, which is expected by the end of 1964, the output capacity of the company will be 200,000 tons of ammonium sulphate, 135,000 tons of ammonium phosphate and 25,000 tons of ammonium chloride. No further expansion of superphosphate is envisaged.

An important feature of this expansion plan is that the production of ammonium phosphate is to be expanded to the maximum extent. The by-product gypsum obtained in the production of ammonium phosphate will further be utilised to enhance the output of ammonium sulphate. This will result in substantial reduction of cost.

Another measure of higher efficiency achieved by the company is that it has already entered the foreign market for the export of ammonium chloride. In the years to come with higher output capacity all-round, the company would be in a position to export larger quantities. In addition to this entry in the foreign market, the company has started selling its superior know-how to various indigenous producers. For instance, some time back the company signed an agreement with Messrs. Project Engineers Private Limited, (engaged in the Planning and designing of chemical plants) to impart technical know-how on payment of royalty for the designing of plants for the manufacture of ammonium sulphate using direct neutralising process of ammonia and sulphuric acid. These are no minor achievements. They indicate that the company is going from strength to strength and in the years to come is likely to touch various other fields.

General Insurance

INSURANCE COUNCIL AND MR. KILACHAND

MR. TULSIDAS KILACHAND, Chairman of the New Great Insurance Company of India Limited, at the annual general meeting of the company, utilised the occasion to express his differences with the recent decisions taken by the Executive Committee of the General Insurance Council. He said that the Council was every time stressing the significance of the Code of Conduct and this time had introduced far-reaching changes in the Code and the Administrative Machinery. Instead of persuading the general insurers to abide by the regulations of the conduct, he believed that the Council should raise the issue of the revision in the Insurance Act. Various provisions of the Act originally applicable to life business had become obsolete ever since the nationalisation of that section of insurance. Naturally, therefore, many of the provisions included in the Insurance Act are unrelated to the real facts. This is the time that the Act is simplified to be made more effective and constructive.

Another point of difference with the Council was in respect of reduction in the fire premium rates. He said the Council wanted the insurers to believe that there was a substantial margin of profit at the present fire rates which ultimately provoked the companies to indulge in several unhealthy practices. Mr. Kilachand pointed out that this being the third reduction during the last eight years, might not really eliminate such practices if the past two reduction failed to do so. He quoted the instances of marine and miscellaneous accident businesses where the margin of profit was very low. Even in these businesses these practices did prevail. The lower margin, therefore, could not be a guarantee of the elimination of such practices. He further indicated that these comparatively attractive margins of profit in fire business did compensate to some extent the losses sustained by the insurers while they catered to their clients' requirements for business in marine and miscellaneous departments. He, therefore, rightly urged that the authorities should refrain from any further reductions which would only weaken the Indian insurance and impair their healthy growth.

FROM THE CAPITAL'S CORRIDORS

HINDUSTAN STEEL REORGANISED

THE main features of the reorganisation of Hindustan Steel Limited—Government of India's undertaking entrusted with the responsibility of constructing and maintaining steel plants in the public sector—were announced this week by Mr. C. Subramaniam, the Union Minister for Steel and Heavy Industries.

The main object of the reorganisation, which has been introduced with effect from July 1, 1962, is to ensure that the General Managers at the plants are treated as the effective operational heads and are squarely charged with the responsibility for the efficient functioning of the plants. To enable them to do so, it is clearly necessary that they should have adequate powers to take important decisions in the interest of operations and should have the necessary authority to vary general policy decisions to suit special circumstances.

Under the scheme it will be the General Managers at the plants who will be responsible for their effective operation. The responsibility of the Board of Directors of Hindustan Steel will be limited to general policies, supervision, planning and co-ordination. In consequence, reference from the plants to the Head Office on matters of detail will be drastically curtailed, if not entirely eliminated.

FULL POWERS TO GENERAL MANAGERS

The General Managers will have almost full powers within the budget which is allotted to them, so that itemised control from Head Office should disappear. The main responsibilities of the Board of Directors will be exercised through control over the budget, through a system of reports and returns and through inspections.

For the delegation to the General Managers to be effective, it has been simultaneously provided that the General Managers must in their turn sub-delegate their powers to appropriate officers within the plants. They are required to prepare schemes in this regard by the beginning of the next month.

The General Managers are also being advised to constitute appropriate committees in the plants to ensure that the powers conferred on them are exercised in a regular and un-exceptionable manner.

Opportunity has been taken of this reorganisation to examine also what further powers can be delegated by Government to the Board of Directors of Hindustan Steel. The present procedure is that even though a large project may have been approved by the Government, detailed approval of the Government is also needed for all expenditure by HSL in excess of Rs. 40 lakhs. This has sometimes led to avoidable delays and it is, therefore, now being provided that where a proposal regarding capital expenditure has already been accepted by the Government in its broad details, it will no longer be necessary for HSL to refer to the Government for approval any components of the project even though those components may cost over Rs. 40 lakhs.

No limit is being placed on this amount, the only limitation imposed being that if the cost of the components exceeds by more than 10 per cent the original estimate, revised approval of the Government will be necessary. For other schemes which have not been approved by the Government, the powers of HSL to incur capital expenditure are being raised to Rs. 50 lakhs from Rs. 40 lakhs.

POWERS OF APPOINTMENT

At present, HSL is authorised to make appointments on salaries up to Rs. 2,000 a month without reference to the Government. This limit is being raised to Rs. 2,500 a month.

It has also been decided that the provision in the Articles of Association that a Director may reserve for the approval of the President any matter which he considers important enough to be so reserved should be removed. This takes away veto powers from the Directors. The Chairman, however, will be authorised to reserve important matters for Government's approval if he considers this necessary.

A provision in the rules requires that the General Manager must consult the Financial Adviser of the Plant in almost all matters in which financial outlay is involved. In practice, the working of this rule has not been satisfactory, leading to delays. It is felt that the procedure at present is somewhat rigid. The General Managers are, therefore, being asked to lay down their own rules of business regarding matters on which they may consult the Financial Advisers. These proposals are to be submitted within a month and will be considered by the Government then.

PERSONNEL MATTERS

On personnel matters, practically full powers are being given to the General Managers except that recruitment and promotion to the grades of the Assistant Superintendent and above, e.g., the higher managerial grades, will still require a reference to the Board of Directors. This is considered necessary to ensure that in promotion to these higher grades the claims of suitable persons in all the three plants are duly considered. A standard force has been laid down for each plant. The General Managers will normally be expected to work within the standard force laid down. For provision of incentives to the workers, each plant management will be preparing its own scheme.

On the construction side, the General Managers will be made fully responsible for their expansion programmes.

For purchases, it is proposed to have a Central Wing to deal only with certain important raw materials, such as iron ore, coal, limestone, manganese, dolomite and refractories on which a common purchase policy is necessary. For other purchases, the responsibility will be that of the plants. But there will be only one Chief Controller of Purchases in charge, both of the Central Wing and the three separate wings.

In respect of the separate wings, the Chief Controller of Purchases will act as the agent of the General Managers and take instructions from them. In respect of the central purchases, the Chief Controller of Purchases will, however, act under the Board of Directors of HSL.

The best organisation for sales still remains to be settled. The point for examination is whether a centralised system or a decentralised system or a system which is partially centralised and partially decentralised is the best. A decision on this important matter is expected to be arrived at shortly.

NO ITEMISED CONTROL

The control of the Board of Directors over the General Managers will be exercised through the budget and also by way of periodical reports and statistics, of production and costs and by inspections.

Control through the budget means that the General Managers will be expected to function within their budget and where the budget is related to production, if production varies from that estimated earlier, suitable

alterations in the budget will have to be made by reference to the Head Office.

As a result of the disappearance of itemised control of the Head Office, it is intended to change the methods of working at the Head Office with a view to avoiding filing and noting drastically. Reduction of staff at the Head Office would also necessarily follow. The objective will be to see that this staff is absorbed in suitable vacancies either at the plants or in sister companies and corporations.

No immediate change is being made in the composition of the Board of Directors. It is considered necessary to wait and see the results of the revised system in practical operations before a decision is taken whether any change in the set-up of the Board of Directors is needed.

The reorganisation effected in the HSL set-up is expected to result in healthy competition among the three public sector steel plants.

ALLOY STEEL

The following capacity, category-wise, is planned for the Alloy and Special Steel Plant, to be set up at Durgapur:-

(Metric tons per year — finished saleable steel of acceptable quality)

Steels	Sections	Billets	Sheets	Forgings	Total
Tool	8,000	2,100	2,300	600	13,000
Constructional	12,000	3,000	1,000	1,500	17,500
Stainless and Heat-resisting	2,500	500	14,000	..	17,000
Die Blocks	—	—	—	500	500
TOTAL	**22,500**	**5,600**	**17,300**	**2,600**	**48,000**

RESOLVING COAL SHORTAGES

The Railway Ministry has decided to provide another 120 wagons per day for moving coal from Bengal-Bihar coalfields. The additional wagons were to be made available with effect from July 1. This was disclosed by Sardar Swaran Singh, the Union Minister for Railways, at a Press Conference here last week.

The provision of additional wagons, the Minister added, had become possible due to increased production of railway wagons in the country. Hitherto, the Railways were making available 4,800 wagons a day for moving coal from the Bengal-Bihar coal belt.

Some relief on the coal front is also likely to accrue because of recommissioning of the Kurasia coal-mines in Central India which had to be shut down last year as a sequel to out-break of fire there. The Railways are providing 130 wagons a day to move coal from these mines whose output is estimated at nearly one million tons per annum.

The distress caused by coal shortages in Western India and some parts of South India may also be alleviated to some extent if the planned target of two million tons coal movement by sea materialises in the near future. At present, movement of coal by sea is of the order of 1.5 million tons. The Railways, according to Sardar Swaran Singh, are in a position to supply wagons for moving this additional 5 lakh tons of coal from the collieries to the ports from where movement by sea is to be effected.

Meanwhile, The Coal Council of India, which met here last week under the Chairmanship of Mr. K. D. Malaviya, the Union Minister of Mines and Fuel, urged upon the Planning Commission and the Union Ministry of Irrigation and Power to study jointly with the Ministry of Mines and Fuel the problem of power shortage which is hampering coal production. This is considered to be essential in the interest of achieving the Third Plan coal target.

The Council felt that because of the strain on the railway system, attempts should be made to carry power instead of coal. With this end in view, the Council resolved: "Considering that transport of coal is mostly done by railways which are already overstrained in this respect, this Council is of the opinion that unless unavoidable, no additional transport burden should be placed upon them in respect of coal for short distances. This Council is, therefore, of the view that where thermal power stations or coal washeries are planned for short distances, these must as a rule be located at the coalfields from which the supplies of coal are to be obtained. Consideration of State requirements of power and coal should not come in the way of economic location."

The Council was also of the view that even in respect of thermal power houses and washeries already planned, their exact location may be further reviewed to avoid placing additional burden on the Railways.

At the Council's meeting, Mr. K. D. Malaviya also held out an assurance to the private sector coal industry that "although under the Industrial Policy Resolution, the development of coal was envisaged in the public sector, he would like to ensure profitability and prosperity to the private sector so long it was there."

Some new light is now available on the marginal increases allowed by the Government in coal prices a few days ago. The Government, it is stated, took the decision of effecting ad hoc increases in prices in order to avoid delay that would have been caused if the colliery-owners' plea for higher coal prices had been referred to a Price Enquiry Committee for analysis and advice. It was felt that any delay in granting an increase in coal prices, however small, would have removed the feeling of urgency for stepping up coal output. Fall in the production of superior quality coal from 17.6 million tons in 1960 to 16 million tons in 1961 is also understood to be a motivating force behind Government's decision to grant a comparatively greater increase in the prices of high-grade coals. The price increases announced on June 13, official sources think, should help in stepping up coal production.

With a view to making available to the private colliery-owners additional funds for stepping up coal output, arrangements are being made to provide loans to the industry. The Industrial Finance Corporation and its counterparts in the States are stated to be taking keen interest in this matter. It is also envisaged to utilise the services of the National Industrial Development Corporation for giving loans to the coal industry; conditions are proposed to be created by which the grant of such loans would be made easy.

The Government is also understood to be considering some prompt measures to remove the other difficulties that are being faced by the coal industry. Power supply to collieries is envisaged to be stepped up in the near future. Similarly, supply of explosives is also proposed to be made adequate.

To facilitate movement of coal from collieries to the consuming centres, methods are being devised to open up the river and canal systems in the country. It is hoped that coal would soon be moved on the Ganges and the Gaghra rivers to certain centres of consumption in North India. Special types of boats, it is stated, are being built for this purpose. Road transport is also being strengthened with a view to relieving the pressure of coal movement on Railways. It is hoped by official circles that by October next, road transport will start moving coal in a far greater measure than at present.

Thought is also being given by Mr. K. D. Malaviya for moving coal by pipeplines. But how far this will materialise in view of the high cost of constructing pipelines and the lack of facilities at the consumption centres to make use of powdered coal, it is difficult to say.

INDIA AND E.E.C.

Advices from Brussels suggest that the three-day Ministerial Conference of the European Economic Community, held last week, has acceded to India's request that the consideration of the issue of textile exports from India, Pakistan, and Ceylon to the Common Market, after Britain joins it, should be postponed till India's Finance Minister, Mr. Morarji Desai, who is reaching Brussels on July 5, has had discussions with them. Agriculture, nil tariffs, association and trade problems of India, Pakistan and Ceylon were the main topics of discussion at this Ministerial meeting.

The principal features of the scheme that is understood to be under discussion in regard to above are:

(1) Declaration by the E.E.C. recognising the importance to India, Pakistan and Ceylon of trade with a view to their earning foreign exchange and developing their economies.

(2) Intention of the E.E.C. to co-operate in the development of these countries.

(3) Intention to negotiate a general trade agreement with India and with Pakistan (and with Ceylon if it wishes) to achieve the above objects.

(4) Provision for consultation with the three countries about the operation of new arrangements when operating.

(5) ***Cotton Textiles:*** (a) Decalage until 1970 in application of the common tariff to Indian and Pakistani cotton textiles; (b) Provision for remedies if the effect of the common external tariff is to reduce exports of cotton goods (from India and Pakistan) below a stated base level for each country and in particular for the Commission to keep a watch on the level of imports and to be able at any time to propose remedies; (c) Provision for remedies to be applied by Britain alone in default of agreement on community remedies within three months of a report by the Commission; (d) Maintenance of Voluntary limitation at levels covered by present agreements.

(6) Instead of duty-free quotas for a limited number of industrial products, provision for a very gradual application of common tariff over the period up to 1970 on all or substantially on all products.

(7) Reduction of common tariff by amounts still to be negotiated on tea, East India kips, hand-knitted carpets, coir mats and minor items such as cricket bats.

(8) Some provisions still to be negotiated for tropical products other than tea, and for processed agricultural produce.

As already reported in this column, India would like the Indo-British Trade Agreement to be extended to the E.E.C. after Britain joins it. The United Kingdom, it is believed, is fully aware of India's desire to have duty-free access to the Common Market in respect of her major exports, preferably for an indefinite period or, at any rate, till the trade agreement is negotiated between India and the European Economic Community. The E.E.C. authorities are reported to be against both of these alternatives. They are insistent that some part of the common tariff should be made applicable to Indian imports into the Community after Britain's entry into it.

So far as textile exports from India are concerned, the opposition of the British textile industry to duty-free imports of the so-called cheap textiles from the East, namely India, Pakistan and Hong Kong, is well-known. The textile industry of the E.E.C. similarly is understood to be nervous on this account. Against this background, Britain obviously faces an uphill task in securing favourable terms for Indian textile exports to the Common Market.

The E.E.C. has already agreed to reduce the common tariff on tea from 18 per cent to 11 per cent.

On industrial products other than cotton goods and jute manufactures, there seems at present little prospects of persuading the E.E.C. to agree to duty-free quotas except possibly on a tapering basis for a limited number of items. This question is understood to be under close study by the Government and India's reaction to it is likely to be communicated to Brussels by Mr. Morarji Desai and Mr. K. B. Lall.

CENTRAL GOVERNMENT'S NEW LOANS

The Government of India has announced its borrowing programme for the current year. It is to raise Rs. 250 crores and is floating the following three loans on the terms and conditions stated against them:

(i) A further tranche of the existing 3¾ per cent National Plan Bonds—Fifth Series (3¾ per cent 1968)—at Rs. 99.20 per Rs. 100 (Nominal), repayable at par on May 12, 1968.

(ii) A further tranche of 4 per cent Loan 1972—at Rs. 99.20 per Rs. 100 (Nominal), repayable at par on August 1, 1972.

(iii) 4½ per cent Loan 1985—at Rs. 100 per Rs. 100 (Nominal), repayable at par on July 12, 1985.

Subscriptions are to be invited in the form of cash/cheque or securities of 2¾ per cent Loan 1962 or 3¼ per cent Bonds 1962. They will be received from July 12 to July 14, but the subscription lists may be closed earlier without notice as soon as the total subscriptions amount to Rs. 250 crores. The Government reserves the right to retain subscriptions upto ten per cent in excess of the notified amount.

The securities of 2¾ per cent Loan 1962 and 3¼ per cent Bonds 1962 will be accepted for conversion at Rs. 99.50 and Rs. 100, respectively, per Rs. 100 (Nominal). Interest on 2¾ per cent Loan 1962 will be paid upto July 11, 1962. Interest on 3¼ per cent Bonds 1962 will be paid for the full half-year ending July, 15, 1962.

Interest on the securities to be issued will accrue from July 12, 1962. Interest on the 3¾ per cent National Plan Bonds—Fifth Series (3¾ per cent 1968)—will be paid on November 12, 1962, for the period July 12, 1962, to November 11, 1962, and thereafter half-yearly on the 12th May and 12th November. Interest on the 4 per cent Loan 1972 will be paid on August 1, 1962, for the period July 12, 1962, to July 31, 1962, and thereafter half-yearly on the 1st February and 1st

August. In the case of 4½ per cent Loan 1985, interest will be paid half-yearly on 12th January and 12th July.

Interest on the securities will be liable to tax under the Income-Tax Act, 1961.

IAC's BUDGET ESTIMATES

The Indian Airlines Corporation expects to earn an overall profit of approximately Rs. 81 lakhs during the year 1962-63. According to the budget estimates prepared by its management, the operating revenue is anticipated to be of the order of Rs. 1,748 lakhs and operating expenditure in the neighbourhood of Rs. 1,679.93 lakhs. This will leave a surplus of Rs. 68.07 lakhs, which coupled with the non-operating revenue, estimated at Rs. 13 lakhs, makes the overall profit of Rs. 81.07 lakhs.

These budget estimates are based on a series of assumptions, which, according to the Corporation, may not hold good till the end of the financial year. One uncertain factor is the periodic foreign exchange allotments for the import of equipment and spares. Any cuts in these allotments will undoubtedly have their impact on the total capacity produced. As a result, the actual performance may be at variance with the estimates.

The increased yield expected in the revenue of the Corporation during the current financial year—1962-63—is expected to result from fleet augmentation and more intensive aircraft utilisation. The Corporation added to its fleet early this year four Viscounts. A second batch of five Friendships is envisaged to be phased in before March next year.

The budget assumes that the utilisation of Viscounts will top the 3,000-hour mark per aircraft, against 2,594 hours estimated for 1961-62. Increased utilisation has also been planned for the Friendships, Skymasters and Dakotas. But since these estimates were prepared, the Skymaster utilisation is likely to go down in view of the damage sustained recently by two aircraft of this type.

The capital budget of the Corporation takes into account the possible purchase of jet equipment, at a cost of nearly Rs. 900 lakhs, to replace Viscounts on trunk routes. A Friendship Type trainer, costing about Rs. 14.52 lakhs, has also been provided for in the capital budget for the current financial year. The Corporation has a Viscount Type trainer installed at Hyderabad.

The Corporation's cost per available tonne-kilometre is envisaged to go down from Rs. 1.22 (revised estimate) in 1961-62 to Rs. 1.15 in 1962-63. The actual cost per available tonne-kilometre in 1960-61 was Rs. 1.19.

The revised estimates for 1961-62 show a possible loss to the Corporation of Rs. 10.91 lakhs only, as against the original estimate of Rs. 60 lakhs.

The following table gives the Corporation's budget estimates at a glance:

IAC'S BUDGET AT A GLANCE

	1960-61 Actuals	1961-62 Original Budget	1961-62 Revised Estimates	1962-63 Budget Estimates
		(Lakhs of Rupees)		
Revenue Hours	119,459	124,118	119,815	136,775
Operating Revenue	1306.27	1361.75	1470.20	1748.00
Operating Expenditure	1298.96	1411.63	1497.51	1679.93
Operating Profit/Loss	7.31 (Profit)	49.88 (Loss)	27.31 (Loss)	68.07 (Profit)
Non-operating Revenue/Expenditure (Net)	2.63 (Exp.)	10.12 (Exp.)	16.40 (Rev.)	13.00 (Rev.)
Profit/Loss	4.68 (Profit)	60.00 (Loss)	10.91 (Loss)	81.07 (Profit)

SUGARCANE PRICES FOR 1962-63

The Government of India has decided that from the commencement of the sugar season 1962-63, cane prices should be linked with sugar recovery. In coming to this decision, the Government, it is stated, had before it the advice of the Tariff Commission.

For the sugar year 1962-63, it has been decided to maintain the price at Rs. 1.62 nP. per maund of sugarcane for delivery at the gate of the factory, but link it to a recovery of 9.8 per cent. A discount or premium, as the case may be, shall be allowed on this price at the rate of 1.5 nP. for every 0.1 per cent fall or rise in the average certified recovery of the factory for a prescribed duration during 1961-62 season, provided that the minimum price payable shall be Rs. 1.50 nP. per maund for a recovery of 9 per cent or less. The price for delivery at purchasing centres connected by rail shall be Rs. 1.50 per maund of cane with corresponding discounts or premia at the prescribed rate provided that the minimum price payable at such centres shall be Rs. 1.38 per maund of cane for a recovery of 9 per cent or less.

In order that cultivators and factories have sufficient advance notice of Government's intention about the production of sugar during 1962-63, the Government has decided that the total production in the coming year should not fall below the production in 1961-62.

DIESEL LOCOMOTIVES: CZECH OFFER

The Sales Manager of CKD-Praha, Mr. M. Kortus, and the Manager of the Locomotives Department of Strojexport, Praha, Mr. Josef Taurek, are here to explore the possibilities of exporting to India diesel locomotives manufactured by their company in Czechoslovakia. They have already had exploratory talks with the Railway Board and the Ministries of Planning, Transport and Commerce in this regard and discussed with them the prospects of India's importing some of these locomotives, presumably on rupee payment.

The response from the Indian side is stated to have been encouraging. It has been suggested that a team of Indian experts should visit Czechoslovakia to study the technical details of this proposal. The prospects of India importing these locomotives in the near future, however, are not considered to be so bright in view of the foreign exchange difficulties which stand in the way of any large-scale dieselisation of Indian railways. The Czech firm is anxious to enter the Indian market when the opportunities arise and it is primarily for that purpose that the present exploratory talks have been initiated by it.

The Czech diesel manufacturers entering into collaboration arrangements for the manufacture of their locomotives in India is not ruled out, but detailed dis-



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Research...to make Indian products compete in world markets, to explore new avenues of creative thinking, to confer the benefits of science on the man in the street. The Third Plan has earmarked Rs. 50 crores for research. An extensive programme will strengthen and expand existing research units, widen their range of activities, train new personnel and provide an adequate number of research scholarships and fellowships. The ultimate aim is best summed up by the Planning Commission—"to carry the application of science into the everyday life of the community".

Research makes good products better

Bird-Heilgers recognises that national research is closely linked to national development. The group's own research and quality control centre is expanding to meet increasing demands. Bird-Heilgers applies the results of research to production techniques. The rich dividend : products of a uniformly high standard, economies in the use of by-products and raw materials, development of new products, quick, easier manufacturing processes...The group translates research into results which benefit India's new and growing industries and, ultimately, the man in the street.

Towards a self-generating economy

A phrase on everyone's lips. A phrase that finds concrete expression in the urgent activity of an economy on the move. Bird-Heilgers reflects the nation's striving. The group delivers millions of tons of basic materials to the new blast furnaces. It produces jute goods, paper and board, air compressors and springs, and engineering and water treatment equipment. A project for the manufacture of coal washeries was the first in India. Planned diversification finds the group engaged in shipping, insurance, exporting and importing. Its agency department handles everything from heavy capital equipment to light consumer goods.

...and an exciting, promising future

The Five Year Plans are a challenge : existing industries must expand, new industries open up, per capita income increase. India needs more goods and services than ever before. Bird-Heilgers is alive to the problems of a growing economy. The group deploys the full potential of a century's resources, technical knowledge and executive skill to increase and broaden its activities...intensify its use of research...join the national drive to economic independence.

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BH/54

cussions will have to take place before any concrete proposal emerges in this regard.

Czechoslovakia has supplied to India in the past some steam locomotives and railway coaches.

IMPORT OF NON-FERROUS METALS FROM USA

The Government of India has removed one of the conditions for the grant of import licences for non-ferrous metals under the aid granted by the U.S. Agency for International Development. This condition is that "the supplier is not more than 49 per cent owned by stockholders who are not citizens of the United States."

Importers who have received or who may receive licences as established importers and actual users under non-project loans granted by the Agency for International Development would now be required only to obtain a certificate from their U.S.A. suppliers that (a) the commodities listed on the invoice were processed in the United States into the commercial product sold to the importer and that (b) the supplier is a United States citizen or a corporation, partnership or other association created under the laws of the United States.

IOC'S WORKING

The Government-owned Indian Oil Company (IOC), which was incorporated in Bombay on June 30, 1959, and started its actual trading activities about two years ago, can be stated to have established itself as a new nation-wide entity. The company is operating at present five main port storage installations at Kandla, Bombay, Cochin, Visakhapatnam and Calcutta and 26 inland distribution depots spread all over the country through which it markets a wide range of quality oil products such as Jyoti kerosene, high-speed diesel oil, aviation turbine fuel and furnace oil. During the past 22 months it has imported nearly 3,43,600 tons of oil products from Russia in 32 shipments. Of late, it has also started marketing or arranging to market the entire output of light diesel oil, tea drier oil, furnace oil, aeromex and petrol being produced at the Noonmati Refinery.

INTERNATIONAL CONFERENCE ON LEAD

The first International Conference on lead is scheduled to be held in the Connaught Rooms, London, from October 8 to October 12, 1962. It is being organised by the Lead Development Association, London, which acts as the Secretariat of the European Lead Development Committee, a newly formed body whose membership consists of the European Lead Development Association and other European lead producers.

Some 18 papers on the various aspects of lead industry will be presented at this conference by the leading authorities from France, Germany, Italy, Sweden, the United Kingdom and the United States. A couple of papers will deal with lead for batteries, cables and nuclear shielding.

TELEX SERVICE TO HAMBURG

A direct international telex service has been started between Bombay and Hamburg since last week. The international telex is a subscriber-to-subscriber, direct, instantaneous communication system. It provides identical printed records simultaneously, at both sending and receiving ends. Fast and accurate, its operation is very similar to that of the overseas telephone service except that the messages are exchanged by printed words via a teleprinter.

In India, telex service is now available from Bombay and Ahmedabad to Argentine, Australia, Belgium, Brazil, Bulgaria, Canada, Czechoslovakia, Denmark, Faroe Islands, Federal Republic of Germany, Finland, France, German Democratic Republic, Greece, Hong Kong, Hungary, Iceland, Irish Republic, Israel, Italy, Japan, Kenya-Uganda, Luxemburg, Malaya, Netherlands, Norway, Philippines, Poland, Singapore, Spain, Sweden, Switzerland, U.K., U.S.A. and U.S.S.R.

Similar services are proposed to be introduced during the Third Five-Year Plan for Calcutta, New Delhi and Madras. It is expected that international telex service from New Delhi will be available by the end of this year.

INDIA TO PARTICIPATE IN NEW YORK WORLD FAIR

The Government of India has decided to participate in the 'New York World Fair' to be held in 1964-65. The Fair is being organised with the object of 'promoting peace through understanding'.

In view of the importance of the project, a nine-member committee has been set up to advise the Government on various aspects of organising India's participation in the Fair. The committee will consist of Mrs. Indira Gandhi, Chairman, and Mr. D. S. Joshi, Dr. H. J. Bhabha, Mr. P. K. Panikkar, Mrs. Pupul Jayakar, Mr. G. L. Bansal, Mr. Gautam Sarabhai, Mr. S. K. Joglekar, and Mr. Sankho Chaudhari as members.

IN BRIEF ..

Mr. Aery, a representative of the Californian Chemicals Company, was here last week in connection with the plans to set up the coromandal fertilizer project. The U.S. firm is collaborating in this project, which is expected to go into production by the end of 1964 or early in 1965.

*

A Bombay firm will be shortly producing foam glass developed by the Central Glass and Ceramic Research Institute of Calcutta. This will save the country valuable foreign exchange to the tune of about Rs. 50 lakhs a year which sum is at present spent on importing cork-slabs (mainly from Portugal) for aid-conditioning, cold storage and various other developing industries. Foam glass has been found to be an excellent substitute for cork in this respect and can be used extensively in building, air-conditioning and cold storage industries as well as for insulating hot and cold pipes and tanks.

*

The Government of India has decided to allow upto the end of August, 1962, import of dry fruits, asafoetida, cumin seeds and medicinal herbs from Afghanistan by steamers via Iranian ports on C. & F. basis, subject to the condition that the importers will pay for the total C. & F. value of the imported goods by export of Indian goods to Afghanistan.

*

The validity of the permits issued for the import of hides and skins from Afghanistan by established importers and new-comers has been extended to cover the despatch of these goods from Afghanistan upto the end of September, 1962. Import of these goods will be permitted by steamers via Iranian ports.

*

The International Development Association, an affiliate of the World Bank, has extended a development credit of the equivalent of $15 million for assisting financing a project for the improvement and expansion of the Sone Irrigation System in West Bihar. The credit carries no interest but requires a payment of ¾th of one per cent per annum to be made as service charge.

HOW



KIND HEARTED



IS YOUR DIET?

Doctors now agree that heart ailments due to hardening of the arteries can be avoided by excluding saturated fats from one's diet. In fact, the use of an unsaturated cooking medium is highly recommended. Nature has provided such a medium in the form of safflower oil (kardi, in Hindi). Known as saffola, it is the ideal cooking medium for everyone and particularly for those over forty Saffola is nutritious, palatable, easy to digest and so economical. For health's sake get a tin of Saffola from your nearest store.

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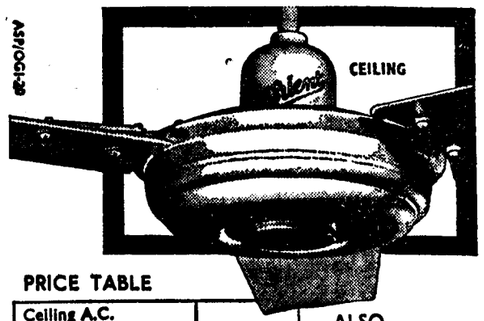
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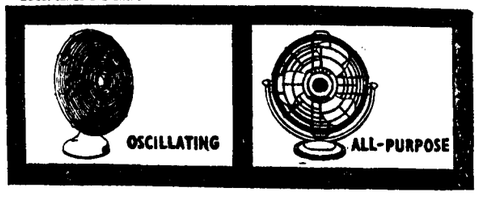


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COMPANY AFFAIRS

EQUITABLE COAL

During 1961 Equitable Coal Company Limited could not record favourable quantity of raisings because rail transport for coal movement was unfortunately not available during the first half of 1961. Moreover, there was a sever shortage of electric power in the Raniganj coalfields. The Directors indicated that Seam at Bhutgoria Colliery was exhausted, but that loss in production was made good by the output obtained from Selected Baraboni Colliery which was acquired in 1961 in exchange for the company's Haripur property. The company, however, is planning expansion round Mouza Khottadih. The sales of coal during the year brought in Rs. 3.99 crores as against Rs. 3.93 crores during the previous year. Profit for the year at Rs. 24.5 lakhs was, however, Rs. 6.42 lakhs after making adjustments for depreciation, taxation, etc. The Directors proposed the payment of a dividend on ordinary shares at the rate of 10 per cent which will absorb Rs. 2.96 lakhs.

NEW STANDARD

The working results of New Standard Engineering Company Limited for the year to March 31, 1962, show a gross profit of Rs. 22.20 lakhs against Rs. 18.04 lakhs during the previous year. The sales during the year also were higher by nearly 33 per cent at Rs. 1.59 crores against Rs. 1.19 crores during the previous year. After making provision for depreciation, development rebate reserve and taxation, the Directors recommended the payment of a dividend at the rate of 9 per cent on 50,000 equity shares which will absorb Rs. 4.50 lakhs. Out of the balance Rs. 50,000 were transferred to general reserve. During the year, it may be added, the fixed assets of the company increased by nearly Rs. 26 lakhs.

SELECTED SATGRAM

During 1961 Selected Satgram improved its raising by 28 per cent at 3.69 lakh tons. Despatches were also higher by 30 per cent at 3.49 lakh tons. It was indicated that the performance of New Satgram Colliery, the biggest unit of the company, was not upto the mark because of the declaration in February 1961 of expenditure on repairs and renewals. The company has expansion plans for their mines in collaboration with Messrs. CEKOP of Poland and Sofvemines of France. Dividend during the year was Rs. 14 per share as against Rs. 16 during the previous year.

NEW ISSUES

The Controller of Capital Issues has granted consent to the following companies to raise capital. The consent in all cases is valid for twelve months.

The Commercial Ahmedabad Mills Limited, Ahmedabad, has obtained the CCI's consent for issuing bonus capital of Rs. 5,77,500 (in 2,310 equity shares of Rs. 250 each) in the ratio of one bonus share for every six shares held, on capitalisation of company's reserves.

Madura Mills Company Limited, Madura, has been authorised by the CCI to issue debentures of the value of Rs. 125 lakhs at par. The debentures will carry a rate of interest not exceeding 6½ per cent. The proceeds will be utilised on a compressive scheme of modernisation and expansion.

Nanubhai Industries Private Limited will issue Rs. 1 crore capital in equity shares of Rs. 100 each to be offered to the public for cash at par. The proceeds will be utilised in the existing plant for the manufacture of nylon.

Elpro International Limited, Bombay, a new company, has been permitted to issue capital of Rs. 85 lakhs in equity shares of Rs. 100 each at par. This will be subscribed as to Rs. 42,50,000 by Messrs. General Electric Company, U.S.A., Rs. 8.5 lakhs by the Indian Employees of GEC of (India) Ltd., Rs. 12,75,000 by Investment Corporation of India Limited, its friends and associates and the balance of Rs. 21,25,000 by the Indian public through prospectus. The proceeds of the issue will be utilised for the manufacture of lightning arresters, magnets, heating elements, X-ray equipment, etc.

Prestolite of India Limited, Delhi, will issue share capital of Rs. 40 lakhs in equity shares of Rs. 10 each at par. Of this, shares of the value of Rs. 17.5 lakhs will be offered to M/s. Electric Autolite Company of U.S.A. against the supply of plant and machinery and the balance to Indian nationals for cash. The proceeds will be used for manufacture of automobile electric equipment.

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Company Meetings

THE FERTILISERS AND CHEMICALS, TRAVANCORE LTD.
UDYOGAMANDAL

Speech delivered by the Chairman, Shri T. A. Joseph, at the Eighteenth Annual General Meeting held on 27th June, 1962.

Gentlemen,

On behalf of the Board of Directors I welcome you to this, the Eighteenth Annual General Meeting of the Company. Printed copies of the accounts and the report of the Directors are before you. These have also been circulated to all the shareholders. I shall, if you agree, take them as read.

As you would have seen from the statement of accounts, there has been a general increase in production all round consequent on the completion of the First Stage of Expansion of the factory towards the close of 1960. Ammonia production increased by 15 per cent, Ammonium Sulphate by 29 per cent and NPK Mixtures by 177 per cent. In addition, 12,897 tonnes of Ammonium Phosphate were produced during the year for the first time. As a result, the sales turnover rose to Rs. 411 lakhs as compared to Rs. 309 lakhs in 1960. The financial results have therefore been encouraging. After providing Rs. 38.75 lakhs for depreciation as against Rs. 25 lakhs in 1960 and Rs. 22.75 lakhs for Development Rebate as against Rs. 23.55 lakhs in 1960 and making a new provision of Rs. 1.5 lakhs for taxation, the company has a net surplus of Rs. 32.64 lakhs as compared with Rs. 27 lakhs in the previous year. You will be pleased to note that the reserves at the end of the year will be standing at Rs. 98,93,096 as against Rs. 64,30,156 at the end of the previous year.

After seeing all these figures it might be a trifle disappointing to note that your Directors are coming forward with the same old recommendation regarding dividend to be distributed to the shareholders from profits of the year 1961, viz. 6 per cent subject to deduction of tax. I would in this connection refer you to my remarks last year on this subject. We are on the threshold of a very large scale expansion, more than doubling our capital investment. No doubt finances necessary have been arranged, as explained later. We have to find from our own resources only two out of the ten crores necessary, and this should not be difficult. But we have to keep in mind the fact that half the balance is going to come from the Government of India in the shape of a loan, and there is really something incongruous in large-scale borrowing with one hand and liberal distribution of profits with the other at the same time. However, we try to justify it with facts and figures. We have also to remember that when the share capital is expanded (practically doubled) as agreed to by you at the last Extraordinary General Body meeting, our liability in respect of dividends would also double. Until we could see our way clear to maintaining without interruption to present rate of dividend on the increased equity capital, we did not consider it prudent to increase the rate, and hence we agreed to place before you the same recommendation which we made last year.

While on this subject, it might be interesting to draw your attention to what the eminent Economist, Prof. J. K. Galbraith (now U.S.A. Ambassador to India) had to say on this subject while commenting on Indian Planning in 1959.

> "In both capitalist and communistic 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 surplus which will provide for future expansion."

This sound principle has been kept in view by your Directors in recommending this dividend.

The Second Stage of Expansion involving the installation of an Oil Gasification plant is well under way. The new plant is expected to be commissioned towards the end of August. When the Oil Gasification process is introduced, the old wood gasification plant will cease to function. The Company will no longer be using firewood as a raw material. The Oil Gasification plant will be fed by raw naphtha supplied by the Refinery at Bombay. To ensure uninterrupted supply of raw material, Messrs. Burmah-Shell, our supplier, with whom the Company has entered into a fifteen year contract for the supply of raw naphtha, are laying a pipeline from Ernakulam to the factory.

As the firewood gasification process is being abandoned, the Company has terminated the contract arrangements for transport of firewood from April this year. These arrangements that were in vogue since the inception of the Company involved over two hundred country craft employing about four hundred workers. The termination of the arrangements was effected on the basis of a negotiated agreement with the Navika Thozhilali Union. I would take this opportunity to record our appreciation of the valuable services rendered to the Company by these workers and of the practical approach shown by their Union in negotiating and concluding a satisfactory agreement for the smooth termination of arrangements.

With the completion of the Second Stage of Expansion, the Company's capacity would have risen to 30,000 tonnes of Nitrogen per annum, the end products being one lakh tonnes of Ammonium Sulphate, 33,000 tonnes of Ammonium Phosphate (16 : 20 grade), 8,000 tonnes of Ammonium Chloride and 44,000 tonnes of Superphosphate. In addition the Company will be able to manufacture and supply NPK Mixtures on an "as required" basis for both food crops and cash crops.

During the first half of this year the production schedule of the Company was upset due to unusual draught as a result of which salinity in the water of the area increased considerably. For more than two months the Company was not able to maintain production even at a reasonable level. Added to that there was also a power cut from 1-3-62 to 10-5-62. I gather that the Government of Kerala are taking urgent steps to prevent a recurrence of salinity in the region. I hope the work will be expedited with the urgency it deserves so that there will be no more trouble on this account next year. With the introduction of the Oil Gasification scheme it will be necessary for the Company to shut down its wood gasification plant to enable the commissioning of the new plants. This will also affect the total production during the year. But it is expected that with the increased capacity that will be established as a result of the Second Stage of Expansion, production will be picked up during the last quarter of this year.

In the year under review the Company entered the export market for the first time in its history. This has opened a new field for further development. With the increase in production of Ammonium Chloride as a result of the Third Stage of Expansion, it is hoped that in the years to come the Company will be able to effectively meet the competition in the world markets in Ammonium Chloride.

I had mentioned to you at the last meeting that the Company was engaged in planning a Third Stage in their Expansion Programme. I am glad to say that the programme has now been finalised. Necessary licences for the expansion have been obtained from the Government of India. Most of the contracts for the supply of plant and equipment from both foreign and Indian sources have been concluded. The Government of India have been pleased to sanction the necessary foreign exchange amounting to approximately Rs. 427 lakhs, under the credit facilities available to them from the U.K., U.S.A., West Germany and Switzerland. The capital investment involved in the Third Stage expansion is approximately Rs. 10 crores. Of this the Company will be able to find from its own resources about Rs. 2 crores. The Government of India have agreed to contribute the remaining Rs. 8 crores partly as share capital and partly as loan. You would recollect that at an Extraordinary General Meeting held on 22-1-1962 the Company had agreed to raise its Authorised Capital to Rs. 10 crores and to issue shares of the value of Rs. 4,03,84,780 to the Government of India at par. Consent has since been obtained from the Controller of Capital issues for the issue of 35,00,000 equity shares of Rs. 10 each to the Government of India. When the shares offered to the Government of India become fully subscribed, the Government of India will be acquiring majority control over the shares of this Company. Against the total loan of Rs. 400 lakhs agreed to be made available by the Government of India for this expansion, the Company has already drawn Rs. 170 lakhs to meet the expenses.

It is expected that the Company will be able to complete its Third Stage of Expansion by the end of 1964. The production capacity that would be achieved as a result of the expansion would be 20,000 tonnes of Ammonium Sulphate, 135,000 tonnes of Ammonium Phosphate and 25,000 tonnes of Ammonium Chloride. There will be no further expansion in the capacity for production of Superphosphate. One of the interesting features of this expansion programme is that it is essentially based on the increased production of Ammonium Phosphate, one of the most popular compound fertilisers in the country today. The byproduct gypsum arising out of Ammonoum Phosphate production will be further utilised to enhance the production of Ammonium Sulphate, thereby achieving the additional quantity of 100,000 tonnes. By adopting this method of FACT has shown the way to the rest of the Country for the effective utilisation of byproduct gypsum, thereby ensuring that the Sulphuric Acid manufactured out of imported sulphur gets used twice, first in the production of Phosphoric Acid for making Ammonium Phosphate and later, in the production of Ammonium Sulphate using gypsum obtained from Phosphoric Acid production. In addition to ensuring maximum utilisation of imported sulphur this process would also lead to better economics in the cost of production of Ammonium Phosphate, as the byproduct gypsum raised during the process is further utilised for production of Ammonium Sulphate.

A significant achievement of the Company recently has been the signing of an agreement with Messrs. Power-Gas Corporation Ltd. of the U.K. Under this agreement FACT will be getting a royalty from the U.K. firm on all contracts entered into by the latter for the supply of plant and, equipment designed on the basis of the technical know-how provided by FACT for the manufacture of Ammonium Sulphate out of by-product gypsum. There has been a growing recognition in the country and abroad of the technical knowledge and competence acquired by the Company. A few weeks ago, the Company has signed another agreement with Messrs. Project Engineers Private Ltd., an Indian firm of consulting engineers, engaged in the planning and designing of chemical plants. Under this agreement the Company has agreed to impart technical know-how on payment of a royalty for the designing of plants for the manufacture of Ammonium Sulphate using the direct neutralisation process of Ammonia and Sulphuric Acid. These achievements have been possible only due to efforts of the executives, staff and workers of the Company working together with unreserved co-operation and sense of participation. I would like to take this opportunity to congratulate them on these achievements of theirs and record our appreciation of the esprit-de-corps displayed by them.

Industrial relations continued to be quite satisfactory during the year under review. The long term agreement that was in force expired at the end of the year. A fresh agreement for a further period of three years has since been negotiated and concluded with the FACT Employees' Association. A notable feature in the field of industrial relations is the conclusion of an agreement between the Management and the FACT Employees' Association for the introduction of Work Study and Job Evaluation. It has been possible for the Company to negotiate and conclude these agreements because of imagination and cordiality shown by the FACT Employees' Association, whose approach has been realistic and influenced by the best interests of the Company. I would like to record our deep appreciation of the manner in which these negotiations were smoothly carried out resulting in the conclusion of agareements that give mutual satisfaction. The average earnings of an employee in the Company stand today at Rs. 2,840 per annum as against Rs. 1,520 in 1955 and Rs. 2,283 in 1960.

Last year I had mentioned about the efforts the Company were making towards increasing fertiliser consciousness among the farmers of Kerala. The Company has been laying great stress on the use of balanced fertilisers and has been progressively increasing their production of NPK Mixtures to meet the demand. You will notice that during the year under review the Company has produced over 19,000 tonnes of NPK Mixtures as against 7,000 tonnes in 1960. The Company has plans to expand its mixture production capacity on a large scale so that it should be possible to meet the requirements of NPK Mixtures, if necessary, to the extent of 30,000 tonnes a year. The Company has been maintaining nearly 400 Demonstration Farms in Kerala State alone. During this year the Company has extended this work to some of the Districts of Madras, Mysore and Andhra Pradesh also.

The Company has been included in the list of approved Mixing Firms of the Coffee Board, UPASI and the Government of Madras. The activities in the field of production and marketing of NPK Mixtures will therefore be enlarged consistent with the demands that will be arising in Madras State as well as in the Plantations.

In Kerala State the Company has at present over 900 distribution points, of which over 60 per cent are

held by Service Co-operatives. The Company has been extending its full measure of co-operation to the Government of Kerala in the implementation of their policy in regard to progressive utilisation of Service Co-operatives for distribution of fertilisers. Over 40 Agronomists of the Company are now working in different parts of Kerala State rendering technical assistance to farmers and Service Co-Operatives and assisting them in obtaining their requirement of fertilisers in time during the season. Soil tests are conducted by the Company's Agronomists free of charge and where possible, they also supervise manuring operations. It is gratifying to note from the rising demand for fertilisers in Kerala that fertiliser consciousness has been on the increase in Kerala State as a result of the measures taken by the Company in this direction.

In all these activities the Company has been fortunate to enlist the active assistance and encouragement of the Department of Agriculture of the Kerala State. I would take this opportunity to express our sense of gratitude to the Governments concerned, the Coffee Board and the UPASI, and in particular, to the Department of Agriculture of the Kerala State.

In the current budget, excise duties have been imposed on almost all our intermediate products utilised for the manufacture of fertilisers. Besides Ammonia and Sulphuric Acid, excise duty will be payable on oxygen and carbondioxide obtained as byproduct and utilised in the process. All these form the basic raw materials for the production of fertilisers. Increases in their cost due to the imposition of excise duty are bound to lead to increased cost of production of fertilisers. I hope it is not the intention of the Government of India that the cost of fertilisers should increase any further. The prices at which they are available in India today are already higher than in any other country. In the interests of increased food production which has become a matter of vital necessity to the country, I do hope that the Government of India will re-examine the question of imposition of excise duty on raw materials that go to make fertilisers, so that fertiliser prices are not increased any further.

I would take this opportunity to express our thanks to the executives and workers of FACT for their good work and devotion to duty.

I now move that the Directors' Report and the Audited Statement of Accounts for the ended 31st December, 1961 be adopted.

N.B.: This does not purport to be a report of the proceedings of the General Meeting.

JAIPUR METALS & ELECTRICALS LTD., JAIPUR

Speech of the Chairman, Shri R. H. Kamani, at the 18th Annual General Meeting of the Shareholders on the 29th June, 1962.

Gentlemen,

It gives me great pleasure in extending to you all a cordial welcome on behalf of my colleagues and myself to this 18th Annual General Meeting of your Company.

The Directors' Report, Audited Profit and Loss Account and the Balance Sheet for the year ended 31st December, 1961, have been in your hands for some time and with your permission, I propose to take them as read.

ACCOUNTS:

An examination of accounts will show that the year just passed has been a record one for the Company. The profits before providing for Depreciation and Managing Agents' remuneration has recorded marked increase over the previous year of working. Likewise turnover has also increased to Rs. 1,60,11,964 as against Rs. 1,46,95,507 in the last year.

Allocations include Rs. 1,02,919 for the Managing Agents' remuneration, as against last year's remuneration figure of Rs. 71,611 and Rs. 4,33,709 for Depreciation as against Rs. 3,82,092 for the previous year. The provision for taxation has been increased from Rs. 3,58,067 to Rs. 3,90,685 and the Development Rebate Reserve has increased from Rs. 81,443 to Rs. 3,05,000. Provision for Gratuity absorbs Rs. 20,000 as against Rs. 10,000 in the previous year.

The Directors have recommended Dividends of 10 per cent on Ordinary Shares and 40 per cent on Deferred Shares (subject to deduction of tax at source) as against previous year's 9 per cent and 25 per cent subject to deduction of tax at source) respectively. The Board has also recommendd a Dividend on Preference Shares. After providing Rs. 3,72,640 for proposed Dividends, a sum of Rs. 7,561 has been carried forward against Rs. 5,645 brought in.

By the new Finance (No. 2) Bill 1962, introduced in the Lok Sabha on 23rd April, 1962, the Corporation Tax has been increased from 20 per cent to 25 per cent. This step on the part of the Government of India would lead to the reduction of the Company's surplus which would otherwise have been useful for creating reserve for the development programme of the Company.

PRODUCTION:

You may recall that in the year under review the production of Jaipur House Service Meters has reached a record figure of 1,76,020 as against the production of 1,34,500 in the previous year. The production of Siemens type of Meters in collaboration with Siemens of Germany was taken in hand and the production during the last quarter of the year under review was 6,400 Meters. As far as the working of Metals Division is concerned the Company could not increase the production due to the shortage of raw materials especially copper owing to paucity of foreign exchange and drastic cut in quota of raw materials.

EXPANSION AND DEVELOPMENT:

You will be happy to know that the Company has already planned to undertake manufacture of Jewel Bearings and important Components like Cyclometers and Magnets so as to cover the entire manufcture of Components.

After the successful completion of the Second Five-Year Plan which has helped to strengthen the found-

ation and stimulated industrial and economic growth, the country has entered into the Third Five-Year Plan period. In a way, this is the most crucial period in the industrial, economic and therefore social life of the country, as the foreign exchange reserves have been extremely low, and the prospects of getting adequate amount from the Aid-India Club at the moment not very bright. It will require tremendous efforts on the part of the Government, the Industry and the Trade to emerge successfully from this crucial period. But I am hopeful that with greater efforts, we shall pull through it. As, however, your Company has decided to make all the components, I may assure you that our progress will not be affected by this crisis.

During the Third Five-Year Plan, the power supply will play a significant role towards the achievement of Industrial Development as the addition to the country's power system will be to the tune of 12.69 million K.W. representing an increased in installed capacity of 123 per cent. As a part of the development programme, it is proposed to install a net of transmission lines to the extent of 1,50,000 circuit miles and to electrify 43,000 villages and towns in the country. This Development of Power Supply implies that your Company will have still better future.

It would not be out of place to mention here that the installed capacity as registered with the Government for Single Phase House Service Meters by the end of 1961 was 4,44,000 numbers on single shift basis. The total production in the country for 1961 was of the order of 6,24,113 numbers. This year's capacity has been further licensed to the extent of 1,02,000 numbers bringing the total registered capacity to 5,46,000 numbers on single shift basis. When this additional capacity goes into production the total demand of single phase meters will be adequately met, and I may assure you that your Company will remain in the forefront. It is a matter of gratification to note that the Government have recently decided not to increase this capacity any further.

With a view to enlarging the field of operations, we have obtained industrial licence for the manufacture of All Aluminium Conductors and A.C.S.R. Conductors, Cotton Silk and Paper-covered Wires and Strips and Enamelled Copper Wires. With a view to implementing the scheme of diversification, your Company has approached the Industrial Finance Corporation of India for a substantial loan. It has also increased its authorised capital from Rs. 50 lakhs to Rs. 1 crore by creating an additional Equity Capital of Rs. 50 lakhs. Out of this, 25,000 Equity Shares have been already issued to the existing shareholders with a premium of 15 per cent by way of right shares. You will be pleased to know that this issue has met with complete success and has already been fully subscribed.

PERSONNEL:

In view of the progress in technology, the Company's technical staff is equipped with necessary training and it will have further personnel fully trained in the factories of the collaborators in the lines of new schemes which your Company propose to undertake.

I am grateful to you for the encouragement and backing your Company has received from you all from time to time. I am also grateful for the wonderful co-operation of the workers and the members of the staff for the good efforts they have made in the past for the betterment of your Company.

THANK YOU.

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

12 JUL 1962

THE ENFIELD INDIA LIMITED

Higher Output of Motorcycles: Scooter Production Commences

Sri K. R. Sundaram Iyer's Review

Presiding over the Sixth Annual General Meeting of the Company held on the 29th June, 1962, Shri K. R. Sundaram Iyer, Chairman said:

Gentlemen,

I have great pleasure in extending to you a cordial welcome to the Sixth Annual General Meeting of the Company. The Directors' Report and the Statements of Account for the year ended 31st December, 1961, have been with you for some time and with your permission, I shall take them as read.

During the year under review motor cycle production increased by about 20 per cent. The sales turnover was higher at Rs. 119.68 lacs. During the previous year it was Rs. 90.58 lacs. The profit before depreciation increased from Rs. 8.49 lacs to Rs. 11.13 lacs. As mentioned in the Directors' Report, the profits would have been still higher if the Company had been in a position to increase its selling prices earlier than September 1961 to make good the continuous increase in the cost of various raw materials since the prices were fixed three years back.

At the last Annual General Meeting, I dealt in some detail on the implications of the phased programme which your Company had undrtaken for the substitution of imported motor cycle components by those made in the country. With the virtual completion of this programme in 1961, your company has reached a stage where production and productivity can be increased without being hampered by the inevitable teething troubles involved when large number of new components are taken up for indigenous manufacture. I am glad to inform you that during 1962 the output of motor cycles can be expected to register a further increase of 15 per cent, while the sale volume will be aided by the marketing of scooters shortly. The working results for the current year will, therefore, be better than those for 1961.

In the present context of acute scarcity of foreign exchange, the policy of your Company in having gone through the phased programme at a fast pace has been fully justified. Of course, we still require foreign exchange for some raw materials, gear box and proprietory components not yet available in the country. But, without the completion of the main phased programme, the dependence on foreign exchange would

have been considerably more. It is expected that, in due course, these proprietory parts also will be available in the country from ancillary industries. The manufacture of gear box for motor cycle will be taken up in 1963 along with the gear box for the scooter.

IMPACT OF NEW TAXES

The Automobile Industry purchases a large variety and number of materials for its production. For example, your Company keeps in stock about 6,000 items. It would appear that in a developing economy such as ours there will be a continuous increase in the cost of various materials. The new and increased excise duties levied in the recent budget have stepped up the cost of various kinds of materials. Because the area and extent of their application is so wide, it will take some time even to assess their full implication. Therefore, what portion of the benefits of high productivity and consequently, of higher profitability expected in the motor cycle production from 1962 onwards, will be available to the Company, is dependent upon how much the Company is obliged to absorb the increases in the cost of materials. Representations have been and are being made to the Government for suitable revisions of selling prices so that increases in costs due to reasons beyond the Company's control can be absorbed. It is hoped that early decisions in this regard will be taken by them.

In passing, I would like to make a reference to a factor in our country applying to industries such as ours. It is the necessity of having to hold larger inventories in order to ensure uninterrupted availability of raw materials and bought-out components.

SCOOTER PROJECT

You have already heard the gratifying information that the production of our scooter which has been very highly spoken of by all those who had an opportunity to see it, has commenced. They will be in the market in about a month or so. Your coimpany has been the pioneer in the country in the powered two-wheeler field. The implementation of the Scooter Scheme will enable your Company to continue to play a leading role in catering to the growing demand in the country for motor cycles and scooters. The Villiers engine is used in our scooter. The Company will, in due course, fit to the light-weight motor cycle also the Villiers engine in place of the present engine. The standardisation, in addition to resulting in economies in the production of engines for both motor cycle and scooter, has also the important advantage that it would enable your Company to alter at short notice the ratio of production of light-weight motor cycles and scooters.

SCHEME OF NEW INDUSTRIAL ESTATE

The arrangements for undertaking the manufacture of Villiers engines for industrial and agricultural purposes are going apace. The Company has been licensed for a production of 15,000 engines per annum on a single shift basis. There is already a large unsatisfied demand in the country for these engines; but the existing demand itself is considered to be only a fraction of what it would be in the coming years. Villiers engine is an international leader in this field. As stated by me at the last Annual General Meeting, the operations of your Company with regard to this line will be restricted to assembly and testing. The components of these engines will be obtained from Industrial Estate of ancillary units which your Company has sponsored. This arrangement is mutually beneficial. With the guidance and technical know-how of your Company the ancillary units will be able to establish and stabilise themselves within a short time. The advantage to your Company lies in the fact that it could undertake this important new line without the large increase in capital that would have been otherwise necessary. The fixed assets employed by the ancillary units in the Industrial Estate will be about Rs. 75 lacs. The Company has to provide only tooling and machines for the maintenance tool room. I should mention here about considerable guidance and financial assistance which both the Central and State Governments are rendering to facilitate the establishment and healthy growth of these ancillary units. Production and marketing of the engines are scheduled to commence in the first half of 1963.

During the year under review industrial relations continued to be cordial.

I would like to take this opportunity to offer our sincere thanks to the Government of India, the Government of Madras and our U.K. collaborators, for their continued guidance and assistance.

Appreciation is due to the selling agents, dealers, sub-dealers and service points, and the workmen, staff and officers of your Company for having made their contribution to the results of the year under review.

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

Mr. Al Foil wraps tobacco to perfection



Leading cigarette and tobacco manufacturers recognise aluminium foil as the best protective packaging for their products. Experience has proved that foil packaging retards the 'drying out' of tobacco, forms a hygienic wrapper and keeps cigarettes and tobacco fresh and flavourful for a longer time.

Foil in the package implies quality and adds prestige to the product.

Foils For Packaging.

India Foils Limited
(Incorporated in Great Britain)
Calcutta Bombay Madras New Delhi

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 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
June 9, 1962	124.6	99.3	122.2	136.0	139.5	126.5	128.4	126.9
June 16, 1962 ..	124.1	98.7	124.2	135.9	139.7	127.0	128.8	126.8

* 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 29-6-1962			22-6-1962			15-6-1962			8-6-1962		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 gram)	125.95	124.90	125.48	126.50	125.20	125.78	126.80	125.15	126.06	126.70	124.50	125.43
Silver (per kilogram)	215.40	214.60	215.03	215.65	214.80	215.28	215.95	214.80	215.45	216.90	214.85	215.78

INDIAN UNION

COMMERCIAL, FINANCIAL, DEVELOPMENT AND MISCELLANEOUS UNDERTAKINGS

(Rs. in '000)

1. Name of concern	Export Risk Insurance Corpn.		Indian Handicrafts Dev. Corpn.		National Industrial Dev. Corpn.	
2. Registered Office	Bombay		New Delhi		New Delhi	
3. Date of incorporation	30-7-1957		14-4-1958		26-10-1954	
4. Accounting year	Ending 31s. Dec.		Ending 31st March		Ending 31st March	
	Cal. year 1959	Cal. year 1960	1959-60	1960-61	1959-60	1960-61
5. Capital Subscribed :						
(a) By Government of India	50,00	50,00	10,00	10,00	10,00	35,00
(b) by Others	—	—	—	—	—	—
6. Reserves and surplus	2,48	1,79	..	..	54	87
7. Borrowings	—	—	..	..	4,63,13	5,60,65
8. Other liabilities	1,82	2,12	1,05	93	9,99	11,98
9. Total Liabilities (5 to 8)	54,30	53,91	11,05	10,93	4,83,66	6,08,50
10. Gross fixed assets	56	64	47	1,00	46	65
11. Depreciation	15	22	7	15	14	19
12. Net Fixed assets (10—11)	41	42	40	85	32	46
13. Investments	49,44	50,06	..	..	6,04	31,34
14. Current assets	73	70	46	4,54	1,63	1,69
15. Loans and advances	1,75	2,08	1,55	4,16	4,68,88	5,67,77
16. Cash and bank balances	1,97	65	8,59	1,38	6,79	7,24
17. Miscellaneous expenditure and losses	..	..	5	..	..	..
18. Total Assets (12 to 17)	54,30	53,91	11,05	10,93	4,83,66	6,08,50
19. Wage bill	1,60	2,65	1,49	2,00	2,78	2,28
20. Number of persons employed	..	..	44	49	54	69
21. Net profit before taxation	..	..	(—)2,53*	(—)4,48*	..	..
22. Remarks	..	..	*Without taking account of grants received from Govt. of India Rs. 3.25 lakhs (1959-60) and Rs. 3.90 lakhs (1960-61).		NOTE: The deficit in P & L account has been met from G / I grants.	

INDIAN UNION

COMMERCIAL, FINANCIAL, DEVELOPMENT AND MISCELLANEOUS UNDERTAKINGS — Contd.

1. Name of concern	National Small Industries Corp.		Rehabilitation Industries Corpn.		State Trading Corpn. of India Ltd.	
2. Registered Office	New Delhi		Calcutta		New Delhi	
3. Date of incorporation	4-2-1955		13-4-1959		18-5-1956	
4. Accounting year	Ending 31st March		Ending 31st March		Ending 31st March	
	1959-60	1960-61	1959-60	1960-61	1959-60	1960-61
5. Capital Subscribed:						
(a) By Govt. of India	40,00	40,00	25,00	35,00	2,00,00	2,00,00
(b) By others	—	—	—	—	—	—
6. Reserves and Surplus	76,13	1,08,65	..	..	3,80,00	5,13,48
7. Borrowings	3,60,38	4,09,90	..	15,01	76,48	4,64,63
8. Other liabilities	52,43	77,83	22	9	7,93,88	11,61,49
9. Total Liabilities (5 to 8)	5,28,94	6,36,38	25,22	50,10	14,50,36	23,39,60
10. Gross fixed assets	1,18,73	1,33,73	26	42	..	..
11. Depreciation	1,04	1,31	2	7	..	..
12. Net Fixed assets (10—11)	1,17,69	1,32,42	24	35	8,80	27,61
13. Investments	10,02	10,03	..	..	..	..
14. Current assets	58,12	76,46	..	..	11,00,56	18,73,26
15. Loans and advances	3,10,80	3,68,26	9,93	35,68	3,26,04	4,20,88
16. Cash and bank balances	32,24	49,22	13,62	11,20	14,96	17,85
17. Miscellaneous expenditure and losses	7	..	1,42	2,87	..	..
18. Total Assets (12 to 17)	5,28,94	6,36,38	25,22	50,10	14,50,36	23,39,60
19. Wage bill	..	17,61	1,02	1,35	..	53,94
20. Number of persons employed	..	9,36	24	30	..	19,48
21. Net profit before taxation	..	11,89	—1,24	—1,45	2,64,72*	2,85,50
22. Remarks	**Note:** The Corpn. received in 1960-61 Rs. 38.50 lakhs in cash as grants from G/I. Rs. 4.47 lakhs worth goods due on account of Expenditure incurred in excess of grants received.				* For 9 months ending 31-3-1960. **Note:** Grants from G/I Rs. 31,298 (1959-60) and Rs. 2,61,648 (1960-61).	

INDIAN UNION

COMMERCIAL, FINANCIAL, DEVELOPMENT AND MISCELLANEOUS UNDERTAKINGS — Contd.

(Rs. '000)

1. Name of concern	Industrial Finance Corpn. of India		Life Insurance Corpn. of India		Refinance Corporation for Industry Ltd.	
2. Registered Office	New Delhi		Bombay		Bombay	
3. Date of incorporation	1948		1-9-1956		5-6-1958	
4. Accounting year	Ending 30th June		Ending 31st December		Ending 31st December	
	30-6-1960	30-6-1961	Cal. year 1959	Cal. year 1960	Cal. year 1959	Cal. year 1960
5. Capital Subscribed:						
(a) By Govt. of India	1,00,00	1,00,00	5,00,00	5,00,00	2,50,00	2,50,00
(b) By others	4,00,00	4,00,00	—	—	—	—
6. Reserves and Surplus	1,17,25	1,84,99	21,46,43	20,79,47	1,09	1,76
7. Borrowings	35,49,15	37,49,15	..	..	5,00,00	5,00,00
8. Other Liabilities	3,96,38	12,04,48	5,27,41,10*	5,96,68,87*	34,28	24,90
9. Total Liabilities (5to 8)	45,62,78	56,38,62	5,53,87,53	6,22,48,34	7,85,37	7,76,66
10. Gross fixed assets	..	..	..	..	3	4
11. Depreciation	..	..	..	..	..	1
12. Net Fixed assets (10—11)	84	99	26,21,08	30,41,42	3	3
13. Investments	67,05	80,89	4,11,22,11	4,73,42,19	..	5,46,81
14. Current assets	85,69	1,01,91	..	..	..	..
15. Loans and advances	39,33,38	42,22,76	85,77,00	96,56,18	1,02,36	2,28,43
16. Cash and bank balances	2,27,87	2,03,70	30,67,34	22,08,55	6,82,98	1,39
17. Miscellaneous expenditure and losses	2,46,96	10,28,37	..	..	..	..
18. Total Assets (12 to 17)	45,62,78	56,38,62	5,53,87,53	6,22,48,34	7,85,37	7,76,66
19. Wage bill	7,86	8,33	86,88**	95,82**	66	61
20. Number of persons employed	2,32	2,67	3,73,41	4,02,44	..	..
21. Net profit before taxation	1,09,27	1,39,35	..	..	20,02	19,39
22. Remarks	**Note:** Subvention paid by G/I on account Dividend amounts to Rs. 28 lakhs (1959-60) and Rs. 38 lakhs (1960-61).		* Includes Rs. 4,59,29 lakhs for 1959 and Rs. 5,60,38 lakhs for 1960 as life insurance fund. ** Monthly salary for December, only.			

INDIAN UNION

COMMERCIAL FINANCIAL, DEVELOPMENT AND MISCELLANEOUS UNDERTAKINGS — Contd.

(Rs. '000)

1. Name of concern	Rehabilitation Finance Administration		Reserve Bank of India		State Bank of India	
2. Registered Office	New Delhi		Bombay		Bombay	
3. Date of incorporation	June 1948		January 1949		1-7-1955	
4. Accounting year	Ending 31st December		Ending 30th June		Ending 31st December	
	Cal. year 1959	Cal. year 1960	30-6-1960	30-6-1961	Cal. year 1959	Cal. year 1960
5. Capital Subscribed:						
(a) By Govt. of India	..	..	5,00,00	5,00,00	5,62,50	5,62,50
(b) By others	—	—	—	—	—	—
6. Reserves and Surplus	..	..	1,25,00,00	1,36,00,00	9,44,74	9,99,00
7. Borrowings	8,07,21	7,52,36	..	..	11,95,50	9,96,50
8. Other liabilities	1,61,66	72,84	3,52,13,63*	3,30,29,68*	5,97,55,66*	5,94,95,42*
9. Total Liabilities (5 to 8)	9,68,87	8,25,20	4,82,13,63	4,71,29,68	6,24,58,40	6,20,53,42
10. Gross fixed assets	..	..	..	..	..	..
11. Depreciation	..	..	..	..	..	..
12. Net fixed assets (10—11)	67	62	17,89,98**	25,94,68*	2,34,07	3,05,53
13. Investments	5,00	50	2,39,13,70	2,25,02,16	3,77,12,70	2,99,70,75
14. Current assets	15,33	13,50	..	..	6,13,39**	12,36,71**
15. Loans and advances	7,68,82	7,30,22	1,61,65,70	1,64,71,04	1,71,67,72@	2,35,74,49@
16. Cash and bank balances	4,25	1,52	63,44,25@	55,61,80@	67,30,52	69,65,94
17. Miscellaneous expenditure and losses	1,74,80	78,84	..	..	..	..
18. Total assets (12 to 17)	9,68,87	8,25,20	4,82,13,63	4,71,29,68	6,24,58,40	6,20,53,42
19. Wage bill	8,92	8,39	3,99,90	4,39,65	7.0 crores	7.3 crores
20. Number of persons employed	3,14	2,15	98,28	1,03,89	24,377 (On 30th June, 1960)	25,966 (On 30th June, 1961)
21. Net profit before taxation	(—)7,30	(—)21,17	40,00,13 (Surplus payable to Govt.)	42,50,01 (Surplus payable to Govt.)	1,87,10	2,17,59
22. Remarks	..	..	* Includes deposits from Govt. and banks ** Includes other assets also. Break up N/A. @ Notes, coin and balances held abroad Note: Balance Sheet relates to Banking Department only.		* All other items including Deposits and other accounts, Bills payable etc. ** Other assets including gold and silver. @ Includes also constituents liabilities for acceptance etc.	

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JULY 13, 1962.

The Bank Award

ANY assessment at this early stage of the impact of the Bank Award on the emoluments of bank employees as a class or on the operating costs of banks as a system must be treated with great circumspection. The process of assessment has become too intricate to make prompt estimates of any greater value than unhelpful guesswork. The entire structure of the emoluments of bankmen at different levels has assumed complexity by reason of the fact that the emoluments are not governed by a uniform scheme due to the unhappy historical developments in the settlement of bank disputes about eight years ago. It is not a matter of applying Mr. Justice K. T. Desai's Award straightaway to the different grades of employees and their pay scales. Differentials have emerged in these scales according as the bank employees are or are not governed by the modified Sastri Award. They will need to be adjusted where necessary. Those who are governed by the Sastri Award as regards their time-scales of pay present no difficulty. Those who are not so governed will probably need to be placed in those scales and on its basis adjusted to the new time-scale fixed in the Desai Award. There will remain some borderline cases which will attract temporary adjustment allowances. The Tribunal has dealt with this preliminary issue in an appropriate manner.

A tribunal's decision ought to be accepted normally as an impartial decision of a disinterested third party; but, even so, in the last analysis, it cannot be divorced completely from the element of imposition. If agreement is not possible on the basis of negotiations and give and take between the parties, the arbitrator has to decide what is in the best interests of each. It is a substitute compromise on these lines and it is no wonder if it happens to fall short of the demands and expectations of either party in some respects.

The criticism which some of the leaders of the staff associations have made about a raw deal being meted out to bankmen can hardly be taken as based on the merits of the Award. The Award is denounced on the ground, among others, that a section of the employees may find themselves worse off than under the Sastri Award. It shows how the limits of responsible reaction are disregarded in the face of the basic principle that no employee's position can be changed to his prejudice. Mr. Justice Desai has proceeded on the assumption that in several respects the banking industry has now to accept some of the obligations of a public utility. Social justice, as he has emphasized, is a guiding principle of his Award and, finally, he has been forthright in his appraisal that the new scales suggested by him have been very favourable to the employees. There the truth of the issue rests.

The Indian Banks Association has wisely used its discretion in not raking up any irritating differences of view and it has rightly accepted with grace the Award with an assurance to implement it as required by the Government's decision accepting the Tribunal's recommendations in toto. Most of the recommendations have been given retroactive effect from January 1962 and a time-limit of five months has been granted to the bank managements within which to make the payment of arrears. The employees have raised the grievance that, in view of the rejection of their demand for the grant of interim relief, the retrospective effect should be pushed to a much anterior point of time. This will be to introduce a precedent that will involve uncalled for burdens on industry. Interim relief is not a matter of a rigid rule and tribunals have taken more than two and a half years that Mr. Justice Desai required in spite of his discipline of speedy dispatch of work.

Both the sides have learned to their cost the bitter lesson of the consequences of insistence on litigation right from the time of the Sen Award and of the vicissitudes which the bank wage dispute has taken thereafter. With Mr. Desai's liberal and comprehensive deal they would do well to draw the curtain on the past. It is in this spirit that the Indian Banks Association seems to have given a pledge to abide by the Award. Placed in a happier situation, the employees can give a similar response.

The Desai Award simplifies the classification of the banks, but, since in this process a few small banks are likely to be hit hard, exemption has been rightly extended to them. With a liberalisation of the classification to the greater advantage of the bankmen, more benefits have been provided to them. The major part of the dearness allowance has been merged in the basic pay, putting an end in this manner, to the artificial arrangement of clinging to an outmoded level of cost of living to which there is no question of returning any time. This means higher rewards to employees in terms of the provident fund, gratuity and pension (where the pension scheme also operates on the fringe). Equity requires that relief should be granted to the banks from an excessive burden of liability on these counts and the Tribunal has made a modest provision for readjustments to secure this purpose.

The new formula of linking the dearness allowance with the cost of living brings a greater correlation between the two by virtue of its quarterly basis. The increase in the cost of living will be neutralised to the extent of 75 per cent for the clerical staff and 100 per cent for the subordinate staff. The raising of the age of retirement by 3 years to 58 would go to mitigate, on the one hand, the immediate post-retirement hardships of employees, and, on the other, the shortage of experienced personnel in the context particularly of branch expansion. The new scales of pay after merger are calculated to raise the real earnings of the staff.

Bankmen have raised a plea of the insufficiency of the increases on the ground of the recent

higher trend in bank profits. This plea is untenable. For one thing, increases warranted by the higher cost of living have been awarded; for another, the claim of bonus is overlooked. A whole series of bank reforms, beginning with deposit insurance and the improvement of the capital-deposits ratio, taken in hand to strengthen the financial structure of the banks to meet the higher pressure of services for a developing economy, ordains that profitability and capacity to build strong reserves ought to be raised. Banks owe important obligations to the community, too.

Canada in Travail

THE emergency measures which Mr. Diefenbaker has announced to meet the challenge of the economic crisis could have been more drastic, looking to its gravity. But even in the form in which they have come, they may not find the political climate altogether propitious. It is as the head of a minority government that Mr. Diefenbaker issued his appeal to the nation to accept austerity in a genuine sense of emergency. A minority government is not unknown to Canadian history and the late Mr. Mackenzie King led one such after World War I. But in his minority position, Mr. Diefenbaker is handicapped by the defeat of five of his previous Cabinet colleagues at the polls and two, who are elected, are prevented by ill-health from giving their utmost to their chief in this hour of trial.

In his appeal over the radio the Premier counselled his people to show patience, pleading that Parliament should not be convened until after the post-election temper is calmed. It has taken an unusual form by reason of the imbalance which has emerged in the strength of the parties as a result of the electorate's verdict — and the verdict itself is vitiated by the confusion generated by the economic crisis. Mr. Diefenbaker's Progressive Conservatives have retained 116 seats after a heavy loss of over 42 per cent. The Liberals have emerged with an increased strength of 99, the New Democratic Party has won 19, while the Social Credit Party has made its debut with a high score of 30. It is the Social Credit Party which holds the balance of power and this party is in no mood to lend support to the emergency programme.

It is a creeping crisis that has overtaken Canada's economy and, in retrospect, judgment is being passed that better and more firm economic policies could have stopped its steady march. What was perhaps not fully appreciated was that the boom generated by the post-war expansion had spent its force. But meantime industrial capacity was allowed to be over-extended and could not long be sustained at its level. The continuous inflow of hot money may have been welcome for a time, but its repatriation now will certainly accentuate the strain on the Canadian dollar. The wisdom of imposing no regulation on the free movement of capital, which has been maintained, is open to question. Short-term capital is the first to take flight and there is already the evidence of official statistics that this reverse process is gathering momentum.

This is to be seen also in the context of the conditions of Canada's foreign reserves. Since the beginning of the current calendar year they have been run down by $850 million and it is particularly noticeable that, out of this depletion, $300 million have been accounted for in the past few weeks. They have now touched the low of $1,100 million. Canada's balance of payment on current account too has taken a severe turn. After a brief spell of a couple of years of improvement, started the deterioration early in 1961 and the deficit at the close of the twelve months amounted to $1,000 million. With the inflow of external capital having come to a halt, the payments deficit is making inroads on the foreign exchange reserves. Mr. Diefenbaker's Government has to fight a valiant battle to maintain the par value of the dollar at US cents 92½.

The programme of stabilisation in its immediate context calls for bolstering the external payments position. Credits of the total value of $1,050 million is the first plank in Mr. Diefenbaker's emergency measures. Besides the IMF credit of $300 million and the Exim Bank's loan of $400 million, recourse has been taken to the support from foreign Central Banks — a new instrument forged by the Basle Agreement in 1961 when the need arose to reinforce the defence of the pound sterling. The US Federal Reserve System is providing a line of credit of $250 million and the Bank of England $100 million.

Mr. Diefenbaker's strategy in regulating the volume of imports contravenes, on the face of it, GATT's provisions, but notwithstanding this fact, he has announced a surcharge on import duties at varying rates for different commodities. While his defence of this course will lie in the urgency to meet the payments disequilibrium for the time being, his other purpose is to draw into the fisc, while discouraging laxity in imports, a customs revenue of the order of $200 million. With a slash of $250 million in Government expenditure, he will be in a position to reduce the budget deficit by $450 million. The Canadian Bank Rate was linked with the rate for Treasury Bills for the last about six years and as such it contained some element of fluctuation from week to week. This unusual arrangement has now been discarded and the Bank Rate is raised to 6 per cent. At around 1 per cent above the Treasury Bill rate, it is intended to create a psychology of tight money. All in all, Mr. Diefenbaker's emergency programme is expected to defend the dollar, provided production and exports look up without painful delay.

Shipping: Raising the Target

THE National Shipping Board has suggested to the Government of India that the financial allocation for shipping in the Third Five-Year Plan should be increased by nearly Rs. 27 crores so as to provide about 2 lakh tons of additional tonnage. This will take the target to 13 lakh tons as against 11 lakh tons prescribed in the Third Five-Year Plan. The Board had taken this decision on the basis of the reports of the Coastal Shipping Committee and the Financial Allocation Committee, both set up by it.

Will this new proposal from the Board need fresh allocation to attain the new goal? Mr. Raj Bahadur indicated recently in Parliament that the target of 11 lakh tons fixed in the Plan had already been achieved in the sense that orders had been placed to reach that level. On the investment side not all the Rs. 55 crores allocated for this purpose have been absorbed. In fact, there was a saving of Rs. 27 crores in the outlay during the current Plan because of the various deferred payment arrangements which had been made while placing the orders for the new ships. The proposed higher target could be attained within the limits of the resources allotted for shipping in the present Plan. The question of incurring additional expenditure which in this case means foreign currency expenditure, does not arise.

In fitting the acquisition of an additional tonnage of two lakhs within the resources originally allocated in the Third Plan, however, some important considerations arise and they ought to receive due weight. Actually, an estimate attributed to the Transport Ministry shows that an extra 2.5 million tons can be acquired without over-straining the provision of foreign exchange already made. It is significant to compare with this estimate the recommendation made by the Shipping Board. As against the Transport Ministry's estimate of the possibility of purchasing another 2.5 lakh tons of shipping, the Shipping Board has urged that 2 lakh tons should be added. The Shipping Board thus errs on the lower side in pressing the claim for further expansion of the tonnage.

The estimates made in the Plan about the possible requirements of outlay are not claimed to be quite precise inasmuch as much depends upon the market prices of new ships and second-hand ships at the time of placing orders. But the Shipping Board has issued a note of caution to the Transport Ministry that, to the extent possible, the purchase of second-hand ships should be kept to the minimum and, then again, it should be restricted to the coastal tonnage required for specific types of trade. By and large, the tonnage required for plying the distant waters should be new. Thus here different calculations of costs of ships would be involved. Furthermore, the question of spreading the allotted outlay over the acquisition of ships as an addition to the tonnage and acquisition for the purpose of replacement will need a more detailed scrutiny. On balance, it may be that a little more expenditure than Rs. 55 crores allocated in the Plan may be required. But this expenditure should not be grudged.

The priority which shipping claims on its inherent merits is the major consideration for not hesitating to raise the outlay by a modest margin above Rs. 55 crores, if it becomes absolutely necessary. The Planning Commission is fully seized of this aspect and the text of the Plan acknowledges the fact that the provision for shipping cannot be considered as adequate, the programme or its expansion should be considered as flexible and higher allocations should be made if there is an elbow room. This approach further strengthens the recommendation of the Shipping Board for bringing additional tonnage on the national register.

The coastal tonnage is an integral part of the overall tonnage for the expansion of shipping. It is true that there have been vicissitudes in the fortunes of the coastal operators and particularly during the recent acute depression in the freight market the coastal tonnage capacity was lying idle and the operators were in hard straits. But there has been a turn in this situation and the shipping capacity has been pressed into service for the transport of coal to the distant consuming areas of the south and the west, in order to give the sorely-needed relief to the railways. The sooner the policy of rail shipping co-ordination and allocation of traffic is finalised and acted upon the better it will be in the interest of resolving the transport bottlenecks. The prospect during the Third Plan and even thereafter clearly is that all the three principal modes of transport will have enough traffic and more to carry.

The deferred payment arrangements — according to which most of the new ships have been agreed to be purchased — will no doubt postpone the actual liability to the Fourth Plan. This, however, is to be preferred because of the tight foreign exchange position in the Third Plan. During the Third Plan, the new tonnage is sure to earn additional foreign exchange and assist in mitigating the strains of the foreign exchange crisis. To that extent the deferred payment agreements are welcome as they facilitate expansion in a key sector.

The Board has lent support to the demand of the shipping companies for the utilisation of the development rebate over a long period of time. According to the current rules, 75 per cent of the development rebate needs to be provided in the very first year of the acquisition of the new ships. The present demand is that they should be allowed to take advantage of the concession over a period of 5 to 6 years. This seems to be a reasonable suggestion, though it is not clear why the Ministry of Finance has not hitherto provided this concession to the shipping industry, while it is available to various other industries.

The main argument for making a larger allocation for shipping in the immediate context rests upon the ground that it will compensate for the great delays that have already occurred in the achievement of the targets which were first envisaged by the Shipping Policy Sub-Committee in 1945. Perhaps the Committee took too ambitious a view and undoubtedly it could not have foreseen the difficulties in the acquisition of tonnage that actually arose afterwards. It may even be perfectly valid to contend that shipping should be given a higher priority at the cost of some projects for the very significant reason that the ships which will ply the distant trades will earn foreign exchange and pay their way in a period of something like seven to eight years. It is better to concentrate on the outlay on shipping in the Third Plan rather than extend part of it to the Fourth Plan for the obvious reason that the expenditure of freight in foreign exchange would be saved and an additional net earning would be made.

THE WEEK'S NOTES

Kerala Coalition

SEARCH FOR STABILITY

MR. LAL BAHADUR SHASTRI'S qualities of tact and sweet reasonableness as a mediator have been put to a severe test in Kerala. His prolonged stay at Trivandrum for full four days gives an indication of the strenuous course which his mission of mediation between the two partners in the Kerala coalition apparently took. It is yet too early to say whether this ace mediator of the Congress Party has succeeded on this occasion. But there cannot be the least doubt that he has done his best.

Mr. Shastri's five-point formula for accord between the two partners gives the first impression that it may perhaps be difficult to find its acceptance at the hands of Mr. Pattom Thanu Pillai. It needs to be borne in mind that there are no ideological differences responsible for the rift between the partners. The differences relate to sharing of power. Top priority in the formula seems to have been given to the reallocation of the portfolios to redress the present imbalance and the unfavourable deal meted out to the Congress Party. Education, planning and public works, it is urged, should now be entrusted to the Congress Party. Related to this suggestion is the recommendation that charges and complaints against Ministers should be investigated into. It is an open secret that charges of corruption are repeatedly made in the State against the PSP Ministers. The suggestion for the transfer of the public works portfolio to a Congress Minister cannot be unconnected with them. But on this issue it is apt to be overlooked that charges could breed counter-charges and make the situation worse confounded. The suggested reallocation of the education and planning portfolios discloses the present recurring source of friction. An informal Cabinet Committee of three is urged to be set up to deal in advance with controversial problems of administration and governmental policy to put an end to the anomaly of the Chief Minister in a coalition cabinet making important decisions. Mr. Shastri had long discussions with Mr. Pattom Thanu Pillai, but how the latter reacts to his advice to accept the formula cannot be forecast. No time limit has been set — and wisely so — as it may savour of an ultimatum.

In his Press conference on the eve of his departure from Trivandrum, Mr. Shastri appeared to be at pains to explain the reality about the Congress Party's demand for the dissolution of the coalition. What he emphasized was that no unanimous resolution for ending the coalition was adopted during his stay by the Congress Legislature Party. But it is a hard fact that informally the Party urged upon Mr. Shastri to terminate this state of uncertainty and distrust. Even at this stage, the Congress Party does not seem to realise that the real beneficiary from the dissolution of the coalition will be, not that party itself, but the Communist Party. The Congress Party, as Mr. Shastri was pained to stress, was a greater victim of the corroding influence of casteism and communalism than any other party in the State. It may be that differences between the coaltion will be composed for the time being. But it is difficult to be sure that the search for stability in Kerala has been successful.

The Congo

STALEMATE DRAGS ON

IN THE CONGO, it would appear, that nothing is so certain as uncertainty. The bitterest of hostilities are followed by a lull and negotiations for settlement may approach the point of success when hope proves illusory. This is what has actually happened to the protracted talks between Mr. Adoula and Mr. Tshombe. It is now over half a month that the parties have postponed the talks and in the meantime the wind has started blowing the other way. The crux of the problem is to end the secession of Katanga to unify the Congo and to bring back peace which its continuously worsening economic situation urgently needs. But Mr. Tshombe gave an inkling of his mind on the question of the termination of the secession by celebrating the second anniversary of Katanga's independence. From Mr. Adoula's side, there is repeated and emphatic declaration of a determination to resolve the issue of secession by peaceful means; but, at the same time, now and then are issued angry statements or veiled threats that all means might be used to achieve this end — presumably not excluding the use of force. The postures adopted by the two parties are thus not helpful for speedy rapprochement and meantime the stalemate drags on.

U Thant has refused to flinch from his responsibilities as the Secretary-General of the UN, but he has left no doubt that the best that the UN should strive to do is to offer advice and co-operation to the two warring regions in the Congo. It is characteristic of this man of peace that he looks with positive disapproval on anything that might savour of the UN playing the role of the potential governor of the Congo by subtracting from the sovereign authority of that State. U Thant has rightly put his finger on the effective approach to the solution to bring Mr. Tshombe to the path of reconciliation by directing his efforts to ensure that the Union Miniere, the gigantic copper combine in Katanga, pays the taxes and royalties to the Central Government at Leopoldville. The Union Miniere's action in making these payments to Mr. Tshombe's Government all along these two years has put considerable financial resources in his hands, while totally depriving the Central Government at Leopoldville of the revenues which are legally due to it alone. His efforts are bearing concrete fruit and the Belgian Government is advising the Union Miniere to make the payments to Leopoldville. Mr. Tshombe has reacted sharply to this development and he has issued threats to blow up the installations in the copper mines. It is possible to argue that these threats are not intended to be carried out physically, since such a course would be highly ruinous to the economy of Katanga itself. But driven to desperation, his restive colleagues might carry out the threat partly at least. Realizing these imponderables, U Thant is taking timely precaution in seeking the mandate of the UN to use armed security measures, if necessary, to safeguard the copper mines. How soon and how far Katanga will see the wisdom of rapprochement now depends upon the pressing problem of the direction of the flow of revenues from the copper mines.

West Bengal

CHOICE OF CHIEF MINISTER

IN THE hour of trial, thrust upon it all too suddenly by the death of Dr. B. C. Roy, the West Bengal Congress Legislature Party showed a remarkable sense of unity and responsibility. Looking to the wrangles and intrigues for ascendency to positions of power, which constitute the dark features of the Congress Legislature Parties in some States, one might be tempted to say that the display was marvellous. The choice of Mr. P. C. Sen as successor to Dr. B. C. Roy was made so smoothly that harmony and team spirit in the working of the State Cabinet seem assured. The arrangement in pursuance of which Mr. Sen's name was proposed by the President of the State Congress Party and seconded by the Deputy Leader of the Legislature Party augurs well for harmonious relations between the organizational and legislative wings of the Party as also for loyalty from the ministers to the new Chief.

Mr. Sen's succession was obviously determined by his past record and his capacity to bear the burden of the new office. Lately, during the periods of absence of Mr. B. C. Roy, he officiated in his place and was virtually regarded as the next in command. This makes the Ministry—with no changes in its personnel—look forward with confidence to continuity of policy. The new Chief Minister's ample administrative experience since 1947 when he joined the State Cabinet under Mr. P. C. Ghosh and devotion to the duties of office will be great assets in guiding the affairs of the State Government. With over four decades of service to the nation through the Congress Party, he has deservedly earned respect for his personality. He possesses a rational as well as emotional grasp of the problems of his State and he has rightly explained that his central emphasis in industrial development will be on its employment potential to be achieved, among other factors, by dispersal of medium-scale units. Regional self-sufficiency in food may be desirable, but it is not necessarily imperative in a State where the population pressure may be increased by a political factor beyond the Government's control. But employment and progressive purchasing power are correctly chosen as the central aims of economic policy. Mr. Sen can plunge into his onerous task as soon as he breaks the concentration of too many portfolios which have passed into his hands. And he is fully aware of it.

Language

A LESSON

THE U.P. GOVERNMENT has only itself to thank for the consequences of its superficially conceived decision to introduce forthwith and on a State-wide basis the three-language formula in the high schools, recommended by the National Integration Council. It is apparent that the spirit of the Council's resolution, embodying this recommendation, did not contemplate the kind of change which the UP Government set about to introduce. Almost with boundless enthusiasm, it hit upon the project of launching the overambitious scheme of including in the higher secondary school curriculum a third language as a compulsory subject, besides English and Hindi. This transformation was sought to be brought about throughout the length and breadth of the State with a hasty operation. Students were to be given the option to choose the third language from among the thirteen languages (excluding Hindi) which are listed in the Eighth Schedule to the Constitution. It is not clear whether any limits of a minimum number of students opting for a particular third language from a school were prescribed or not.

It is a matter of plain commonsense that when the number of schools is increasing from year to year and the growing pressure of the strength of students is keenly felt by the existing institutions, the resources that would be required would be vast. And the resources are not merely financial, although it should be clear that the financial burden is the first consideration for the Government. A difficulty of still greater complexity would be posed in procuring teachers for the different Indian languages of the requisite quality in the impressively large numbers required and a further hitch would arise from their readiness to settle (even if not permanently) in a different region on the scales of pay conventionally offered there. Such a scheme requires a phased programme, on a policy of gradualness and co-ordination. The decision in its present form had to be abandoned on the eve of the new academic session.

The failure of this hasty scheme in UP constitutes no reflection on the value of language as one of the diverse media for bringing about national integration, although it would be well to realise the limited scope of its value. But its lesson is worth learning. Almost the same considerations apply to the teaching of Hindi in the non-Hindi speaking regions. There is, however, one sanguinary feature—Hindi as an official and national language will take relatively shorter time for its propagation. But the protagonists of Hindi will need to exercise restraint and patience.

As we go to press comes the report that the U.P. Government is evolving an orderly programme for this problem to be executed in suitable stages. This attitude is to be welcomed.

Election System

MALAISE AND CURE

WHEN A person of high integrity and impartiality, holding the office of the Attorney-General of India, makes certain radical observations on our system of elections and the extent of their genuine free character, they ought to be treated with respect and consideration that is their due. At the recent seminar in Bangalore, under the auspices of the Mysore State Commission of Jurists, Mr. M. C. Setalvad was severely frank in making the assertion that the elections as they are conducted in our country need not necessarily be treated as quite free. They suffer from two drawbacks which fail to ensure their freedom. One of these relates to the lack of power on the part of the Election Commission to stamp out certain abuses for the surprising reason that they happen to be outside the purview of the Commission or the Tribunals set up by it. Mr. Setalvad did not dilate at length on this question apparently because he felt that the legal nature of the issue would receive full treatment in the course of the proceedings of the seminar.

But, by and large, Mr. Setalvad's frontal attack on the system of elections in operation was on the serious inroads, which threaten to be made on an increasing scale, by the pressure exerted by the capacity of the political parties to incur expenditure in the course of the elections. This danger assumes a grave nature in the light of the illiteracy and poverty of the masses of the people. Mr. Setalvad was forthright in his statement that the expenditure permissible under the law to the candidates bore no relation to what was actually incurred. Moneys spent during the election campaigns literally assume a huge dimension, as he was careful to underscore. What unhappily results from the influence of money is that a party once elected to office finds itself in a position to perpetuate its existence by procuring the wherewhithal for elections in various ways. This function is performed by the party caucus which manages the campaigns. Mr. Setalvad again agitated a question (which has been set at rest by the amendment to the Companies Act) whether it was not possible to prevent the political parties from accepting donations from Big Business. This would eliminate the existing distinction between ostensible and disguised expenses. As an effective suggestion, he proposed for the seminar's consideration whether it was advisable to place political parties under an obligation to publish donations received by them from companies and the election expenses incurred by them. To plug any possible loopholes, he urged a system of independent, authorised audit. Such a safeguard could place the real picture of party finances and instruments of power before the electorate. He urged that a reform on these lines was necessary to ensure free elections for the functioning of real democracy and the rule of law.

The World Abroad

INFLATION: FALLING PROFITS: RISING WAGES

By

ODYSSEUS

FROM TIME TO TIME we devote several weeks of this column to the detailed study of some outstanding contemporary economic problem. The moment has come to do so again. What I want to consider are two related problems — how to halt inflation without curbing production, and, once having halted inflation, how to prevent ever rising wages from squeezing profits until there is an insufficient margin of profits to plough back for the re-investment necessary for growth, or preferably to pay out in dividends in order that good dividends may induce the public to decrease its liquidity preference and turn its cash over to producers to invest in expansion.

That this is the big problem of the day seems clear since the stock exchanges of the free world, beginning with New York, have all plunged downwards. Values have declined in crores of dollars, pounds, marks and so on. This is a spectacle which puts Socialists into a state of high glee. "Ha, the speculators are getting their fingers burned," they exclaim, rubbing their hands. They also write to the newspapers to point out that falls in stock exchange prices do not alter the amount of wealth in the shape of factories, inventories, and productive capacity of all kinds in existence. Such falls, they say, are merely in paper, not in real, values. What the Socialists do not realise is that stock exchanges exist to mobilise savings for investment. It is (with many exceptions) roughly true to say that investors are induced to part with their savings more by hope of capital gains than of dividend income. They periodically cash part of their profits to buy a sewing machine, or a motor car, or a house, or what have you. A fall in the values of their shares, if steep (as at present) may dissuade them from selling and therefore prevent them from buying the sewing machine, car, or house. A big stock market fall is thus apt to be strongly deflationary; it reduces demand for goods and labour. Others who sell at a loss to get out of the market (a) cannot now afford to buy their sewing machines, etc. and (b) prefer to keep their cash in the bank (Keynes's "liquidity preference") rather than lend it to producers. Thus do they curb production even further.

KEYNES ON INFLATION

This is how the classic depressions of the past snowballed on. Thanks to Keynes, nobody foresees a really serious depression of 1929 type. We can agree that Keynes killed the orthodox view that a depression could be left to cure itself, but fewer people remember that among Keynes's writing occurs the following observation: "There is no subtler, no surer means of overturning the existing basis of society than to debauch the currency. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which not one man in a million is able to diagnose."

In recent years one government after another has grasped the truth of this observation and has sought to halt inflation. For reasons that we will examine later, virtually every government has attacked inflation on the side of demand, by raising the bank rate, by increasing purchase taxes, and further reducing the bank's ability to lend by taking compulsory deposits from them. As far as I know, the Netherlands is the only country which has made the effort, not very successfully, but still has made it, to curb inflation caused by increased costs due to ever rising wages. In his mischievously entertaining "Affluent Society" (H. Hamilton. London. 1958.), Mr. J. K. Galbraith implies (page 165) that just as we needed a Keynes to jolt us out of thinking that depressions would cure themselves, we need a new Keynes to jolt us out of the idea that persistently rising prices will cure themselves. I suggest that he is mistaken. Every economist, in obscure corners like me, or from the house tops like Graham Hutton in "Inflation and Society" (Allen & Unwin. London. 1960.) and not omitting Mr. Galbraith himself, has warned you all that inflation is the enemy of the economic allocation of resources and labour, and therefore of growth. Pushed far enough, as in the great snowballing German inflations of 1914 to 1923 and of 1936 to 1948, production becomes well-nigh impossible. The index of production in Germany (1936=100) stood in January, 1946, at the incredible figure of 27, which meant that three quarters of capacity lay idle. Inflation had reached a degree in which the currency itself was repudiated. Barter had become the basic means of exchange.

No, we don't need another Keynes to devise a formula for preventing inflation. There is no theoretical economic problem involved. Inflation today is a practical political problem, caused by politicians who seek votes by competing with each other in offering largesse from public funds, or who fear to lose votes by insisting that trade unions should not be above the law (as in the UK) and should not be allowed to pursue wage demands which endanger the currency.

The trouble with most of us average human beings is that we are congenital optimists. The more the economists cry "Woe!", the more we shrug our shoulders, murmuring "You can't frighten us with the examples of the German inflations. Those were due to exceptional local situations. It can't happen here."

Today, however, there is not a country in the free world of the West which is not feeling its way towards some kind of national wage and incomes policy in an effort to halt rising prices from the cost side.

A WAGE POLICY KILLS THE UNIONS

However tentative the beginnings, a really successful wages policy must ultimately end in government machinery to determine wage rates for all jobs throughout the economy. Now, a free market is the only objective, neutral job evaluator. Determination by state machinery must be arbitrary because there is no discoverable objective standard of "fair" wages. In real life, a "fair" wage means a little more than you are getting now, or perhaps as much as, or more than, someone else in a better paid industry is getting. If the present trend towards wage policies continues, it can only end in the elimination of the trade union as the worker's defender. The worker will eventually be dependent on the legally binding decisions of a government committee for his wage. The trade unions in

This is the time to think about Cold Storage

And this is the time to think about Carrier and Voltas

—now, when our need for food is so great nothing should be allowed to perish and go waste. Specially valuable foods like fish, meat, poultry, vegetables, fruit and dairy products which spoil rapidly—particularly in the heat.

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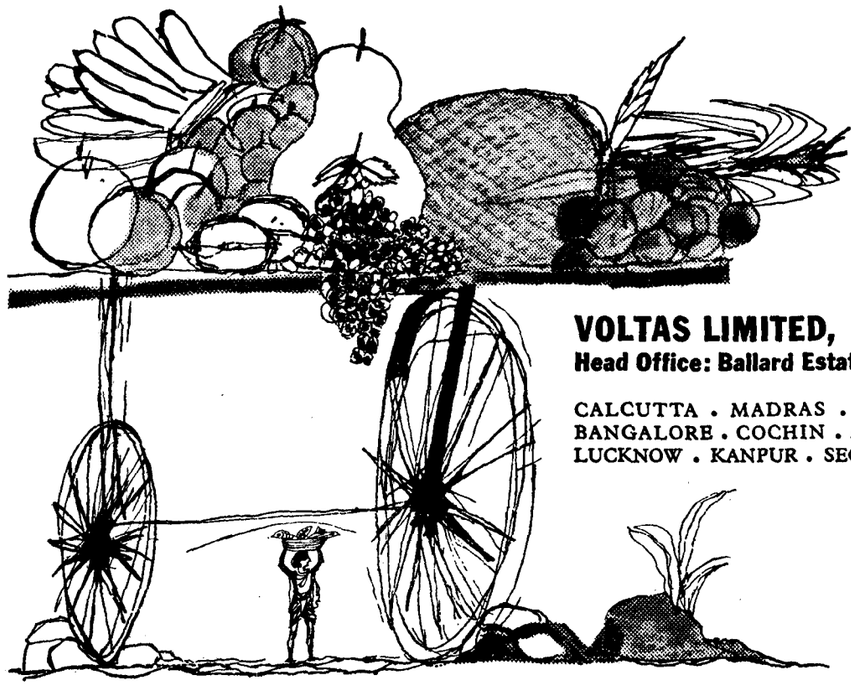
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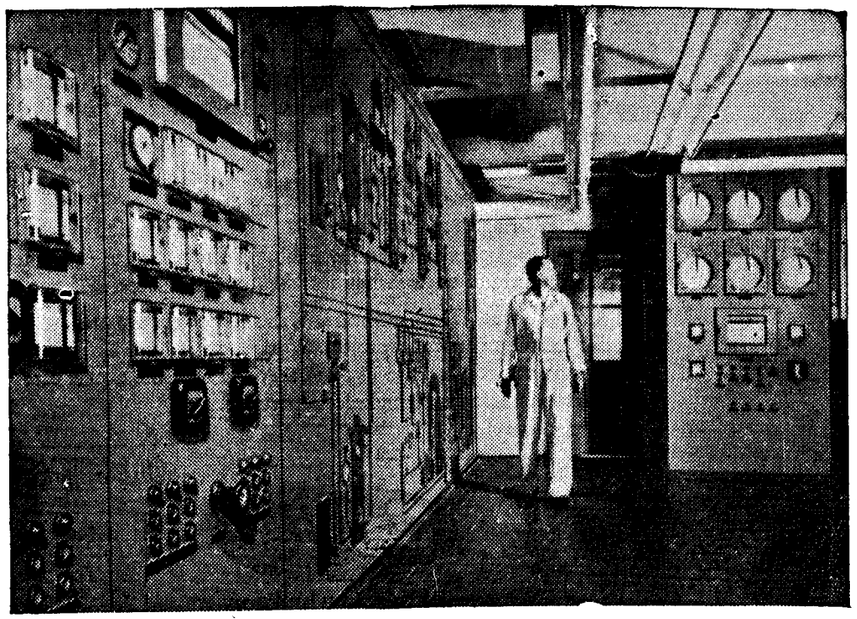
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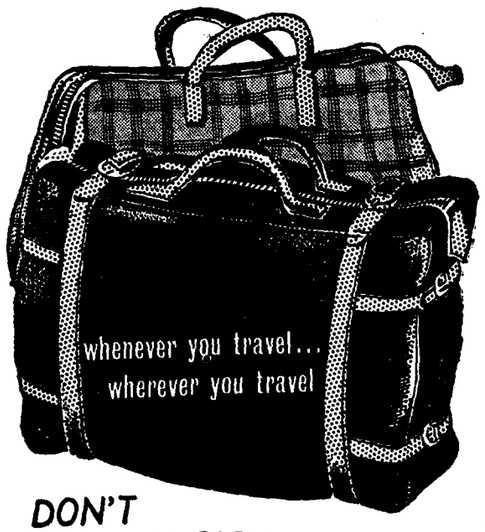
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Germany are well aware of this, which is why they are hostile to proposals for a wage policy. The British unions theoretically approve of a wage policy if carried out by a Socialist government, committed to eliminate capital gains, and to ration profits and dividends. But this is tantamount to complete state control of the economy and the end of political and economic freedom, not only for the individual citizen but for the trade unions, and in practice they will certainly resist officially imposed wages. Remember the precedent of the first post-war UK Labour government. Sir Stafford Cripps sought to impose wage restraint and in 1949 persuaded the Trades Union Congress to support a total wage freeze so long as prices rose by no more than an agreed figure. By September, 1950, the wage pause had broken down and the scramble for higher wages was once more on in full. With 1938 as 100, the purchasing power of the £ in 1950 was 49. Today it is 33.5, that is, I suggest, 15.5 points nearer a wages policy with a Socialist government enforcing it on the unions by a maze of controls. And what have the unions gained? Between 1952 and 1959, according to the OECD Report on Rising Prices, whereas nominal hourly earnings rose 48 per cent in the UK, real hourly earnings rose by only 21 per cent. In Germany, nominal hourly wage rates in the same years rose by 55 per cent, but as Germany managed to hold inflation to a slower rate, real hourly earnings rose by as much as 42 per cent. The proportion of the gross national product secured by wage earners in Germany remained steady around 55 per cent between 1950 to 1959. On the other hand, the index of the gross national product rose from 100 in 1950 to 191 in 1959, so that the German worker's "unfair" share of 55 per cent was giving him 91 per cent more income in 1959. In the UK, the workers took 71.7 per cent of the GNP in 1950 and 73.3 per cent in 1959, but the GNP rose only from 100 in 1950 to a mere 123 in 1959, so that the UK worker's "fairer" share was only worth 23 per cent more (by this method of calculation, which gives a result close to that made above on a different basis).

FUTURE WITNESSES

Although I venture to disagree with Mr. J. K. Galbraith's solutions, I have not read a clearer or more realistic analysis of these problems than that which he offers in his "American Capitalism" and "Affluent Society", and I proposed to put him in the witness box to give his evidence next week. Other witnesses, whom I shall call in subsequent weeks, will be the OECD Report on Rising Prices (Paris. 1961. Price 21 sh.), Mr. A. E. Jasay of Nuffield College, Oxford, on wages, profits, and growth rates (Westminster Bank Review. May 1962), Mr. H. A. Clegg, also of Nuffield College, on a policy for incomes (Lloyds Bank Review, April 1962), the 1961 edition of the Handbook on the German Economy issued (in English) by the Deutches Industrieinstitut of Cologne, and several others.



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The European Scene

POPULAR CAPITALISM

From Our Special West European Correspondent

PARIS, July 7.

IN Wolfsburg, Lower Saxony (about 100 miles west of Berlin), last Saturday I attended the annual general meeting of a pioneer venture in popular capitalism: the world's second biggest joint stock company after American Tel & Tel as to its number of individual shareholders. Volkswagen-werk AG is the largest enterprise in West Germany, with an annual turnover of Rs. 6.25 crores, and it has 1,500,000 shareholders all of whom earn (or were earning less than two years ago) under Rs. 20,000 a year. That sounds a lot of money in rupees, but in Deutschemarks and at today's prices in West Germany it is a wage bracket that includes only workers, clerks, artisans and lower-level civil servants. These people own, on an average, two and a half shares each in Volkswagen, which means they are capitalist to the tune of about Rs 1,500, taking the current price of their shares in the stock market. Actually, they bought at much less than that; their average initial investment would have been about Rs. 1,000. These averages are meaningful, and not just the average of a few holders with hundreds of thousands of shares and of many holders with a few: in reality, it is unlikely that any single person owns more than 10 shares. The company thus answers any reasonable definition of popular capitalism, with the qualification that 40 per cent of the shares are held by Government, a minority holding too small to dominate the company but big enough to prevent anyone else doing so by "cornering" the shares of small holders.

How does the running of such a popularly owned company differ from that of a normal joint stock enterprise? There is first of all the fact that Wolfsburg is a *magnificent* town (it contains nothing of economic importance except the Volkswagen works) most of whose building has been financed by the company, for this region was a Junker's shooting box before the war. But that has nothing to do with Volkswagen's popular ownership, because the firm had built Wolfsburg and proven itself a good employer long before its stock was sold to modest savers. If the shares of the company had been sold to a few powerful financial groups in 1958, Wolfsburg probably would look no different today. Labour is acutely scarce in the Federal Republic and notably in Lower Saxony, and the firm would have had to practise a generous social policy to attract workers there, no matter who owned it. Maybe there is a different atmosphere from other "company towns" because the workers (who are the biggest shareholders, having bought an average of five shares each) feel that they own both the factory and the town, whereas most factory towns fall into two halves: "us" on this side of the railway line, and "them" on the other side.

On closer enquiry, however, it emerged that this lack of tension dated from before the sale of shares to the workers. What the workers seem to enjoy is not so much the pride of possessing stock in the company as the satisfaction of knowing that their bosses possess none; they were excluded from buying shares by the means test, for obviously most of the upper grade staff were earning more than Rs. 20,000 a year when the flotation was made. In any event, the directors of Volkswagen had from the beginning followed the policy of keeping factory matters in the factory and not extending their influence into the town's life: there are no company clubs or restaurants in the town, and once the workers cross the canal to the civic centre they have always been in their town. Professor Nordhoff, who has been the president of the firm since 1948, knew what oppressive prisons factory towns can become and he would have followed his instinct even if the workers had not become substantial shareholders. So far then, I had found nothing that could be put to the credit of popular capitalism. Wolfsburg, both the plant which is the largest single automobile factory in the world, and the town which is a showpiece of modern urbanism, is a beautiful place, but given the quality of Volkswagen management and the enterprise of its workers, it would have been so under any system of industrial ownership consistent with democracy.

It was at the company meeting that I expected to see the signs of popular capitalism. Indeed, superficially, it differed from any I have ever known. It was held in the town hall and there were 2,800 people present. The meeting went on all afternoon and well into the evening, the participants sustaining themselves with *copious (and free) orange* juice and coffee. Affairs sometimes became tumultuous, with much shouting and interrupting. There were plenty of questions, and the sensible ones were carefully answered; the few really silly ones were laughed down by the audience. There was the inevitable obstreperous shareholder who bores and irritates directors by trying to make a scandal out of petty matters, but I was assured that this particular individual was well known all over West Germany and puts on this performance in the many companies in which he owns one or two shares; Calcutta readers may recall a similar type, an Englishman, who was notorious for this some years ago in their city. So that had nothing to do with Volkswagen's popular ownership.

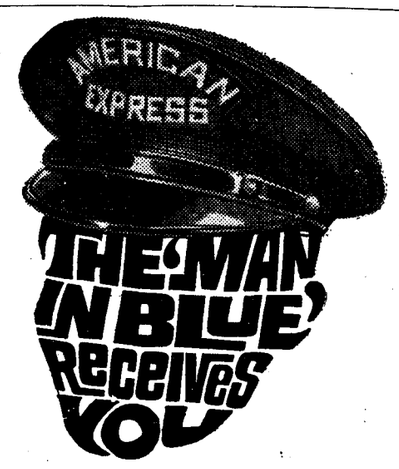
Although large, the attendance was much less than one might expect at a meeting of a company with 1,500,000 shareholders. Last year the firm cleared the floor of one of the factory's assembly halls, expecting a roll-up of 30,000. In fact only 5,000 came and this year the number was about half. Most had left their proxies with banks and so, counting the 40 per cent share of the two governments of the Land of Lower Saxony and the Federal Republic, most of the voting was decided by half a dozen people in the large hall. Before concluding that shareholders' interest in their affairs was derisory, one must recall that the 60,000 odd workers of the firm who own shares are in daily touch with the organisation and are not likely to learn anything at the annual general meeting that they do not already know. They have their representatives on the board of directors, not to mention in their normal union machinery, so their failure to appear is no sign of disinterest.

More serious, it seemed to me, was the fact that no one queried the form in which the company's accounts were presented. It was perfectly in accordance with German law, of course, and followd the accountancy tradition of all Continental joint stock companies. But that only means that it was quite uninformative and would not be accepted by any shareholders' meeting in the USA, for example. No figure was given for the company's real profits; there was just a declared net earnings figure which, as usual happened to coincide with the amount the directors proposed to distribute as dividends. That is, allocations had been made and tax payments provided for before the so-called profits were shown and it was impossible to see what profit the company had really made i.e. the profit figure the directors must have revealed to the tax-collector so that he would know how much company profits tax to charge. This figure features in all US company balance sheets and is the first thing an investor wants to know. Continentals have always allowed company directors to hide this essential information from shareholders and one hoped that a popularly owned concern that was pioneering in "industrial democracy" would break with that tradition. None of Volkswagen's modest shareholders raised the point.

The matters that interested them most were the price of their share, and the recent attempt of the Federal Government to stop the firm raising its selling prices. On these two points they received some lessons in elementary capitalism from Professor Nordhoff. He showed them that the performance of their company was unaffected by the dramatic fluctuation of its share in German markets over the past year. Having bought at 350 DM, Volkswagen's tyro capitalists jubilantly saw their stock soar to 1108 DM last summer. They felt that they were getting rich, but forgot to book their profits: only 7 per cent, it is estimated, had sold by the time the share reached its peak. Thereafter began a disastrous decline, to around 500 DM. Many of the shareholders at last Saturday's meeting evidently felt they had a legitimate grievance and that the company meeting was the place to air it. Professor Nordhoff re-assured them that their company was flourishing: it produced 1,000,000 vehicles last year and exported 55 per cent of them, thus establishing itself as the world's third motor car firm after General Motors and Ford, and as the world's biggest exporter of cars, selling abroad as much as the whole British auto industry. Moreover, in doing so it had made a profit that enabled it to maintain the dividend of 12 per cent. He and his fellow directors were responsible for so much; as for the price of the share, that was beyond their power. If you cannot stand the excitement of stock market fluctuations, he told them, then you must sell your stock and choose some other savings medium.

None of the popular capitalists found anything to oppose to this argument, but it was clear that their first experiences in the share market had left them disillusioned. Volkswagen was not the first West German concern to be "privatised" in favour of modest savers; Preussag AG was similarly sold to people of limited means and they have had the same experience: a big rise followed by a bigger decline. The alarm and dismay among small holders is so extensive that the Federal Government is understood to have delayed its plans for further privatisations. Not that these initial disappointments are conclusive arguments against popular capitalism. It is clear what is happening. People excluded from the original offer of shares (wealthier Germans and foreigners) seek to buy when the share comes on to the market, but the small capitalists do not sell. Vigorous demand in the complete absence of supply produces artificial inflation of the share price. The small holders think they are getting richer and are less inclined than ever to sell. At the first share market scare, demand dries up, the stock is left exposed at unjustifiable levels and then small sales in a narrow market produce heavy losses. The people's share is actually more unstable than any other equity and the popular capitalists get a disastrous impression of investment. At least, this is true at first; maybe later as they learn to book their profits (and thus iron out artificial price rises) or, alternatively, to weather market recessions philosophically, the market behaviour of their stock will be more normal.

The Volkswagen price controversy, which ranged the popular capitalists solidly on the side of their directors against the Federal Government, was more interesting than the US steel price battle because here the Government was the largest single shareholder in the defiant enterprise. Professor Nordhoff's logic was recognised as impeccable by all his budding capitalist stockholders. If Bonn does not like our price increases, he said, it must defend the value of the mark, and that is not our job. We make cars and we must write our price-tags in accordance with the money cost of production and expansion. It is absurd for Bonn to encourage national inflation and then seek to peg the price of one article that, in real terms, has risen less than food and other necessities. It was instructive to see a company that was largely owned "by the people" and for the rest by Government taking the classic capitalist line, and doing so with more courage than the US steelmakers, those ogres of capitalism according to President Kennedy. Maybe that is the main lesson of this first big venture in popular capitalism. The popularly owned firm behaves, in relation to its shareholders and to Government, not very differently to any capitalist company that is well managed and has the courage of its convictions.



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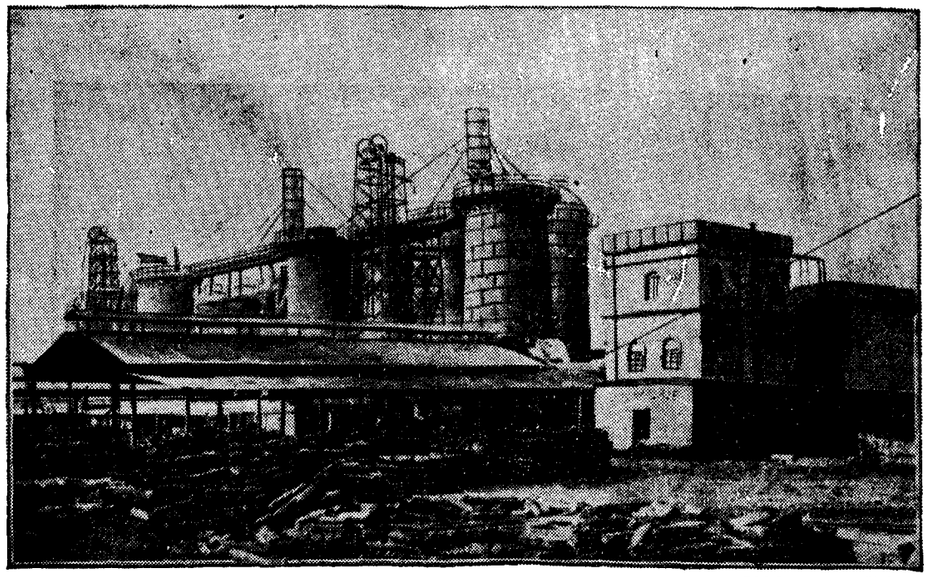
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THE FLUX AT KULTI



Old furnaces at Kulti

By general consensus of opinion, Josiah Marshall Heath, a superannuated civil servant of the East India Company, was the first to produce steel in India by modern methods at the Indian Iron, Steel and Chrome Company which he set up in 1830 at Porto Novo in south Arcot.

India's nascent steel industry blundered on through many heart-breaking errors and failures until 1876 when the Bengal Iron Works erected, in the jungles of Kulti, two small open-top furnaces powered by a single blowing engine and charcoal-fired boilers. Welcoming this "economic revolution in the country," *The Statesman*, in its issue dated March 8, 1876, said: "... if these new works are but successful with the flux, India will at no distant date supply herself with her own iron, in place of importing it from Europe" thus speeding "the redemption of the people from poverty".

In 1892, the managing agency of these early works at Kulti passed to Martin & Co. Progressing steadily since then and continually expanding its iron-making and foundry facilities, the Kulti Works were merged in December 1936 with The Indian Iron & Steel Co. Ltd., already in operation at Hirapur under Burn & Co.'s managing agency.

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Economic Report from the U.S.

U.S. AND THE COMMON MARKET

By GUY SIMS FITCH

WASHINGTON, July 10.

THE Trade Expansion Act which the House of Representatives has just approved, and on which the Senate will soon start its deliberations, is essentially the same measure, incorporating the same need and bold approaches to trade liberalization, which President Kennedy proposed at the beginning of the year. While this measure is unprecedented in that it contians a number of features new to the American scene, it is rooted in a policy which has been basic to the United States for more than a quarter of a century At its heart of the conviction that the growth of international trade is in the interests of the United States and all other free countries, that with an expanded interchange of goods and services come rising living standards and increased understanding among peoples and nations.

In this, the United States plays a key role. With an economic position pre-eminent in world affairs, it is in position to offer the leadership needed in bringing down the artificial obstacles that inhibit constructive expansion of world commerce. The Presidential authority to negotiate with other nations that is in the new act thus amounts to an expression of U.S. readiness to continue its role of responsible leadership. This authority to negotiate reciprocal tariff reductions is not new. It has been held by every president since the first Trade Agreements Act was adopted in 1934, and every president has made ample use of it. In accord with the U.S. Constitution, each one has done so under powers delegated to him by the Congress, and under rules laid down in appropriate Congressional Legislation.

In this sense, the new law represents no departure from the past, but rather an extension of a time-honoured American principle. This applies with particular force to the Act's general tariff-cutting authority, whereby the President would be empowered over a five-year period to negotiate reductions of up to 50 per cent in U.S. tariffs in return for reductions in other nation's tariffs, on a basis of mutual benefit. Also in this legislation, however, are a number of elements that go far beyond past delegations of authority, and can best be described as revolutionary as far as U.S. economic policy is concerned. They represent specific kinds of negotiating power which take into account the new challenges and opportunities of today's economically interdependent and expanding free world.

Chief among these is the power to negotiate with the European Common Market not merely for the reduction but also for the elimination of tariffs on categories of goods in which the United States is interested. This provision would take on real meaning at the time the United Kingdom joined the original Six — France, West Germany, Italy, Belgium, the Netherlands and Luxembourg — in the Common Market. Another new provision worthy of note is the authority to reduce or eliminate duties on products of tropical agriculture and forestry, subject to the condition that the Common Market take similar action. Most U.S. tariffs in this area already are low or non-existent, but the provision stems largely from the U.S. desire to open markets in the advanced countries on a non-discriminatory basis to all producers of tropical products — in Latin America, Asia and Africa.

As in the past, the President would have recourse under exceptional circumstances to modify tariff concessions harmful to American business. But here again, the new legislation explores new ground, with a significant switch in emphasis toward domestic self-help and away from a special, if seldom-used, form of tariff assistance. This is a trade adjustment programme, new to the American scene, under which the government would offer no tariff, but financial and technical aid to companies and workers hurt by rising imports.

From this necessarily brief description, it is clear that the trade legislation, now evidently well on its way to final congressional approval, would help force new trade links with the European Economic Community (EEC), as the Common Market is more formally known. The fact that the United States is a global power with major economic and political responsibilities around the world seems to argue against its full association with a regional European entity. An effective U.S. partnership with a strong and stable Europe, however, could contirbute immeasurably to the welfare of all free nations. This would be particularly the case as EEC external tariff walls are kept low and non-discriminatory, and the benefits of widened trade opportunities are extended generally to all free world trading partners.



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Special Article

PRICE LINKING IN SUGAR

AT long last the Union Government has taken steps, though in a half-hearted manner, to link the price of sugarcane with the sucrose content of sugar. According to the latest notification of the Government of India, the cane price would remain unchanged at Rs. 1.62 per maund for delivery at the mill gate. It has, however, been linked to a recovery of 9.8 per cent i.e. 100 maunds of sugarcane must yield 9.8 maunds of sugar for claiming the price of Rs. 1.62 per maund of sugarcane. A penalty will be imposed at the rate of 1.5 nP. for every 0.1 per cent fall in the recovery at the factory. An equivalent premium would be paid for every rise of 0.1 per cent in recovery. The minimum price has been fixed at Rs. 1.50 per maund for a recovery of 9 per cent or less.

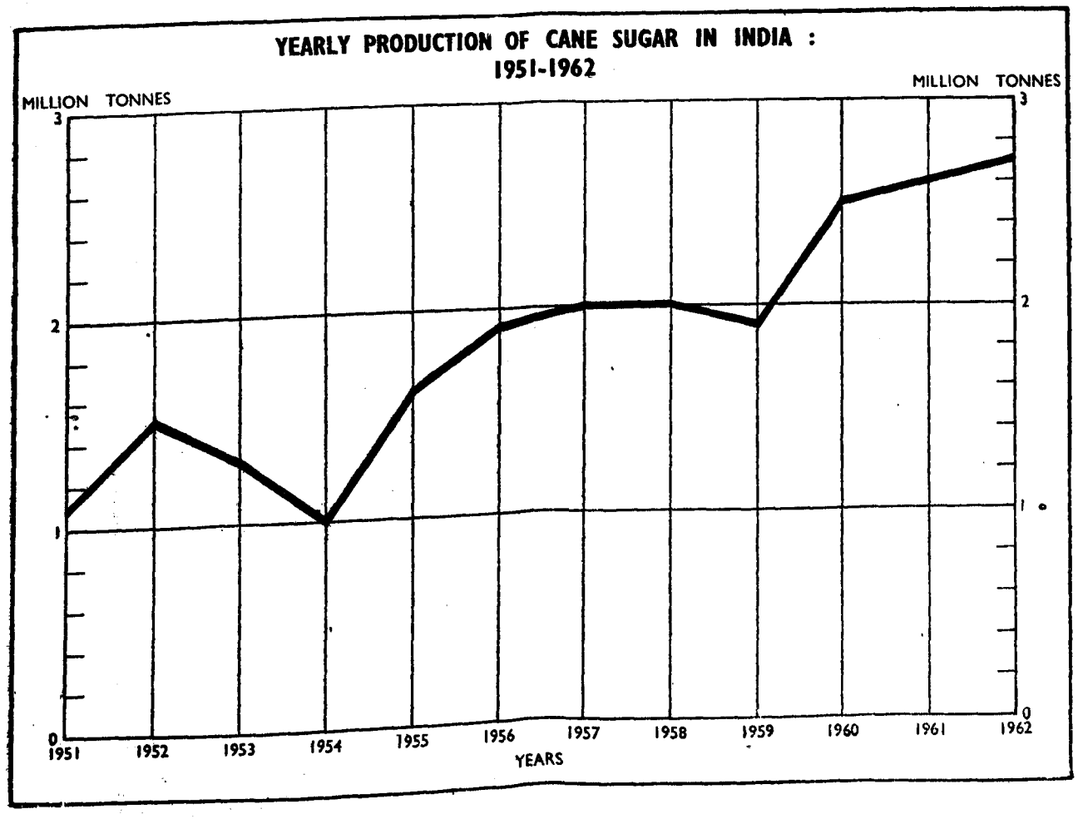
What will be the impact of this new price-linking formula? Will it reduce the cost of the raw material so as to bring down the ex-factory price of sugar? Will it assist exports? Will the consumer have any relief?

The present decision of the Government will achieve none of these objectives. It will only perpetuate the already rigid structure of cost wherein the raw material forms a disproportionately large share. According to the findings of the Tariff Commission the cost structure of each region for the 1957-58 season was as follows:

THE COST STRUCTURE OF SUGAR: 1957 - 58 SEASON

Region	Northern	Bombay	M.P. & Rajasthan	Southern
No. of Crushing days	123	165	105	130
Recovery Percentage	9.89	11.15	9.65	9,51
Cost of Manufacture	5.65	5.47	6.64	5.53
Cost of Cane including commission on cane and cess	16.85	16.68	14.96	17.08
Total cost excluding excise duty	22.50	22.15	21.60	22.61

It will be seen that the cost of cane including the commission on cane and cess varied between Rs. 15 and 17. In Northern India the cost of cane (including commission on cane and cess) at 9.89 per cent recovery was



Rs. 16.85. Excluding both commission and cess, the price worked out to be around Rs. 16.80. In other words, the new scheme would impose no additional burden and would tend to perpetuate the present rates. Again, the new formula does not take into account the period of crushing days. When the recovery tends to be significantly below 9 per cent at the end of the season, the mills would like to reduce the crushing period. It is not known why the Government has ignored, for the first time, the crushing period in the computation of price payable to the cane growers on the quality of the cane. Maybe, the Union Government feels that the State Governments would see to it that the mills crush all the cane allotted to them, whatever the level of recovery. This will naturally add to the burdens of the industry. Moreover, the international price of sugar is much below the price fixed for sugarcane in India. That explains the paradox of India's failure to sell sugar in the markets abroad.

Ostensibly the present measure has been taken to induce the agriculturists to improve the quality of cane because the new formula ensures a higher rate of return for better quality cane. To the extent that the agriculturists are encouraged in producing improved quality sugarcane, it will be a gain to the nation as well as to the peasant. The basic problems of the sugar industry will, however, remain unchanged.

The history of the sugar industry during the last decade is full of interest. Production has been steadily rising and has more than doubled since the beginning of the First Plan. As the graph on the earlier page shows, in 1950-51 the total production of sugar was a little above a million tonnes and after slight improvement in the succeeding years, it came down to a million tonnes in 1953-54. Since then it has not looked back and has been continuously increasing. In 1959-60, for the first time, the target of Second Five-Year Plan was exceeded by a wide margin. In 1960-61, the output was 2.6 million tonnes and in the current year it is expected to be 2.7 million tonnes. It may be mentioned here that during the current year the Government were forced to restrict the output of most of the units by 10 per cent as compared to the preceding year. This restriction was imposed because stocks of sugar were accumulating with the mills and consumption at home plus exports were not sufficient to cope with supply. The sugar industry thus stands in a class apart amongst all major industries of the country. As against the shortages which haunt other leading industries, sugar alone has produced unmanageable surpluses. There are already 1.2 million tons of stocks with the mills. In the next year they will get inflated to 1.5 million tons. Normally, the industry has surplus stocks of not more than 0.5 million tons. These additional stocks of a million tons will pose a serious problem. They will increase the cost of manufacture because the interest charges on stocks would rise if the stocks are not speedily reduced.

The Indian Sugar Mills Association had suggested that the minimum price should be fixed at Rs. 1.44 per maund of cane, while the price linking schedule should operate between 8.5 per cent recovery for the lower limit and 11.0 per cent recovery for the upper limit. Whatever the political pressures for keeping the price of sugarcane at a high level, the national interest should not be foresaken. The industry has today idle capacity because neither its output can be sold in the markets abroad because of the high cost of raw materials nor can it be cansumed within the country. The steadily increasing acreage under sugarcane also proves that the sugarcane is an extremely remunerative agricultural pursuit as compared to other agricultural crops.

The present measures will only maintain the status quo. They will certainly not help the consumer with a reduced retail price or earn more foreign exchange for the country—the two basic problems of the industry which have remained unsolved for a long time.

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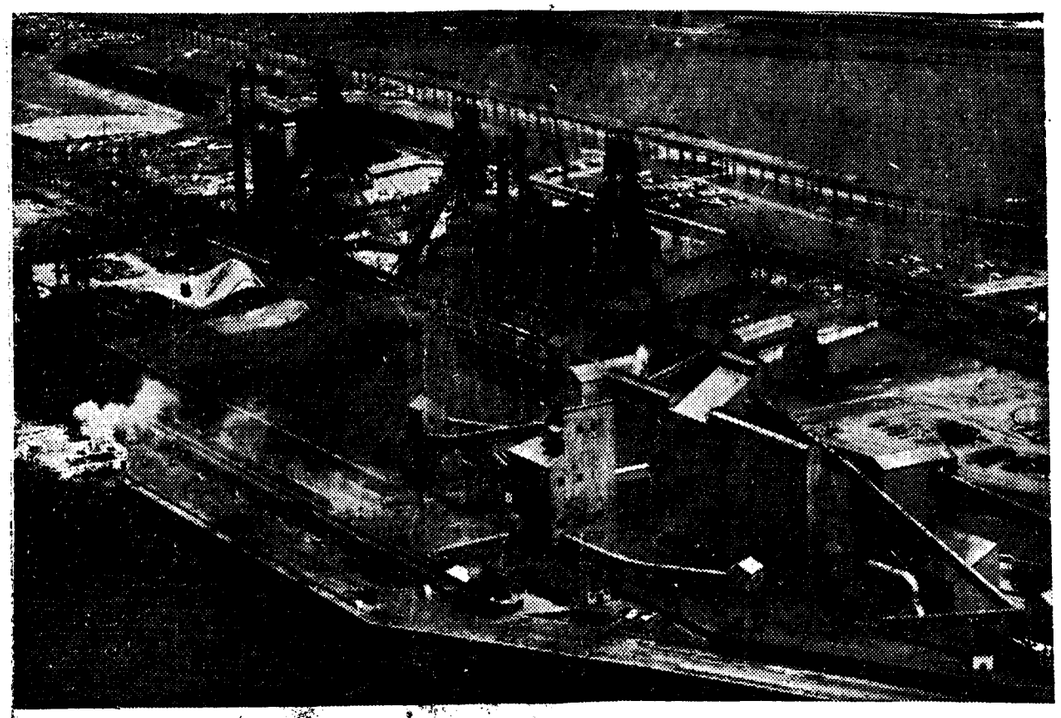
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THE BUSINESS WORLD

What Price Power?

By CROESUS

HAD not the monsoon started with a bang, as it did, and made up the shortage in the level of water supply at the Mulshi Dam, from which water is let down to the Bhira Power House of the Tata Power Grid network, industries in the Greater Bombay area and Thana would have experienced a drastic cut in power, the extent of such cut depending upon the category in which a given industrial establishment fell under a system of grouping evolved jointly by the Government of Maharashtra, the electricity companies and the business interests, at a recent meeting convened by the Government of Maharashtra. Needless to say, both employees and employers, not to speak of the public generally, heaved a deep sigh of relief at this last-minute happy turn of events. Similarly, the jute industry in West Bengal was relieved when the threatened 10 per cent blanket power cut failed to materialise, following the intervention of the Board of Trade and the personal efforts of the Union Minister for International Trade. A more or less similar experience fell to the lot of the industrial users of power in Madras. As a matter of fact, consumers of electrical energy practically all over the country have been faced with such threats of cut in power supply off and on, so much so that people have begun to talk of Indian industries also being "a gamble in the rains", even as Indian agriculture is proverbially known to be. It is not surprising, therefore, as the Secretary of the Federation of Electricity undertakings in India has observed in "A Survey of Indian Industries 1962" (Supplement to the 'Capital' of June 20, 1962) "not a day passes without the press highlighting the power shortage in one part of the country or another. No meeting of industrial or trade organisations concludes without emphasis on the need for raising the (Third Plan) power target. It has been urged that industries be allowed to instal their own generating plants to meet their power needs."

But what is the net result of it all? What has been done so far and what is proposed to be done during the rest of the Third Plan period do not both add up to much, at any rate not that much as to afford much comfort to the interests concerned, nay to the people at large. The public certainly has a right to demand of the powers-that-be why they have allowed power crisis situations, such as those in West Bengal, to develop involving a potential loss of foreign markets of as much as Rs. 25 crores. This, by the way, is the estimated loss, according to the jute industry, which a curtailment in the production of jute goods would have brought about, had the power cut in Calcutta eventuated. There would appear to be no reliable estimate of the probable loss to the country's national product and to our total export trade as a result of power cuts, both threatened and actual, from all over the country. But there is no gainsaying the fact that this would run into several hundreds of crores. This is, indeed, a very unsatisfactory state of affairs, especially in a planned economy.

What, then, is the remedy? Suggestions, such as asking industrial units to have their own generating sets are no effective solution to the problem; at best, they are palliatives or short-term remedies. A more lasting and effective solution would be to allow all public utilities, whether in the public sector or in the private sector (licensees), to augment their installed capacities. It is high time that there was a reappraisal of the idea that power development is the primary or the sole responsibility of the State Electricity Boards, if only because of the miserable performance of quite a few of these boards. Here is a brief description of how these boards have fared:

"The State Electricity Boards, constituted under the Electricity (Supply) Act, are supposed to adopt the best features of both the Government and commercial enterprises. But this ideal has remained unrealised. Instead, the boards have tended to remain under the control of the State Governments. They are under a statutory obligation not to conduct their operations at a loss. But almost all of them have incurred loss, as far as commercial accounting goes." In other words, these boards have failed to be either autonomous or to pay their way.

If this is the lot of the pampered public sector, one can very well imagine the position of the private or the "vanishing sector", as this sector of the Electricity Industry has been aptly described. When, presumably, it was the intention of the authorities (at the time they framed the provisions dealing with licensees' finances) that these licensees should not continue to remain in existence for long, the step-motherly treatment that they have been rceiving lately need not occasion any surprise. The financial control imposed by the Electricity (Supply) Act has proved to be more draconian than was either visualised or apprehended. The result has been a veritable squeeze on the licensees' undertakings. The crucial question, therefore, as every one connected with the electricity industry has pointed out on several occasions, is whether it is possible to provide a return to the investor which can be regarded as reasonable enough to attract further investment in the industry. The burden of song of every electricity company chairman's statement is only this, viz., that "until the provision of the Sixth Schedule of the Electricity (Supply) Act is so altered as to improve the financial return to electricity undertakings, it would be difficult to raise additional equity capital." The standard rate, i.e. the rate of return of the investor linked to the Bank Rate, which was expected to provide some relief has, in the event, proved disappointingly low, thanks to the new system (this has been made into a four-tiered one from the erstwhile three-tiered one) of penal rates of interest payable by the scheduled banks for borrowings over and above their quotas, which has the effect of more or less holding down the effective Bank Rate to the disadvantage of the industry. Not until the question of a fair return is determined will it be possible to ensure any sizable progress in power development. What requires to be underlined in these circumstances is that the private sector of the electric supply industry has large-scale potentialities for expansion and, therefore, for adding to the country's power resources, and that the authorities cannot afford to ignore the legitimate claims of the industry indefinitely, except at great peril to the success of their development plans.

Business Notes

Plantation Industry

COFFEE AND THE COMMON MARKET

IT IS not surprising that the plantation industry, like any other export-oriented industry, should view with concern the impending entry of the U.K. into the European Common Market. If the U.K. obtains entry without any safeguards, it is obvious, India's tea exports would be affected adversely. On the other hand, a suitably negotiated entry of the U.K., as Mr. D. C. Jarvis, Chairman of the Nilgiri Planters' Association, (N.P.A.), pointed out, would be a blessing in disguise, since such "can only result in an increased per capita consumption in other European countries, in most of which there is considerable scope for increase."

Speaking at the 71st annual general meeting of N.P.A., recently, at Coonoor, Mr. Jarvis doubted whether even otherwise, we could count on an expanded market in Europe, in the context of our existing excise and export duties, on the one hand, and the steadily increasing tea production elsewhere, on the other. The present levies on the tea industry, he pointed out, have been, in fact, acting as a subsidy to our competitor countries. Again, he said, whereas the rate of increase in tea production had been increasing at a greater pace, the rate of increase in the overall world consumption was still slow. It is, therefore, of paramount importance, as Mr. Jarvis observed, that we should have a bold and adventurous approach to this problem, if we have to increase exports and earn greater foreign exchange.

Indicating what this approach meant, the N.P.A. Chief suggested a uniform method of collection of all forms of duty on tea at one point, namely at the point of sales which, in his view, would meet every one's need, since these could be suitably scaled for the various producing districts in much the same way as the excise duty is being scaled now. He also expressed the view that this would be much easier than to offer anything like a worthwhile rebate on teas that are exported. In other words, it would serve a double purpose, namely, encourage the overseas buyers and also serve as an incentive to local producers to produce more exportable grades.

Referring to coffee production in Nilgiris, Mr. Jarvis observed that, in view of the low coffee prices, the small coffee growers, who form the bulk of the producers in the Nilgiri Districts, were not only not able to show any profit but were forced to wait for nearly 20 months to receive the final payment for coffee delivered by them to the Coffee Board. Their financial position was such, Mr. Jarvis noted, that, at this rate, they would never be able to maintain their assets in a reasonably good condition. The present system of marketing might have worked well so far, but it has since become outmoded and outdated, especially in the context of phenomenal crop increases. Hence the plea of the N.P.A. Chirman for an immediate change in the system. He also suggested the revival of estate marks, which had been formerly in vogue, as this would facilitate the picking up of superior quality Indian Coffee associated with a given estate mark.

FAO

WORLD FOOD PROGRAMME

ONE WOULD wish all success to the FAO Executive Director, Mr. A. H. Boerma, in his present mission to the capitals of the FAO member-countries with the object of securing their co-operation for the World Food Programme, scheduled to be launched in October next. It is, indeed, encouraging that the response of the countries which Mr. Boerma has already visited—several European and some African countries—has been, to quote Mr. Boerma himself who was here a few days ago on a short visit for talks with the Government of India, "surprisingly positive".

The programme envisages creation of a $100 million fund in the shape of commodities, services and cash, for rendering assistance to developing countries. Twenty-five per cent of this fund is proposed to be set apart in the initial satges for meeting emergencies like floods, earthquakes and other natural calamities. The remaining resources are to be utilised for financing in kind some pilot projects in the under-developed countries primarily with a view to helping them in their economic development, particularly in the agricultural sector. A few instances of such projects are: (i) paying workers employed on construction jobs partly in the form of food made available under this programme; (2) provision of food supplies in the initial stages for those employed on reclamation of land for cultivation; (3) assisting in the migration of people from thickly populated areas to new settlements within a country and meeting their food requirements for a short initial period from the reserves created by FAO under this scheme.

Although misgivings have been expressed in not a few under-developed countries—in the food deficit countries on the ground that this programme might affect bilateral assistance provided to them by the United States under PL 480 programme and in the surplus food producing but otherwise under-developed countries on the basis that this plan might affect their export earnings needed by them for their development purposes—the programme requires all assistance for its implementation as it is only envisaged to act as a catalytic agent in fostering the economic development of the backward regions within a country and of the economically weak areas of the world. Since for the next few years, this programme can be undertaken only on a modest scale, it is not likely to affect commercial exports of the surplus food producing countries. The misgivings entertained by the countries deficit in food production at present also appear to be exaggerated as overall assistance to them under this programme and their bilateral arrangements with the US or other surplus food producing countries may not be materially affected. Even if it does to some extent, the underdeveloped countries receiving bilateral assistance should be expected to make a small sacrifice in the interest of the other developing nations.

Banking

BANKERS' TRAINING COLLEGES

SINCE THE ushering in of the five-year plans of economic development in this country, the activities of banks have not only been increasing but their number (at least of their branches) also has been multiplying. This has brought in its wake the demand for efficient and adequately trained staff, and it is to meet this demand primarily that the Reserve Bank of India decided to open Bankers' Training College as early as in 1954. Since then, other bankers' training colleges, started independently by some scheduled banks themselves or jointly with other banks, have come up. One such college was established by the State Bank of India at Hyderabad, six months ago. The establishment of these colleges, according to Mr. P. C. Bhattacharyya, Governor of the Reserve Bank of India, is a big step forward in banking in India, inasmuch as they help to set the tone of the banking industry in the years to come. Apart from the comprehensiveness of the curricula of studies, the teaching methods adopted by these colleges are designed to develop an attitude of mind which will be receptive to new ideas. Moreover, trainees can learn all banking practices and techniques without going through the mill, as was the lot of the older generation of bankers.

Addressing the trainees at the State Bank of India Training College, recently, at Hyderabad, Mr. Bhattacharyya pinpointed the two tasks that banks have to perform of not only mobilising the resources through branch expansion, improving the quality, widening the range of banking, etc., but also of allocating the resources so mobilised to various productive and distributive sectors of the economy in a judicious manner. Alluding to the extent of deposit mobilisation since inception of the Plans in the country, the Reserve Bank Chief recalled how Indian Banks had recorded spectacular increases in deposits. While the deposits of scheduled banks rose by Rs. 130 crores or 3 per cent per annum in the First Plan period, he said, these figure rose to Rs. 600 crores or 12 per cent per annum during the Second Plan period. In the first year of the current Plan, he went on to say, the rise was as much as Rs. 200 crores or 13 per cent per annum. However impressive this performance may be, as Mr. Bhattacharyya cautioned, no effort should be spared to speed up further the rate of deposit growth, since the task ahead would be much greater than what has so far been accomplished. For, in the remaining four years of the Third Plan, it is estimated, our credit would range somewhere between Rs. 600 and Rs. 700 crores and a substantial part of this amount would be required by industry. In fact, industrial advances of banks today form 54 per cent of the total bank credit, as against only 33 per cent less than a decade ago. Any decline in deposit would certainly retard this rate of growth, which would affect both the private and the public sectors. Hence the great responsibility that devolves on the banking industry. As Mr. Bhattacharyya put it, "the banking industry has to acquire more and more the spirit and character of a public utility; in doing so, banks have to shoulder heavy and complex responsibilities resulting in an impressive growth in the scale of their operations." If this is the heavy responsibility of banks, the responsibility of the training colleges which train the bankers of the future on whom eventually this responsibility would rest, is undoubtedly heavier still.

Engineering

ENFIELD'S EXPANSION PROGRAMME

MR. K. R. SUNDARAM IYER, Chairman of the Enfield India Limited, indicated at the annual general meeting held recently that the company had reached a stage where output and productivity could be increased without much effort. A large number of new components that are being taken up for indigenous manufacture are not posing any problem to the company. Naturally, therefore, the company is progressing rapidly towards its independence of the imported items required for its end-products. He indicated that during 1962 the company is likely to register an increase in the output of motor cycles to the extent of 15 per cent. At present the company is dependent upon the availability of foreign exchange because it still has to import certain raw materials like the gear-box and various propriety components not yet available in the country. But he hoped that these propriety parts also will be available in the country from ancillary industry. The manufacture of gear-box for motor-cycles will be taken up in 1963 and after that the company naturally will be able to expand its production in the face of increasing demand and without its dependence on the availability of foreign exchange. He also revealed the fact that scooters manufactured in the company would be available in the market quite soon. He added that the Villiers engines are to be used for the scooter. As a measure of economy and higher productivity, he was of the opinion, that even in the light-weight motorcycles produced by the company Villiers engines would replace the present ones. This standardisation would also enable the company to achieve more manoeuvrability because the company would be able to alter at short notice the ratio of production of light-weight motor-cycles and scooters.

In view of this increasing demand as well as the larger responsibility on the company to meet it, the Chairman was of the opinion that the company may not be able to supply the end-products at present prices. This, he said, was due to the fact that the indigenous producers of components gradually will expect higher profits and the costs of various raw materials were increasing. The company might not, therefore, be earning the advantages of its productivity and output. They have, therefore, approached the Government for a suitable revision of selling prices so that they can meet the rising costs and continue their policy of utilising more and more indigenous items.

A NEW NON-FERROUS FABRICATING PLANT

MESSRS. METAL DISTRIBUTORS PRIVATE LIMITED, CALCUTTA, have entered into collaboration arrangements with Messrs. Revere Copper and Brass Incorporated, New York, for setting up a plant at Kota, in Rajasthan, to undertake the manufacture of copper and brass tubes and rods and copper printing rolls. A new public limited company is envisaged to be floated under the Industries (Development and Regulation) Act for this purpose. Copper print rolls—used in the textile industry — are all being imported at present from abroad; the proposed Kota plant will, thus, be a pioneer in the field.

The total capital outlay on the project is estimated at over Rs. 1.25 crores. Construction of the factory will begin shortly. Production is expected to start in the latter half of 1963.

The US firm will provide all the technical assistance, plant and equipment. It will also participate in the equity capital of the new venture to the extent of 33.3 per cent. Messrs. Metal Distributors Private Limited will subscribe to another one-third of the new company's capital. The balance one-third capital is envisaged to be offered to the Indian public.

The US firm is one of the largest producers of nonferrous products in the world. It owns and operates 16 fabricating plants in the United States and has annual sales exceeding Rs. 110 crores a year.

JAIPUR METALS PLANS EXPANSION

At the annual general meeting of the Jaipur Metals and Electrical Limited, Mr. R. H. Kamani, the Chairman, indicated that the output of house service meters of the company had reached a record figure of 1.76 lakhs and along with that the company had started producing Siemen type meters in collaboration with the Siemens, a well-known firm of Germany. They are planning to manufacture certain other components like cyclo-meters and magnets. The Chairman was of the opinion that these electrical items are going to play a significant role in the industrial expansion of the country. The power system in India is to achieve a capacity of 12.69 million KW by the end of the Plan which means an increase in the installed capacity of nearly 123 per cent. Naturally, therefore, the transmission lines will extend by several thousand miles. The development of power supply will naturally mean larger demand for the goods produced by the company. The

Chairman, however, indicated that the present installed capacity in the country including this year's additional licensing to the extent of 1.02 lakh single phase house service meters would be adequate enough to meet the present demand. The Government he added, had naturally decided not to license additional capacity any further. The company has obtained industrial licence for the manufacture of aluminium conductors and other electrical wires as a measure to enlarge their field of operations. This diversification is therefore likely to assist the company considerably. The Chairman indicated that they had approached the Industrial Finance Corporation for a loan and had also increased their authorised capital from Rs. 50 lakhs to Rs. 1 crores by creating an additional equity capital of Rs. 50 lakhs. The company, therefore, is on the way to substantial expansion.

Finance Corporations

LOANS FOR NEW INDUSTRIES

ONE SIGNIFICANT highlight of the working of Mysore State Financial Corporation during the year to March 31, 1962, is the assistance that has been sanctioned for the establishment of various new units. The year-end review released recently shows that loans were sanctioned for establishment of following new units:

Saccharine plant	..	1
Solvent extraction plant	..	1
Coffee Curing Works	..	1
Manufacture of ready-made garments	..	1
Manufacture of machinery	..	2
Manufacture of sewing machines		1
Manufacture of toys and educational aids	..	1

The demand for funds from industrialists — both big and small — had been continuously increasing. Mr. H. V. Koujalgi, Chairman of the Corporation, indicated that the Corporation during the year handled nearly 111 applications for a total loan of Rs. 1.29 crores. Financial assistance to the extent of Rs. 55.03 lakhs was sanctioned to 46 industrial concerns. The performance of one year compares quite favourably with the fact that since the inception of the Corporation on March 30, 1959, financial assistance has been granted to the extent of Rs. 1.27 crores. In line with the general policy of the Corporations, financial assistance to small-scale industries was provided on increased volume. Out of total applications handled during the year, about 95 per cent were received from small-scale industries and about 50 per cent of the total loans sanctioned went to such concerns. The Corporation, it is indicated by the Chairman, has been taking advantage of the Credit Guarantee Scheme formulated by the Government of India in respect of financial assistance to small-scale industries.

As a measure of possible larger loans for various applicants, the Corporation issued debenture bonds of the value of Rs. 55 lakhs which were subscribed quite easily. On account of various recent amendments the Corporation is likely to give more loans to the applicants. For instance, the hotel industry, transport industry and industrial estates having been brought within the purview of the definition of the word "industrial concerns" as a result of which these industries are also eligible for financial assistance from the State Financial Corporations.

Commenting on the wide margin between the loans sanctioned and actual disbursements the Chairman pointed out that the primary factor was that borrowers could draw the loans only after attending to the necessary formalities. They were required to undergo various types of inspections. The other fact that limited the speed of disbursements was that machinery and equipment acquired or constructed by the applicants was sometimes quite slow. The disbursements by the Corporation was based on the progress made by the clients in completing their schemes. Naturally, therefore, there were wide margins between the sanctions and actual disbursements.

LOANS FOR SMALL PRODUCERS

MR. BIKKANI VENKATARATNAM, Chairman of the Andhra Pradesh State Financial Corporation, revealed certain interesting facts about the working of the Corporation during the year to March 31, 1962. The Corporation earned a profit of Rs. 6.36 lakhs which was lower than the previous year's profit earned — Rs. 6.48 lakhs. It is essentially a rise in the expenses that caused this marginal decline in profits and an analysis of the income shows that interest on loans and advances increased from Rs. 4.78 lakhs last year to Rs. 6.14 lakhs during the year under review. The Corporation had to incur considerable expenses for floating bonds of the value of Rs. 55 lakhs. A large proportion of this amount had to be kept for short-term deposits with banks earning interest at a lower rate than what was paid on the bonds. This anomaly is not likely to be repeated because the State Financial Corporations Act has now been amended and the Corporations can borrow money for short-term periods from the Reserve Bank or from the State Governments and even can rediscount loans scanctioned with the Refinance Corporation of India as and when necessary.

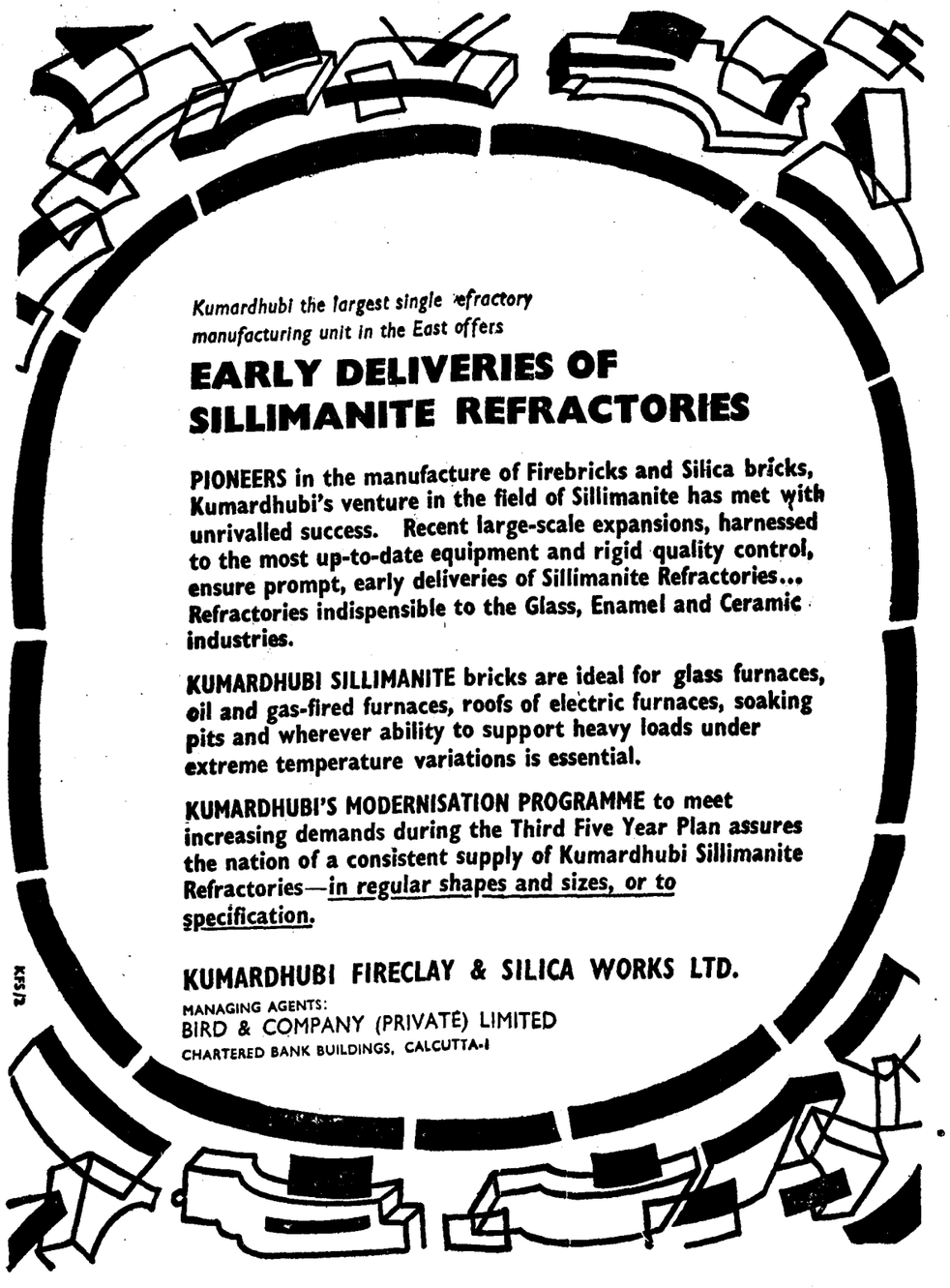
The working of the Corporation in respect of advances of loans to various industries shows that the aggregate for the year is nearly double than that of the last year's figure. The Directors approved advances to the extent of Rs. 98.33 lakhs and this approval compares quite favourably with the last year's figure of Rs. 56.03 lakhs. More important than the amount sanctioned is the amount actually disbursed and there too the disbursement of Rs. 53.71 lakhs was the heaviest since the inception of the Corporation. These advances are likely to increase in the coming years both on account of the fact that the Corporation will have more funds at its disposal and also because now the Corporation will lend to the extent of Rs. 20 lakhs to public limited concerns and Co-operatives. The Corporation has, however, maintained the positive bias in favour of smaller units. It is revealed that out of 105 loans sanctioned as many as 50 were for the amounts between Rs. 10,000 and Rs. 50,000. Advances beyond Rs. 1.50 lakhs were very few. The Corporation charge a rate of interest of 7 per cent per annum with a rebate of ½ per cent per annum for present payment of half-yearly interest and instalments of principal on due dates.

New Issue

NANUBHAI INDUSTRIES

NANUBHAI INDUSTRIES PRIVATE LIMITED, which is proposed to be converted into a public limited company in the near future under the name Nirlon Synthetic Fibre Limited, is expected to approach the public for raising Rs. 1 crore capital, all in equity shares of Rs. 100 each, sometime in the last quarter of the current year. The present paid-up capital of the company is Rs. 1.6 crores.

The proceeds of this issue are proposed to be utilised for financing the expansion programme of the com-



pany's nylon yarn factory at Goregaon and also for setting up a caprolactam plant in Thana/Belapur area.

The Goregaon nylon plant, now nearing completion (initial production is expected to start in September and full production before the end of the year), has a capacity to produce two tons of nylon yarn a day. It is proposed to expand this capacity to 5.6 tons a day. The higher capacity will include daily production of two tons of high tenacity nylon tyre cord yarn.

The capacity of the proposed caprolactam monomer plant will be 12 tons a day. Caprolactam is the raw material for nylon yarn and is at present mostly imported from abroad.

The two projects, envisaged to be completed in about three years, are estimated to cost Rs. 13 crores. A sum of Rs. 8 crores is proposed to be collected through capital issues in stages. The above-mentioned Rs. 1 crore issue will be the first in the series.

Technical collaboration for the expansion programme of the nylon plant has been arranged with Messrs. Von Kohorn International Corporation. The caprolactam plant will be set up with US assistance. A bye-product from the caprolactam plant will be ammonium sulphate, the popular nitrogenous fertilizer of which there is today an acute shortage in the country.

Oil

TWO LUBRICATING PLANTS

IN ITS 60-page report, prepared at the instance of the Union Government and submitted recently, the Badger Manufacturing Co., of Boston, U.S.A., has recommended the establishment of two lubricating oil plants — one in the private sector to be located on the west coast near Trombay and the other in the public sector to be set up on the east coast near the Caltex Refinery at Visakhapatnam — with an ultimate annual capacity of 2,00,000 metric tons each. It may be mentioned that the company's services were specially commissioned by the Government of India and the State-owned Indian Refineries Ltd., to advise them on the location, capacity and the type of lubricating oil production in India. The company's recommendations are now under the consideration of the Union Government.

According to the experts, who came to this country to advise their principals, the existing annual demand for lubricating oils in India is estimated between 300,000 and 350,000 metric tons. It is expected to exceed 600,000 metric tons per annum by 1966. Immediate steps have, therefore, been recommended by the experts to achieve a production of 400,000 metric tons per annum of the full range of main grades of lubricants i.e. HVI, MVI and LVI.

As the recommendations on particular types and sources of raw materials will depend on the final choice of the products to be manufactured and the prices and economies available of feed stocks, they can be made only after an exhaustive study of the demand trends. Till then, the experts have recommended that production of lubricating oils on the east coast should be based on raw materials presently processed in the Caltex Refinery, i.e. Iranian export (Agha Jari) and Minas crude oil, possibly later on switching over in co-operation with Caltex to Armaco crude. The west coast plant is to be based on ESSO Standard supplies.

The design of the plants, according to the experts, should be based on the use of reduced crude from an atmospheric fractionation units as feed stock, at least for the initial phase of operation. The cost of imported equipment and material except structural steel, insulation and civil construction materials is estimated to be approximately Rs. 8 crores.

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S. T. SADASIVAN
GENERAL MANAGER

FROM THE CAPITAL'S CORRIDORS

BOARD OF TRADE'S DELIBERATIONS

AT its second meeting held in Calcutta on July 6, the Board of Trade is stated to have given deep thought to the export performance of the three main foreign exchange-earning industries of this country (jute, tea and cotton textiles), the problem of cost reduction in principal Indian industries, the question of public recognition of outstanding export performance, setting up of an Institute of International Trade and carving out of free trade zones at various port towns.

To push up exports of jute manufactures, the Board decided that the jute industry should be assisted in setting up a permanent exhibition in Calcutta of all the different varieties of jute products made in India and in the various other jute goods manufacturing countries of the world. This, it was thought, would help the Indian Jute Industry to keep abreast of all types of fabrics and products made from jute. The Board disfavoured any cut in electric supply to the jute industry and was instrumental in getting this industry exempted from the proposed 10 per cent cut in power supply to the industrial units in Calcutta area.

While satisfied with the general trend of tea exports, the Board felt that all assistance should be extended to the tea industry for undertaking artificial irrigation and application of fertilizers. The Chairman of the Board, Mr. Manubhai Shah, held out an assurance to the tea industry that the necessary rupee finances as well as the foreign exchange required for this purpose (between Rs. 2 and 3 crores) would be made available to it through the Tea Board. Provision of adequate supplies of right quality coal to the Assam tea gardens and of funds for financing the development programme of the tea industry as a whole also came up for discussion. These matters would be further looked into by the Ministry of International Trade. The Board also accepted the proposal of the Tea Board for sending a delegation to Australia, the Far East and some other areas with a view to publicise Indian tea there.

With a view to step up cotton textile exports, the Board emphasized the need for building up a buffer stock of cotton to ensure the industry a steady supply of this raw material to meet the increase in demand, both for domestic consumption and export. The need to promote the export of dyed, printed, processed and finished cotton textiles was recognised by the Board.

CUTTING DOWN PRODUCTION COSTS

With a view to cutting down production costs in the industrial sphere, the Board thought that the economy of scale was very vital and any large-scale expansion of the export sectors could be fruitfully brought about by building in the economies of scale through correct location, application of most modern methods of production and productivity techniques and selection of up-to-date capital goods. These studies, it felt, would have to be on an intensive scale and of a practical nature. A committee is being set up to study the cost reduction programmes of various industries as well as some agricultural products, in collaboration with the contemporary organisations and institutions engaged in this field of work like the National Productivity Council, the Tariff Commission and different Institutes of Economics. To begin with, these studies are proposed to be instituted in respect of the following industries and agricultural products: sugar, cotton textiles, vegetable oils and cakes, raw cotton, coir manufactures, pig iron, manganese ore and ferro-manganese.

PUBLIC RECOGNITION OF EXPORT PERFORMANCE

The Board rejected the idea of instituting any award like Vanijya Nipuna etc., as a measure of recognition of outstanding export performance. It, however, felt that it would be very necessary to provide an incentive in some other form of recognition of outstanding work and performance of merchant-exporters and manufacturer-exporters in different export items. The criteria, it was stressed, will have to be evolved in a very careful manner and may have to vary from commodity to commodity, only extraordinary performances in terms of high value of exports, introduction of Indian products in difficult markets, valuable research and market studies and provision of sales services for promotion of exports being taken into account. A small committee is proposed to be constituted to draw up a scheme in this regard.

Recognising the dearth of trained personnel in international trade as a great handicap, the Board resolved that an Institute of International Trade be set up at an early date to impart training to those engaged in export promotion and for undertaking research in this field. It entrusted the job of preparing the necessary curricula and other details of the scheme to Dr. P. S. Lokanathan.

FREE TRADE ZONES

As regards the setting up of free trade zones around some ports, the Board felt that in the present context of India's developing economy, the establishment of such zones would be an impracticable proposition. But considering the benefits that have been derived by various countries in the world through the establishment of free trade zones, the Board considered it advisable to give more thought to this issue. It constituted a Committee, with Prof. D. R. Gadgil as Chairman and Dr. S. R. Sen, Mr. G. L. Bansal and Mr. Sachin Chowdhary as members, to examine all the implications of this issue, particularly the problem of smuggling.

The next meeting of the Board will be held in Delhi on August 18, 1962.

CASH INCENTIVE FOR HANDLOOM CLOTH EXPORTERS

Under an incentive scheme for promoting the export of handloom fabrics manufactured from cotton mill yarn, 12½ per cent of the cotton entitlement allowable to the exporters will be paid in cash.

The cotton entitlement scheme introduced in July 1961 provided that the manufacturers, exporters as well as co-operatives and other organisations exporting handloom fabrics worth not less than Rs. 2,000 in any quarter of the year would be eligible to receive entitlement for import of cotton calculated at 40 per cent, either of the actual value of the consignment calculated at Rs. 2 per sq. metre, whichever was less. No import licence will be granted against this entitlement, but the Textile Commissioner will arrange the payment of cash incentive to the exporters and exporting organisations at the rate of 12½ per cent of the cotton entitlement value.

CEMENT MANUFACTURE

The Planning Commission, it is learnt, has turned down the proposal of the Union Ministry of Steel and Heavy Industries for raising the installed capacity target for the cement industry from 15 million tons to 18 million tons. The main reason being given for this decision is that the consortium of cement machinery manufacturers has been slow in producing this equipment and the country cannot afford any further allocation of foreign exchange to buy plant and machinery needed for a higher target for the cement industry. Then there are also difficulties arising out of power and transport shortages. The higher target for cement production would obviously put great strains on these two important industrial pre-requisites.

Cement shortage during the current Plan period, thus, is likely to continue and even to accentuate unless

demand is kept within bounds. This will undoubtedly hamper construction activity and may affect some of the programmes of the Third Plan, particularly the housing plan; the 15 million tons capacity target for the cement industry, according to the Third Plan documents, is an under-estimate and the Planning Commission had envisaged the possibility of having to revise this target upwards if restraints on construction activity were not considered necessary or desirable.

IMPORT OF PETROLEUM PRODUCTS

With a view to conserve the precious foreign exchange resources, the Union Government has decided to cut down imports of petroleum products by Rs. 3 crores during the three months to September 30, 1962. To some extent the difficulties emanating from lesser imports of these products are anticipated to be mitigated by the temporary permission granted by the Ministry of Mines and Fuel to the Burmah-Shell and ESSO Standard refineries at Trombay to maximise their throughput to 3.5 and 2.4 million tons per annum, respectively. The increased output of these two refineries is estimated to result in a saving in foreign exchange to the extent of Rs. 1.5 crores during the three months.

The Union Government, however, would be keeping a close watch over the situation and if the demand justifies, some ad hoc relief might be given for import of petroleum products.

The Fuel Ministry's this step has raised a good deal of discussion around expansion of private sector oil refineries. It is pointed out that valuable foreign exchange was unnecessarily being wasted on import of petroleum products owing to the adament attitude adopted by the Ministry of Mines and Fuel on not allowing the private sector refineries to process crude to their maximum capacity which they had succeeded in building up during the past two or three years through improved efficiency and with only minor adjustments in the equipment. In view of the acute foreign exchange crisis that is developing in the country, it is not easily comprehensible why the Government should have asked the ESSO Standard and Burmah-Shell refineries to operate to their maximum capacity for only three months pending a satisfactory agreement being reached on the offer of the two concerns to abrogate the refinery agreements which govern their working at present and their replacement by industrial licences under the Industries (Regulation and Development) Act.

A FOREIGN EXCHANGE-EARNING PROJECT MESSED UP?

If ideology has been responsible for considerable wastage of foreign exchange on import of petroleum products, nothing but inefficiency can be stated to be the reason for unnecessary delays in commissioning of an important foreign exchange-earning project. The project involved is the synthetic rubber manufacturing plant of Messrs. Synthetics and Chemicals.

In 1959, Messrs. Synthetics and Chemicals were issued a licence to set up this plant at Barielly, in U.P., in association with Firestone. Originally, it was to have a capacity to produce 20,000 tons of synthetic rubber per annum. But recognising its importance, especially from the point of view of saving foreign exchange now unavoidably expended on imports of rubber, the Government allowed its capacity to be raised to 30,000 tons. The plant, construction of which started in 1959, is now nearly complete, but at this crucial stage both the Ministry of Fuel and the Railway Board are understood to have informed the company that they cannot provide 700 tons of coal per day, without which obviously the plant cannot operate at full capacity. It is, indeed, intriguing that when the decision to allow the capacity of this plant to be increased from 20,000 tons to 30,000 tons was taken, was it not envisaged that the coal requirements of the expanded plant would be higher? It is obviously another case of lack of co-ordination in the Government which has been responsible to a great extent for appreciable under-utilisation of the many an existing industrial unit.

ECONOMISING ON IMPORTS

The Committee of the Federation of Indian Chambers of Commerce and Industry has set up a Sub-Committee, under the chairmanship of Mr. Shanti Prashad Jain, to go into the foreign exchange allotment to various projects and industries, both in the public and the private sectors, with a view to determining the further scope of cutting down imports. As already reported in this column last week, some further cuts in imports should not be ruled out as a consequence to the acute foreign exchange difficulties that the country is facing today.

At a meeting of the FICCI Committee held in Calcutta last week-end, it was stressed that consultations between the Government and the industry should be on a more intimate basis so that the problems which were uppermost both in the minds of the Government and the Federation could be discussed across the table rather than at meetings, which useful in themselves, do not allow more than a general airing of views. The Committee felt that the foreign exchange problem, though serious, was not incapable of solution provided it was tackled pragmatically.

The Sub-Committee that has been set up under Mr. Jain's chairmanship is expected to draw up a detailed plan for import substitution and pruning of imports of various items without much affecting the economy of the country.

$100 MILLION FROM THE IMF

The International Monetary Fund has authorised India to draw up to the equivalent of $100 million in currencies held by the Fund, to resolve her balance of payments difficulties during the next 12 months. An IMF press release containing this announcement says that the decision has been taken to support India's foreign exchange reserves position which has been under considerable strain in the past few months. It notes that although India has obtained substantial foreign assistance, the bulk of it has been provided for specific projects included in the Third Plan, with the result that there has been pressure on India's foreign exchange resources for effecting maintenance imports and for meeting her foreign debts obligations.

Government of India's export promotion programme now being finalised and the steps intended to be taken to rectify the adverse balance of payments position to the extent possible has also been appreciated by the IMF, as also the additional taxation which has been imposed this year both on the Central and State accounts and the policy of tighter credit initiated by the Reserve Bank.

IDA LOAN FOR BOMBAY PORT TRUST

The International Development Association, an affiliate of the World Bank, has agreed to make available a loan of Rs. 8.57 crores to meet the foreign exchange costs of the Bombay Port Trust's Third Plan projects. The loan will be advanced by the IDA to the Government of India which will pass it on to Bombay Port Trust. It is for a term of 50 years, free of interest. Repayment of the principal will begin on January 15, 1973. Thereafter, 1 per cent of the principal will be repayable annually for 10 years and 3 per cent will be repayable annually for the final 30 years. A service charge of ¾ of 1 per cent per annum on the amount withdrawn and outstanding will be made to meet IDA's administrative costs.

The development programme drawn up by the

RESERVE BANK OF INDIA

Applications are invited for the following posts in the Bank :

(A) **POSTS AND SCALES OF PAY :**

(i) **Probationary Assistants on the General Side:** Rs. 250-25-450 EB 25-650.
(ii) **Economic Assistants in the Economic Department :** Rs. 175-12.50-300 EB 20-440.

Note : *Candidates for the Probationary Assistants' posts possessing exceptionally good qualifications and experience of value to the Bank may be given a higher starting pay in the prescribed scale.*

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

(B) **QUALIFICATIONS :**

(i) **Probationary Assistants :** *Applicants should have a good academic record and a first or high second class Master's degree of a recognised Indian or foreign University with Economics, Banking, Commerce or Accountancy as a special subject and should also have some proficiency in drafting. The educational qualifications may be slightly relaxed in the case of candidates who possess a good degree in law. Preference may be given to those who have passed the Institute of Bankers' Examinations.*

(ii) **Economic Assistants :** *Applicants should possess a first or high second class M.A. or M. Com. degree in Economics or Commerce of a recognised University, as also a thorough knowledge of economic analysis and have specialised in Economics. Preference will be given to those who have practical experience of research in Economics.*

(C) **AGE LIMITS AS ON 1ST JULY, 1962 :**

(i) **Probationary Assistants :** Between 21 and 25 years.
(ii) **Economic Assistants :** Between 18 and 24 years.

The maximum age limit is relaxable but not beyond 30 years in the case of :

(i) candidates possessing special qualifications and experience of value to the Bank;
(ii) ex-employees of banking institutions whose services had to be terminated for reasons of economy or as a result of the banks going into liquidation;
(iii) personnel retrenched from Government offices after at least one year's service applying through Employment Exchanges; and
(iv) candidates belonging to the Scheduled Castes or Scheduled Tribes.

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

3. Applicants for the post of Probationary Assistants must remit with their applications a fee of Rs. 7.50 by cheque or Bank Draft on a **Scheduled Bank** or by Postal Order, payable at Bombay. Applicants for the posts of Economic Assistants must remit a fee of Rs. 2.00. **The application fee is in no case refundable.** Bonafide refugee candidates **not in employment** applying through Employment Exchanges are exempted from payment of application fees while in the case of candidates belonging to Scheduled Castes / Tribes, the fee will be reduced to one-fourth.

4. Applications in the candidate's own handwriting in the prescribed from obtainable from the Reserve Bank's offices at Bombay, Calcutta, Kanpur, New Delhi, Nagpur, Madras, Bangalore, Lucknow, Hyderabad, Trivandrum and Patna accompanied by copies **(originals should not be sent) of certificates regarding age and educational qualifications, statements of marks secured in the Graduate and Post - Graduate degree examinations and copies of at least two testimonials** should be forwarded to the Secretary, Central Recruitment Board, Reserve Bank of India, Central Office, Post Box No. 406, Bombay No. 1 so as to reach him on or before the 31st July, 1962.

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

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

7. Candidates must be prepared to serve in any office of the Bank in India and to undertake tours when required.

8. Selected candidates for Probationary Assistants' posts will have to appear for interview/s before the Selection Board at any of the Bank's offices. Selected candidates for the Economic Assistants' posts will be required to appear for a written test which will be held at the abovementioned offices of the Bank. Candidates should clearly state on the top of their applications, the office of the Reserve Bank at which they desire to appear for the test, if called. Those successful in the test will have to appear for an interview at Bombay.

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

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

11. Canvassing will be regarded as a disqualification.

Bombay Port Trust for implementation during the current Plan period includes dock expansion, dredging of the harbour channel, acquisition of floating craft, electrification of the dock plant and machinery, construction of a new berth at Ballard Pier Extension and purchase of essential cargo-handling equipment.

STEPPING-UP COAL OUTPUT

Poland and West Germany are stated to have offered substantial fresh aid for stepping up coal production in India during the Third Five-Year Plan period. Poland is understood to be willing to provide both technical know-how and equipment to work a number of public sector coal mines. West Germany has offered to send four top technicians to be assigned to various coal projects.

NEYVELI POWER PROJECT

The first unit of the Neyveli thermal power station is expected to be inaugurated by the President of India in the first week of August, 1962.

The thermal power station, being set up under the Indo-Soviet Rouble Credit Agreement, will have five generating sets of 50,000 KW each.

The Integrated Neyveli Lignite Project envisages the mining of 3.5 million tons of lignite per annum, out of which 1.5 million tons are to be utilised in a thermal power station with an installed capacity of 250,000 KW, about half a million tons on the production of Urea-fertilizer and the remaining quantity of about 1.5 million tons of lignite to be briquetted and carbonised, to yield about 380,000 tons of carbonised briquettes for use as domestic and industrial fuel.

Work on the construction of other power units is preceeding steadily and the entire power station is expected to be commissiond early in 1964.

The power generating capacity of the Neyveli plant is likely to be increased from 250,000 KW to 400,000 KW during the Third Five-Year Plan.

THE SECOND ATOMIC POWER PLANT

The Planning Commission, it is understood, has decided that the second atomic power plant should be set up at Pratapgarh, in Rajasthan. Pratapgarh was one of the various sites recommended by the Hayat Committee for putting up this nuclear power station.

A tentative decision has also been taken by the Planning Commission for setting up a third atomic power plant somewhere in South India. The precise location of this unit will be decided in course of time.

The Pratapgarh atomic power station will cater to the needs of the Delhi-Punjab-Rajasthan-U.P. region.

STATES' SHARE IN OIL REFINERIES

The Planning Commission is also stated to have decided that the State Governments in whose jurisdiction oil may be found, can claim a maximum of 15 per cent partnership in the Central Government's projects for the production and refining of that oil. The matter had been referred to the Planning Commission following a much higher participation having been claimed in the Nunmati and the Koyali refineries by the Governments of Assam and Gujarat, reespectively; the State Governments had asked for 25 per cent share in these refineries.

The Planning Commission's this ruling, it is felt, will help to some extent in resolving the stalemate that has of late occurred on the Assam oil royalty dispute. Although the Assam Government is reported to have been disinclined to link the issue of participation in the share capital of the Nunmati refinery with the question of royalty payment, the increased revenue which it will derive from its higher participation in the Nunmati refinery's capital, should off-set to some degree the loss to it as a result of the cut in the well-head value of crude.

The 15 per cent ceiling on State Governments' share to the other industrial and mineral development projects to be undertaken by the Union Government in in the Centrally-sponsored oil projects does not apply partnership with the States. The Planning Commission, it is understood, will not have any objection if the share of the States in these projects is allowed at a higher percentage on an understanding being reached between the Central and the State Governments.

The ceiling has been fixed at a low level in the case of projects because oil is considered to be strategic and scarce material and the Planning Commission would like it to remain under the effective control of the Central Government.

ROURKELA FERTILIZER PLANT

Several sections of the Rourkela Fertilizer Plant of Hindustan Steel, for the construction of which Fertilizer Corporation of India is responsible through its Project Division, are being commissioned and the Plant is expected to be ready to receive ammonia for the production of nitric acid early in August, five to six months ahead of the revised schedule.

The Fertilizer Corporation of India is responsible for the construction of the nitric acid and nitro-limestone plants with storage and bagging and other ancillary facilities. The ammonia production facilities are outside the scope of contractual obligations of the Fertilizer Corporation.

This is the first time that the Indian engineers of the Fertilizer Corporation have designed, engineered and built one of the largest plants of its kind in the world with a production capacity of about 2,000 tons of fertilizer (calcium ammonium nitrate) per day.

Erection has been completed and preliminary mechanical tests have been satisfactorily conducted on the following sections of the plant: limestone handling plant, limestone reclaiming plant, limestone grinding plant, fertilizer reclaiming scraper machine, water circulation pumps of the cooling tower, ammonia vaporisation section and the electrical sub-station for the nitric acid and nitro-limestone plants.

The performance of the water treatment plant (having practically more than 98 per cent of the components from indigenous sources) has been tested and found to be within the desired specifications and with better than anticipated performance. Tests on the main air compressor motor in the nitric acid plant have just been started and a number of equipment in the nitro-limestone plant, namely driers, crushers, pug mills, screens, blowers, have been tested. All the auxiliary sections will be more or less completed by the end of July.

SELF-SUFFICIENCY IN FOOD BY 1965-66?

At an informal meeting with the pressmen last week, the Union Minister for Planning, Mr. G. L. Nanda, expressed the opinion that if India was unable to attain self-sufficiency in food by the end of the Third Five-Year Plan, he would consider it as a failure of planning in this country. The Planning Commission, he added, would go all out to meet the legitimate demands for funds required for agricultural development.

This view of the Planning Minister apparently is not shared by the Union Food and Agriculture Ministry. The Union Minister for Agriculture, Dr. Ram Subhag Singh, who also had an informal talk with the pressmen on Tuesday, declined to hazard a guess whether India would be able to dispense with food imports after 1965-66. He, however, was optimistic about attaining the 100 million tons foodgrains target set for the Third Plan period, provided, of course, all the agencies connected with the agricultural development of the country pulled their weight and no unnecessary impediments were placed in the way of the Union

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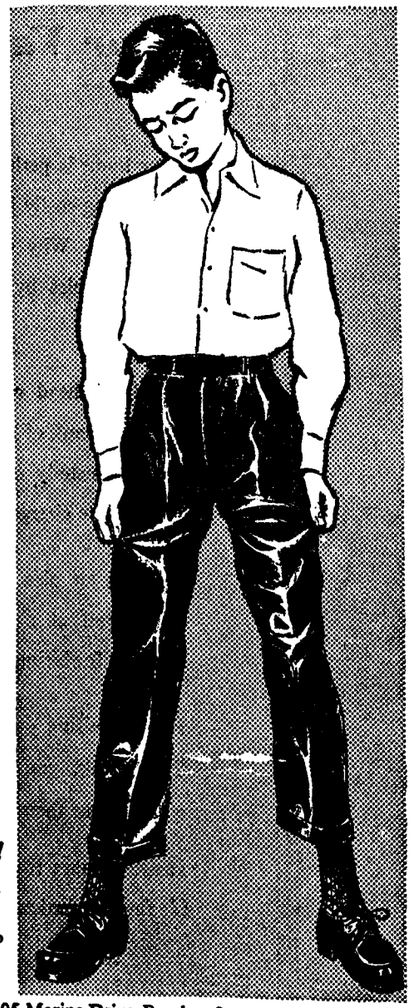
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Agriculture Ministry in the form of smaller allocations of resources for augmenting the supplies of fertilizers and implementation of the small irrigation schemes. The task of the Union Food and Agriculture Ministry was indeed an onerous one, opined Dr. Ram Subagh Singh, and the success of the agricultural front depended on diverse factors, not excluding vagaries of weather and close co-ordination between those directly or indirectly involved in this task.

The supply position of chemical fertilizers, though it might show some improvement during the ensuing agricultural year, is expected to fall short of requirements by as much as 30 per cent. The demand for fertilizers is anticipated to go up to 5.90 lakh tons in terms of nitrogen, while the supply will be somewhere around 3.80 lakh tons — 1.50 lakhs tons from indigenous production and about 2.30 lakh tons from imports. A target of 84 million tons foodgrains output has been set up for 1962-63.

RECLAMATION OF AGRICULTURAL WASTES

Dr. Ram Subhag Singh disclosed that his Ministry had set the target of settling 50 lakh families of landless labourers on nearly 10 million acres of agricultural wastes which can be reclaimed during the Third Five-Year Plan period at a cost of approximately Rs. 500 per acre. Whether this target would be achieved or not, it is too hazardous to guess at present. Although the performance of the State Governments, which are the primary agencies connected with this task, is claimed to be improving, knowledgeable circles believe that the job is stupendous indeed and its fulfilment depends on not merely some improvement in the performance of the State Governments in this field, but on leaving no stone unturned by them to attain this objective. The imperativeness of fulfilling this target is obvious in view of the fact that raising of unit-area yields in India is not an easy task at present, taking into consideration the slow-changing habits of the peasantry and the shortfalls that might be experienced during the current Plan period in respect of fertilizer and irrigational water supplies.

RECORD WHEAT HARVEST

Wheat output during the last rabi season has been an all-time record at 11.62 million tons — nearly 7.4 per cent (8,02,000 tons) more than last year's production. This is disclosed by the final estimate of the 1961-62 wheat crop released by the Directorate of Economics and Statistics.

Area under wheat during the year is put at 33,240,000 acres — an increase of 1,193,000 acres or 3.7 per cent over the previous year's acreage.

As a consequence to increased wheat output and the comfortable supply position of the commodity, the Government is exploring the possibilities of cutting down commercial wheat imports. But imports of wheat on commercial account can only be curtailed with the consent of the countries making exports on this basis. At the time of negotiating the 17-million tons food deal under the U.S. P.L. 480 Programme, these countries had been given an understanding that their commercial exports would not be adversely affected. The Union Food Secretary, Mr. V. Shankar, during his current visit to the United States and London is envisaged to sound the U.S. Government, the Australian Wheat Board office in London and possibly Canada on this issue. If India is able to reduce her wheat imports on commercial account this year, that will save appreciable foreign exchange so sorely needed for effecting maintenance imports. It is hoped here that the wheat exporting countries will accede to India's request in view of the acute foreign exchange difficulties she faces today.

PARTICIPATION IN FREEDOM-FROM-HUNGER CAMPAIGN

The Ministry for Agriculture has announced that as part of the Freedom-from-Hunger Campaign, organised by the Food and Agriculture Organisation, a National Campaign Committee has been set up with the President, Dr. Radhakrishanan, as Patron-in-Chief. The Committee has drawn up some projects for popularising the Japanese agricultural implements and training of Indian farmers in their use, development of poultry and piggery to supply protein-rich food, improvement of fruit and vegetable production, upgrading of sheep, intensification of plant protection measures, promotion of nutritional diet and application of science and technology for the conservation and effective utilisation of food. All these projects are expected to cost about Rs. 2 crores, inclusive of the foreign assistance that may be available in the shape of equipment and materials.

SALINE-CUM-ALKALI SOILS: RECLAMATION POSSIBLE

Field trials have proved that saline-cum-alkali soils can be completely reclaimed by proper drainage and green manuring in combination with the use of distillery waste or press-mud.

After providing adequate and deep drains all round the fields, it should be sown in early April with **Janter (Sesbania aculeata)** for green manuring. As soon as the plants grow about a foot high, the leaching operations should be started and continued till June. If it is not possible to grow **Janter** during the first year due to too much of alkalinity in the soil, it may be grown in a nearby field and transported from there in mid-June.

To enable the organic matter to decompose, one or two irrigations may be given subsequently. The combination of green manuring with distillery waste or press-mud, a waste from sugar factories, has been found to help the soil regain its fertility.

TRADE WITH NORTH KOREA

Letters were exchanged here last week between Mr. K. L. Dalal, Deputy Secretary, Ministry of Commerce and Industry, and Mr. Rim Dal Sun, Trade Representative of the Democratic People's Republic of Korea, extending the validity of the existing Trade

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*

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AB-20

M. J. Maclaren,
General Manager.

Agreement between the two countries till December 31, 1963.

The main items available for exports from India to North Korea are ferro-manganese, leather goods, cotton textiles, handicrafts, vegetable oils, mica, shellac etc. Available imports from North Korea are chemicals, fertilizers, electrolytic zinc, high speed and special steel, anthracite and various kinds of plants and equipment.

BANK AWARD ACCEPTED

The Government of India has accepted in toto the award of the National Industrial Tribunal on Bank Disputes, headed by Mr. Justice K. T. Desai. As a result of the award, which will have retrospective effect from January 1, 1962, bank employees all over the country will get bigger pay packets.

Banks and the areas in which they operate have been divided into three categories. Pay scales will vary according to the category to which the bank belongs and the area in which it operates.

All exchange banks and all those banks with working funds totalling Rs 25 crores and above will be class "A" banks. Class "B" banks will be those which have working funds amounting to Rs. 7.5 crores or more, but below Rs 25 crores. Banks with working funds below Rs 7.5 crores will be class "C" bank. Six banks have been placed in a special separate category. The employees' demand for placing the State Bank in a separate category by itself has been rejected.

The Tribunal has fixed the pay-scale on the basis of those obtaining in 1949. Since the new scales are much higher than the present ones, and a great part of dearness allowance is to be merged with the pay, the Tribunal has made some changes in the provision for dearness allowance.

INTERIM WAGE INCREASE FOR TEA WORKERS

The recommendations of the Central Wage Board for Tea Plantation Industry for grant of interim wage increase in respect of Assam and West Bengal, have also been accepted by the Government of India. These recommendations of the Wage Board were unanimous.

The daily rated labour employed in tea plantations in the States of Assam and West Bengal, except in Darjeeling Hills and Cachar District, will get an interim increase of 0.08nP. The increase for women workers is 0.07 nP. and for employable child workers 0.04 nP.

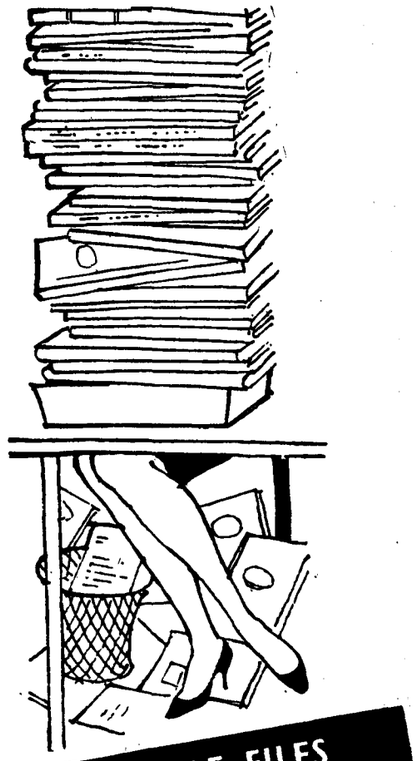
The increase in regard to daily rated men labour employed in tea plantations in Darjeeling Hills will be 0.09 nP. and for women workers 0.07 nP. The increase in respect of employable child is 0.04 nP.

For monthly rated workers employed in tea plantations of both Assam (including Cachar District) and Bengal, an increase of Rs. 10 per month each in respect of clerical, educational, medical and supervisory staff and artisans and Rs. 6 per month in respect of others has been recommended.

The interim increase is to take effect from June 27, 1962.

IMPROVING THE IMPLEMENTATION OF THIRD PLAN

With a view to improve its implementation, the Planning Commission would hereafter be submitting to the Union Cabinet quarterly reports on the progress of the Third Plan. It is envisaged to have every quarter rounds of meetings with all the Union Ministries and the States so as to locate the impediments in the way of an expeditious implementation of the various projects and programmes included in the Plan. Disclosing this, the Planning Minister told newsmen at his last week's informal meeting with them, that implementations of power programmes needed special attention. About coal shortages he stated that some balance between the output of coal and transport availability might be restored in another two year's time. Till then the present bottlenecks are bound to continue, though on



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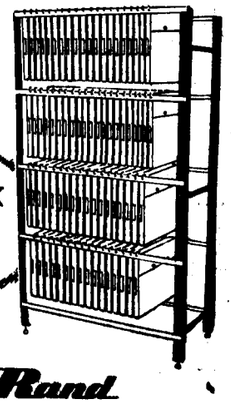
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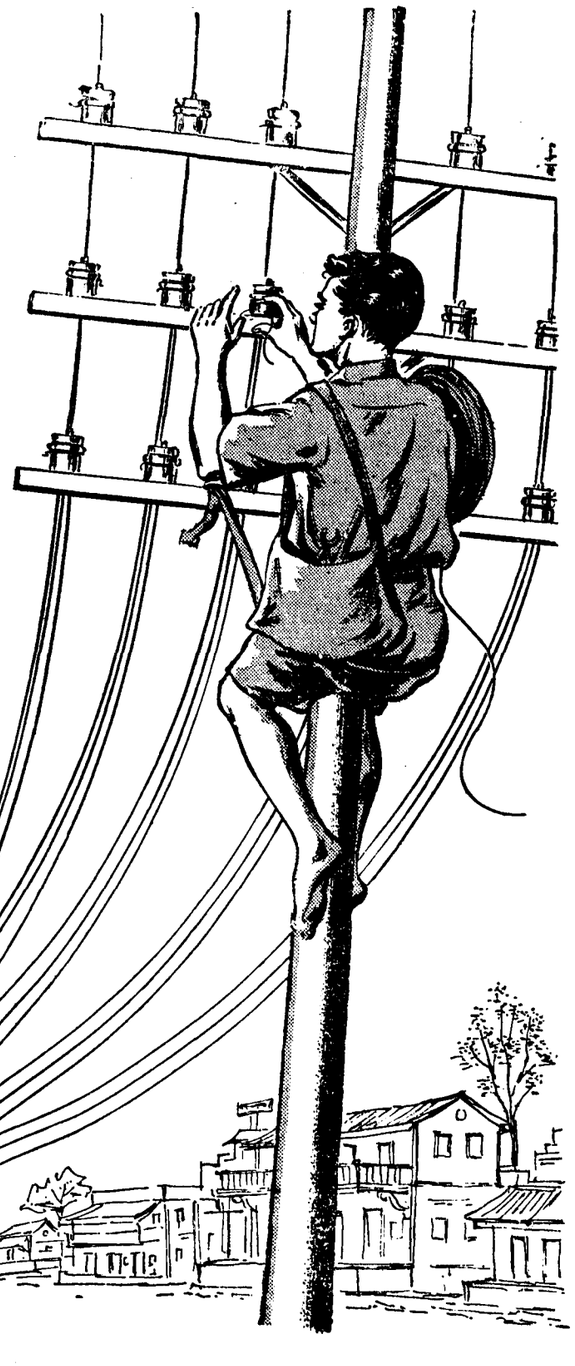


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With investor confidence comes more finance, which means enlarged power facilities for the Nation.

THE FEDERATION OF ELECTRICITY UNDERTAKINGS OF INDIA

COMPANY AFFAIRS

OIL INDIA

The annual accounts of Oil India Limited, a partnership concern of the Government of India and the Burmah Oil Company, for the year to December 31, 1961, show considerable progress. The gross surplus before charging depreciation, etc. since the incorporation of the company upto December 31, 1961, amounted to Rs. 465.70 lakhs. There was a net surplus of Rs. 115.44 lakhs after providing for depreciation, taxation and statutory development rebate reserve and this was transferred to general reserve. The company is still in the stage of expansion and development. During 1961, for instance, 30 additional wells were drilled. This brought the total number of wells drilled in the area to 118 by the end of 1961. Out of these wells, 79 produced oil, 3 produced gas, 5 produced both oil and gas and 14 are unproductive. The remaining 17 are still awaiting proper testing. The total reserves with the company of oil and gas are estimated at 47 million metric tons of oil and 724,452 million cubic feet of gas. Construction work of various types like industrial installations, and pipelines is still going on. It is reported that by the end of the year all major design work has been completed and all remaining materials required for the completion of the project had been procured. The company is likely to show positively better results in the years to come.

GEORGE SALTER INDIA LTD.

George Salter India Private Limited will start producing in their new factory in West Bengal coiled and flat springs and balances—the items that were imported till now—and are likely to effect a saving in foreign exchange to the tune of Rs. 50 lakhs. The company is likely to take up an expansion programme phased over three years which will be implemented to meet accelerated demand. Salters' springs are well-known all over the world and the George Salter & Company Ltd. of UK have pooled resources with Bird and Company Private Limited of India to form this company to produce springs and spring balances in India. This collaboration is likely to be a considerable success.

CIBA'S NEW INSECTICIDES

The two specialists in agro-chemicals from Switzerland—Dr. G. Heim and Mr. P. Oberer—revealed recently that CIBA has formulated a new insecticide based on Phosphamidon which has proved to be more effective than all the insecticides because of its penetration into the internal plant system. It was also pointed out that these insecticides were more useful for Indian conditions being water soluble and are comparatively easier to use. The CIBA company is likely to introduce some more fungicides.

SINGARENI COLLIERIES

The output of coal at the Singareni Collieries Co. Ltd. for the year to December 31, 1961, was 27.95 lakh tons which was more than 12 per cent higher than last year's output of 24.29 lakh tons. The company made considerable progress in respect of development programme of new mines and is committed to increase the production to 56.5 lakh tons by 1965-66, and this is likely to cost nearly Rs. 20 crores. The profit before providing for taxation and development rebate reserve amounted to Rs. 73.91 lakhs against Rs. 50.51 lakhs a year before. After various adjustments the Directors recommended payment of a dividend at the rate of 7½ per cent as against 7 per cent distributed a year before. The Board of Directors has approved the establishment of a mining chair in the Osmania University at an annual cost of Rs. 20,000 for five years. It has also approved a capital budget of Rs. 5.31 crores for the year 1962-63 for entering into commitments in connection with the expansion scheme of the collieries.

NEW ISSUES

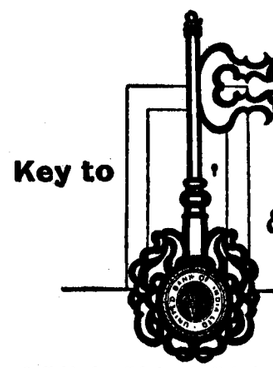
The Controller of Capital Issues has granted consent to the following companies to issue capital. The consent of the Controller in all cases is valid for 12 months.

Braithwaite, Burn & Jessop Construction Company Limited, Calcutta, engaged in business as engineering contractors, is to issue 35,500 bonus shares of Rs. 100 each on capitalisation of its free reserves. The existing paid-up capital of the company is Rs. 21.30 lakhs.

Consolidated Modi Theatres Limited, Bombay, a new company, is to issue capital of Rs. 160 lakhs in equity shares of Rs. 100 each at par, of which Rs. 70 lakhs shall be for consideration other than cash and the remaining Rs. 90 lakhs for cash. The new company would take over the various theatres and studios owned by the Western India Theatres Limited, Bombay, and would purchase additional theatres in important cities in India and renovate the same.

National Buildings Construction Corporation Limited, Delhi, a Central Government undertaking, having a paid-up capital of Rs. 34 lakhs, is issuing further capital of Rs. 22 lakhs divided into 2,200 equity shares of Rs. 1,000 each, for cash at par.

Jay Shree Tea & Industries Limited, Calcutta, is to issue (i) 2,91,558 equity shares and (ii) 29,156 cumulative redeemable preference shares of Rs. 100 each carrying dividend at 9.5 per cent per annum. The capital is required for modernisation of plant and machinery and for working capital. The existing capital of the company is Rs. 90.92 lakhs.



Key to Planning & Prosperity

Individual well-being is linked with national prosperity and only planned efforts can ensure both in the shortest possible time. And planning, for its success, largely depends on savings, individual as well as national.

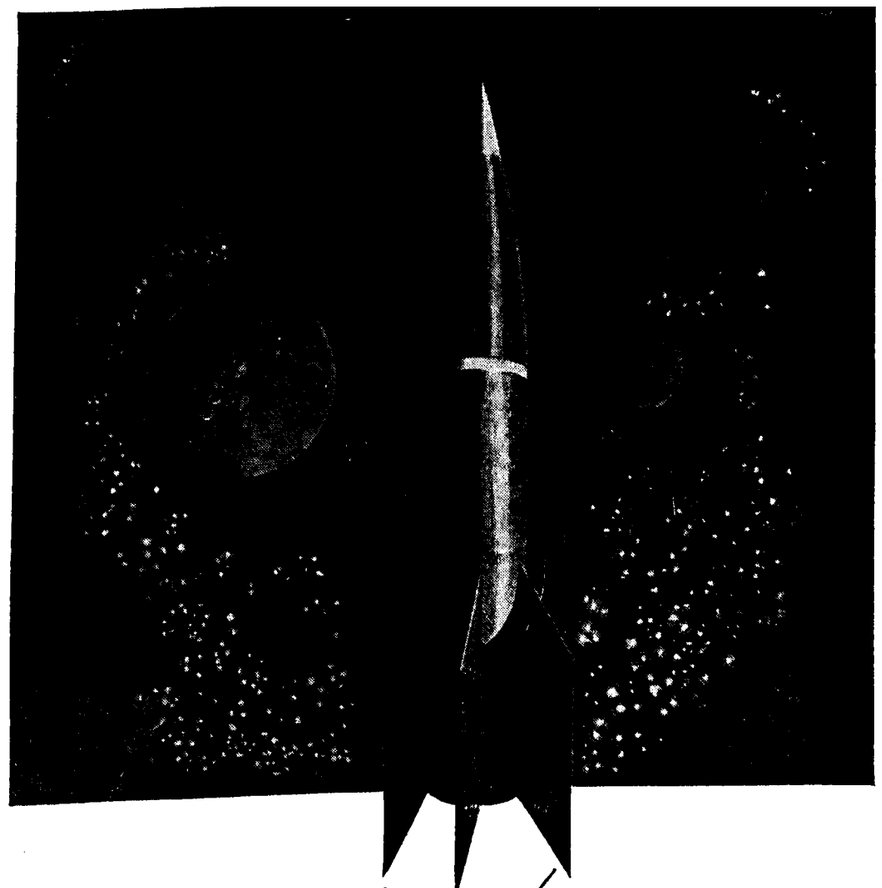
Saving in the form of Bank Deposits provides resources for the National Plan.

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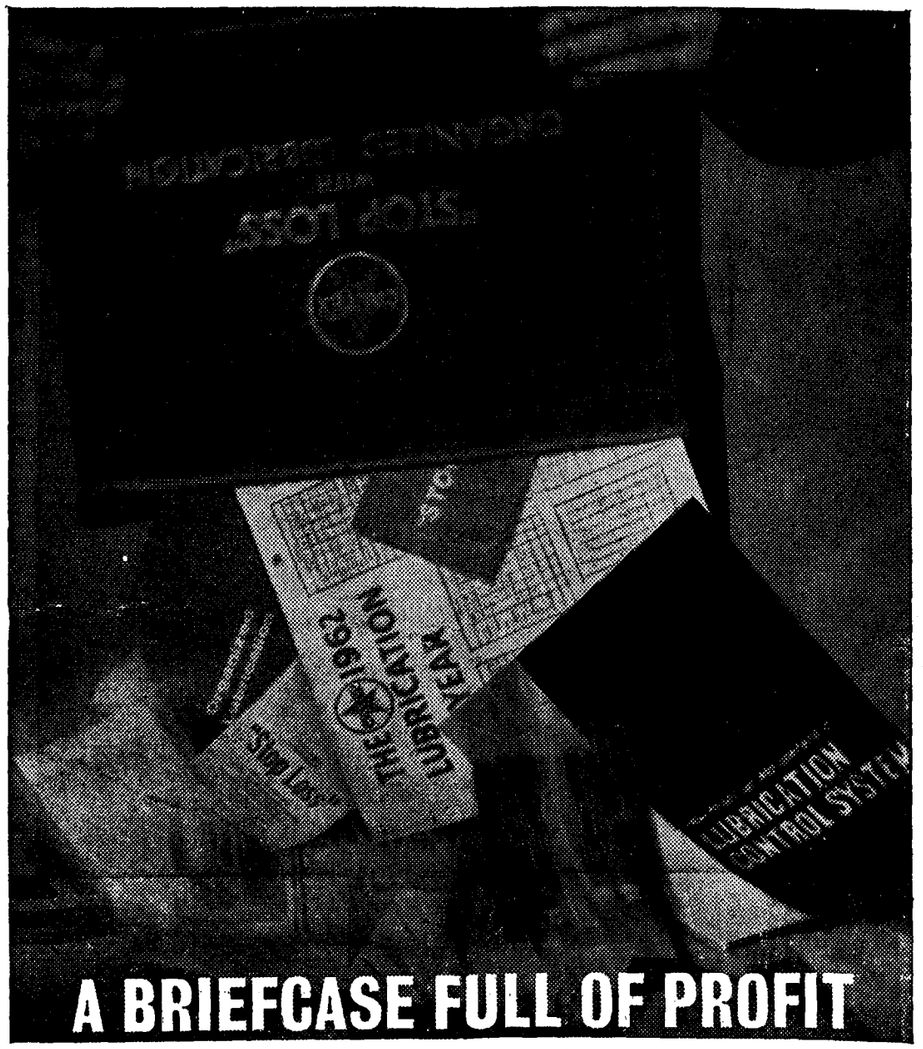


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Current Statistics

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
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	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
June 2, 1962 ..	126.0	102.1	122.2	135.1	138.6	126.1	127.9	127.3
June 9, 1962 ..	124.6	99.3	122.2	136.0	139.5	126.5	128.4	126.9
June 16, 1962 ..	124.1	98.7	124.2	135.9	139.7	127.0	128.8	126.8
June 23, 1962 ..	124.8	99.5	124.3	136.5	139.3	126.8	128.5	127.1

* 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	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 6-7-1962			29-6-1962			22-6-1962			15-6-1962		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 gram)	126.35	125.50	125.83	125.95	124.90	125.48	126.50	125.20	125.78	126.80	125.15	126.06
Silver (per kilogram)	215.30	213.65	214.07	2.15.40	214.60	215.03	215.65	214.80	215.28	215.95	214.80	215.45

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										
1-6-1962 ..	2,122,61	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
15-6-1962 ..	2,131,04	30,03	2,161,07	117,76	92,68	210,44	9.73	112,41	1,838,22	2,161,07
22-6-1962 ..	2,097,04	41,07	2,138,11	117,76	92,08	210,44	9.83	114,44	1,,813,23	2,138,11

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														
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
15-6-1962 ..	57,43	5,17	87,14	148,86	298,59	166,62	550,21	30,08	56,79	9,02	118,67	124,51	171,92	39.22
22-6-1962 ..	69,77	4,71	98,62	151,27	324,37	174,07	583,44	41,12	52,25	9,66	124,51	122,13	194,03	39.74

* 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

COMMERCIAL, FINANCIAL, DEVELOPMENT AND MISCELLANEOUS UNDERTAKINGS

(Rs. '000)

1. Name of concern	Central Warehousing Corporation		Delhi Milk Scheme		National Projects Construction Corporation	
2. Registered Office	New Delhi		New Delhi		New Delhi	
3. Date of incorporation	March 1957		1st November, 1959*		19-1-1957	
4. Accounting year	Ending 31st March,		Ending 31st March		Ending 31st March	
	1959-60	1960-61	1959-60	1960-61	1959-60	1960-61
5. Capital Subscribed:						
(a) By Govt. of India	1,78,26	2,37,80	..	..	50,00	50,00
(b) By others	—	—	..	..	43,00	63,00
6. Reserves and Surplus	..	..	..	..	12,23	12,01
7. Borrowings	5,52	8,21	..	..	32,93	26,64
8. Other liabilities	6,05*	17,78*	..	..	28,04	28,20
9. Total liabilities (5 to 8)	1,89,83	2,63,79	..	..	1,61,20	1,79,85
10. Gross fixed assets	..	..	..	..	..	..
11. Depreciation	..	..	..	..	..	..
12. Net fixed assets (10 — 11)	9,94	35,16	..	..	46,40	38,28
13. Investments	1,52,00	1,77,50	..	..	..	..
14. Current assets	..	..	..	..	49,06	53,62
15. Loans and advances	4,00*	11,09*	..	..	50,53	79,63
16. Cash and bank balances	63	9,57	..	..	15,21	8,32
17. Miscellaneous expenditure and losses	23,26	30,47	..	..	—	—
18. Total assets (12 to 17)	1,89,83	2,63,79	..	..	1,61,20	1,79,85
19. Wage bill	4,59	6,17	1,83	11,55	11,84	12,17
20. Number of persons employed	192	289	—	1,800**	..	..
21. Net profit before taxation	(—)2,69	(—)2,20	..	..	4,08	2,23
22. Remarks	* Include guarantees by G/I under Agri- produce Corpns. Act.		* Date of operation. ** Both part time and whole time.			

INDIAN UNION

COMMERCIAL, FINANCIAL, DEVELOPMENT AND MISCELLANEOUS UNDERTAKINGS—Contd.

(Rs. '000)

1. Name of concern	Employees, State Insurance Corporation.		Rehabilitation Housing Corporation		National Research Corpn. of India Ltd.	
2. Registered Office	New Delhi		New Delhi		New Delhi	
4. Date of incorporation	October, 1948		19-9-1951		31-12-1953	
4. Accounting year	Ending 31st March		Ending 31st December		Ending 31st March	
	1959-60	1960-61	Cal. year 1959	Cal. year 1960	1959-60	1960-61
5. Capital Subscribed:						
(a) By Govt. of India	—	—	5,00	5,00	10,00	10,00
(b) By others	—	—	1,25	1,25	—	—
6. Reserves and Surplus	19,22,53	22,08,82	..	1,03	40	53
7. Borrowings	..	..	..	..	5,04	10,07
8. Other liabilities	29,25*	36,49*	53,88	53,90	1,60	1,37
9. Total liabilities (5 to 8)	19,51,78	22,45,31	60,13	61,18	17,04	21,97
10. Gross fixed assets	..	..	..	..	2,44	2,75
11. Depreciation	..	..	..	..	51	81
12. Net fixed assets (10 — 11)	17,01	21,90	8	8	1,93	1,94
13. Investments	85,88	1,25,49	..	..	2,48	2,98
14. Current assets	..	..	9,88	5,53	3,73	5,65
15. Loans and advances	23,30	76,52	4,38	2,79	57	28
16. Cash and bank balances	18,25,59	20,21,40	27,97	32,95	53	77
17. Miscellaneous expenditure and losses	—	—	17,82	19,83	7,80	10,35
18. Total assets (12 to 17)	19,51,78	22,45,31	60,13	61,18	17,04	21,97
19. Wage bill	..	..	20	19	1,10	1,19
20. Number of persons employed	3,464	3,656	9	9	35	35
21. Net profit before taxation	1,70,91	2,45,56	..	..	(—)1,50	(—)2,55
22. Remarks	* Also include provident fund account.					

INDIAN UNION

COMMERCIAL, FINANCIAL, DEVELOPMENT AND MISCELLANEOUS UNDERTAKINGS—Contd.

(Rs. in '000)

1. Name of concern	Air India International		Indian Air Lines Corporation		Orissa Road Transport	
2. Registered Office	Bombay		New Delhi		Berhampur	
3. Date of incorporation	15-6-1953		15-6-1953		1-12-1950	
4. Accounting year	Ending 31st March		Ending 31st March		Endin 31st March	
	1959-60	1960-61	1959-60	1960-61	1958-59	1959-60
5. Capital Subscribed—						
(a) by Government of India	16,54,78*	18,25,79*	15,27,81*	16,95,52*	6,00	6,00
(b) by others	—	—	—	..	24,00	24,00
6. Reserve and Surplus	2,73,79	3,12,62	7,81	12,50	11,81	20,71
7. Borrowings	7,99,68	6,97,05	1,92,82	..	..	..
8. Other liabilities	3,71,18	5,75,85	2,25,86	2,73,66	12,67	11,50
9. Total liabilities (5 to 8)	30,99,43	34,11,31	19,54,30	19,81,68	54,48	62,21
10. Gross fixed assets	23,44,19	25,09,97	10,78,45	10,89,43	..	..
11. Depreciation	5,40,40	7,51,50	4,04,84	4,95,48	..	..
12. Net fixed assets (10-11)	18,03,79	17,58,47	6,73,61	5,93,95	19,73	23,13
13. Investments	29,05	31,11	4,04,57	3,85,03	13,75	15,72
14. Current assets	6,29,67	9,78,56	6,21,88	5,68,02	9,84	10,55
15. Loans and advances	96,70	2,15,19	42,21	1,85,38	4,85	3,68
16. Cash and bank balances	5,00,22	3,77,98	1,97,35	2,39,84	6,31	9,13
17. Miscellaneous expenditure and losses	40,00	50,00	14,68	9,46	..	..
18. Total assets (12 to 17)	30,99,43	34,11,31	19,54,30	19,81,68	54,48	62,21
19. Wage bill	2,73,74	3,53,03	3,70,17	4,27,81	7,16	7,16*
20. Number of persons employed	4,821	5,487	9,553	9,561	7,75	7,75
21. Net profit before taxation	26,98	67,97	7,81	4,68	5,45*	7,49*
22. Remarks	*Includes loan Capital also.		*Includes loan Capital also.		*After providing for income - tax and Wealth - tax also.	

INDIAN UNION

COMMERCIAL, FINANCIAL, DEVELOPMENT AND MISCELLANEOUS UNDERTAKINGS—Contd.

(Rs. in '000)

1. Name of concern	Eastern Shipping Corporation		Western Shipping Corporation		Ashoka Hotels, Ltd.	
2. Registered Office	Bombay		Bombay		New Delhi	
3. Date of incorporation	†		†		17-10-1955	
4. Accounting year	Ending 31 st March		Ending 31st March		Ending 31st March	
	1959-60	1960-61	1959-60	1960-61	1959-60	1960-61
5. Capital Subscribed—						
(a) by Government of India	8,20,00	10,00,00	7,25,00	12,90,00	1,34,15	1,34,15
(b) by Others	..	—	—	—	15,85	15,85
6. Reserves and Surplus	77,85	90,71	8,68	35,73	13,67	13,86
7. Borrowings	3,56,54	3,86,77	4,85,57	1,91,21	1,25,00	87,53
8. Other liabilities	70,31*	1,21,89*	25,87*	42,08*	39,79	20,49
9. Total liabilities (5 to 8)	13,24,70	15,99,37	12,45,12	15,59,02	3,28,46	2,71,88
10. Gross fixed assets	8,51,39	11,53,15	9,03,93	11,37,49	2,41,24	2,29,69
11. Depreciation	2,26,02	2,51,96	37,94	84,32	11,78	12,40
12. Net fixed assets (10-11)	6,25,37	9,01,19	8,65,99	10,53,17	2,29,46	2,17,29
13. Investments	64,28	64,28	2,90,59	2,92,76	..	..
14. Current assets	2,78,01*	2,54,79*	4,38	49,16	)	)
15. Loans and advances	47,69	48,83	10	2,00	52,87)	34,37)
16. Cash and bank balances	3,02,90	3,27,91	84,06	1,61,93		
17. Miscellaneous expenditure and losses	6,45	2,37	..	..	46,13	20,22
18. Total assets (12 to 17)	13,24,70	15,99,37	12,45,12	15,59,02	3,28,46	2,71,88
19. Wage bill	42,24**	52,24**	42,12**	52,24	12,04	12,97
20. Number of prsons employed	1,396**	1,716**	1,396**	1,716**	1,189	1,322
21. Net profit before taxation	(—)4,76	19,72	4,73	29,39	9,85	25,84

22. Remarks

† Since merged with Western Shipping Corporation to form Shipping Corporation of India on 2-10-1961.
* Includes unfinished Voyages also.
** For both Eastern and Western Shipping Corporations.

† Since merged with Eastern Shipping Corporation to form Shipping Corporation of India on 2-10-1961.
* Includes unfinished Voyages also.
** For both Eastern and Western Shipping Corporations.

Source: Central Statistical Organisation.

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THE EASTERN ECONOMIST

JULY 20, 1962

The State of the Nation

THIS week when we are only a month from India's fifteenth Independence Day, it is an appropriate time for an annual assessment of the state of the nation. Over the last two months, there has been growing anxiety in Delhi that the stresses and strains in the country's political and economic life are assuming large proportions. There is a tendency, as always, to exaggeration; but no one conversant with political and economic affairs in Delhi, or even more so with the temper of international opinion abroad, particularly in the capitals of countries where we are seeking aid, can doubt that this new crisis is of uncomfortable dimensions. Unfortunately, so much is hidden from the public view that even good diagnosis in public discussion has been absent. In addition, there has been a conspiracy of silence such as in regard to the growing burdens on the Prime Minister in his obviously indifferent health. It is wise for a nation, seeking the high goal set in the Third Plan and beyond, to face squarely the difficulties ahead. It is in this context that *The Eastern Economist* feels that a current outspoken review of our difficulties will not be out of place.

From a political point of view, there is no doubt that in the last two months India has experienced severe setbacks almost all over the world. China has become militarily more aggressive and the new anxiety in the Galwan Valley is by no means the only portion of the front where actual hostilities may ensue. A brave front is being maintained, but it is clear that in the Ladakh area India is heavily outnumbered. The suggestion that we can compel obedience from the Chinese in this particular area is obviously wishful. And the most recent exchanges, notwithstanding the restrained diplomatic language, are as severe as any that have come in the course of negotiations, by no means cordial, over the last three years. The situation is serious, and it is not likely to be retrieved by diplomatic protests such as the External Affairs Minister periodically makes. Over the next three months, it is obvious we must deploy far more troops in the area. This itself is a source of additional strain, particularly as the support of the troops requires considerable transport allocations which are painfully short elsewhere.

At the same time, as we have an immediate challenge on our own territory, the climate of international opinion abroad has swung strongly against India. It has not been noted in India—and this constitutes a hard and unpalatable fact—that in the Security Council both the United Arab Republic and Ghana abstained from voting, and our defeat by seven votes to two shows, not unrealistically, the character of opinion in favour of India abroad. It is now rumoured that the Kashmir dispute is to go to the General Assembly, and the mobilising of the majority there seems to indicate that this is not merely a matter of the Anglo-Amrican bloc, but also much of so-called neutral opinion which might vote with Pakistan or abstain. This will be a severe blow to our prestige although it may not alter our Kashmir policy. It is clear that undue dependence on the veto of the Soviet Union is not adequate against the shifting sands of the world opinion, for which lack of support over a wide international front is responsible.

This would have been a time for the Prime Minister himself to have conducted a campaign of explanation abroad before his attendance at the Commonwealth Prime Ministers' Conference. This might at least have retrieved the serious damage that Mr. Krishna Menon has done to India's good relations with a number of Western States. Unfortunately, the Prime Minister's health is a source of continuing concern and indeed, this constitutes one of the large political problems of the current situation. There has been a tendency in New Delhi to contrive not to present to the nation the true diagnosis of the Prime Minister's present physical condition. It is right and proper that the truth should be set out in a manner which is helpful to an understanding of what is required of this country at a time not very distant when the substance of power is transferred while the Prime Minister still has some years to live. It is a mistake to suppose, as the Prime Minister himself implied in a speech at Mysore, that the nation, because it has potential Prime Ministers, has one in readiness to replace him. His towering personality and his complete ascendency over the political machine can never again be secured. This is itself a factor making for instability as when a mighty pillar supporting an edifice gives way. It is right and proper that the Prime Minister should consider urgently the means by which the transfer of the central power which he undoubtedly wields can be effected in the least disturbing manner in a time not too distant from the present.

While our international political relations have had a major setback—clearly audible to Indian citizens who have recently visited these countries—unfortunately, our economic difficulties particularly because of foreign exchange have greatly increased. The Finance Minister, Mr. Morarji Desai, has just accomplished a notable task of great difficulty in explanation in the United Kingdom and in European capitals. He has maintained dignity and honour under extremely difficult circumstances, and the country owes him a debt for the remarkable skill with which his difficult mission has been accomplished. It is too early to be optimistic, but his mission has probably helped to underwrite about $450 million expected to be voted at the adjourned Aid-India meeting now fixed for July 30. This by no means underwrites the Plan; and we must be prepared for a considerable shortfall in the foreign exchange of the Plan, possibly of the order of 500 million dollars. At the same time, the behaviour of our exports for the first five months of 1962 which show a loss of Rs. 7 crores against last year, has indicated that foreign assistance may need to be larger, and not less, than what has been indicated in the Plan. The foreign exchange situation of the country has become critical in every respect, and the temporary relief provided by the International Monetary Fund loan and by untied credits from the United Kingdom and West Germany have not entirely removed the gloom. It is necessary that this country should immediately set its f about preparing a hard core for the Third Plan as it did for the Second.

The revision of the Plan would be one reminder to the Indian people that the relatively easy tenor of the last decade cannot be expected to

continue over the next five years. The country needs, quite apart from political changes, which are implicit in the deterioration in the Prime Minister's health, to extend a much more enthusiastic acceptance to the sacrifices necessary to sustain economic progress even at the moderate rate of 5 per cent per year. There has been far too little recognition of the need for managerial efficiency in every single producing unit in the country. Resources are still being wasted and managerial decisions being delayed by an indifference to responsibility which should receive no countenance at this time of stress. It is obvious that the leadership of the country has lagged seriously in galvanizing the people into action. It is essential that the Prime Minister, on his return to Delhi, should apprise the nation of this new emergency and summon every patriotic Indian citizen to the task of the Plan's implementation under the critical situation which has now arisen. This Independence Day could well be one of the greatest in our history if we were re-dedicated to the period of sacrifice and suffering which made the country glow from end to end in the Gandhian Age even while we were under foreign rule.

The United Nations Development Decade

ONE of the most inspiring landmarks in the United Nations was well and truly laid at the 34th Session of the Economic and Social Council held in Geneva last week. This was a session in which India had a powerful delegation, led by the Finance Minister, as was appropriate, since the subject was one in which India has a vast and, indeed, an overwhelming interest. The leadership of the United Nations on this matter has not merely been spacious in terms of the spelling out of the original General Assembly Resolution No. 1710 of November 1961. It bears the mark of genius in the presentation of the connected proposals of action to the world at large. While the Economic and Social Council was the appropriate forum of discussion of the Development Decade, the dissemination of information on this project has not by any means been confined to this forum. Indeed, at the same time as the Economic and Social Council was in session, the Under-Secretary for Public Information, Dr. Hernane Tavares de Sa', invited twenty Editors from all over the world to participate in what was a unique programme of explanation and discussion on various aspects of the programme. These twenty leaders of the Press were privileged, off the record, to have detailed discussions with the Heads of all the Specialised Agencies and, indeed, with the Secretary-General himself. As a programme in understanding and public relations, there can be no doubt that it has proved itself far beyond expectations, and that a remarkably new vehicle of communication between the United Nations and the leaders of mass communication media has been forged. It is sincerely to be hoped that this interesting experiment will be conducted from time to time to bring the message of the Development Decade rapidly into the pattern of thinking of all the newspapers of the world. One of the most clearly visible signs was the extent to which the Secretary-General, U Thant, has thrown his rising personal prestige and all the strength of his office behind this project. In his speech to ECOSOC, he said: "To these new tasks I am determined to devote fully all the resources available to me both in Headquarters and in the four regional economic commissions of the United Nations." Those who heard him speak will recognise that he spoke not only with a deep personal conviction, but a high sense of collective moral purpose. More particularly, one might quote a paragraph of his speech which reflects the predominant philosophy of the United Nations Secretariat at this time.

"It is gratifying to see that financial and technical assistance from high income to low income countries have become an accepted feature of the international economy, with former colonial powers often accounting for a decisive share in the foreign financial and human resources placed at the disposal of the newly independent countries. But the problem of increasing external assistance and of maximizing its effectiveness becomes every day more acute. In a world shrunken by the progress of communication media, the pressure of under-privileged citizens against national inequalities in levels of living becomes the impatience of entire populations with subnormal standards of nutrition, shelter, education and medical care while billions are spent on, say, space research. I say this because, if everybody is not assured a share in the benefits of the scientific progress which leads us into space, if the fast growing investment capital and technical know-how which are applied to push farther the present boundaries of the kingdom of man are not also fully used to bring better life to all within such boundaries, then the fate of mankind itself is in serious jeopardy. And while, on the plane of tactics, this explosive situation might still allow the interplay of political considerations, on the plane of global strategy it has come to assume the proportions of a compelling moral challenge, in terms of human dignity and human kinship."

In more mundane terms, the Development Decade attempts to set a minimum target of 5 per cent annual rate of growth in national income. It is recognised that these figures only indicate a minimum. But this minimum, well beyond the performance of the fifties, can constitute a major international effort. The Secretary-General spoke of the United Nations' Development Decade "as a pressing invitation to member governments to increase their social and economic investments in a most forward-looking, purposeful, co-operative and integrated effort." But he recognised also that this was as much a development plan for the United Nations' family of organisations. Every specialised agency of the United Nations has a large and spacious programme set before it in the proposal for action. These cannot be set out here in detail, but *The Eastern Economist* proposes to bring out a Blue Supplement setting out for each of the Specialized Agencies its Development Decade programme and its particular relation to India.

In the great sweep of the Development Decade proposals, it is possible for us in India to express the vast interest that India has in the tremendous operation which the United Nations now proposes. One might take just three simple illustrations to explain the extent to which, if the targets are accepted—as broadly they have been—India can benefit from the United Nations programme. To take information media, first it is proposed, for example, by UNESCO that the minimum standards for mass communication should be that for every 100 inhabitants in any country there should be at least ten copies of daily newspapers, five radio sets and two cinema seats. This would be multiplying the Indian Union newspaper circulation by about ten times and radio sets over ten times in the decade. At the same time, UNESCO is proposing greatly to extend the area for scientific training raising the number of research scientists, in countries which have machinery for a "national" scientific policy, to reach one thousand per million of the population and there should be 4,000 engineers per million of population. In the field of education, it is assumed that 70 per cent of the cost of the development programme will be borne by the national economy and 30 per cent from external sources. There would thus be an enormous entry of external finance to support a new content in education, presumably by books, television and new equipment which could well be a catalytic agent for the whole of the Indian educational system.

The UNESCO programme is, by no means, the most spacious of the programmes advanced by the specialised agencies. To take the United Nations Special Fund, for example, Mr. Paul Hoffman, its Managing Director, has suggested that its activities should multiply many times; he was of the view that provision should be made, counting in all the areas to which this Special Fund might make contributions, of an expenditure on an average of $2 billion a year, that is, $20 billion in the decade, covering, of course, both national and international contributions. This is a range which is almost breathtaking, and anyone but Mr. Hoffman might have raised the suspicion that this was an idealist's dream. The fact, however, that one of the world's most successful businessmen and a Marshall Plan Administrator advanced this programme with abundant optimism suggests that some radical change in the thinking of the Western world is about to take place.

Much the largest immediate element in the programme is provided by the Freedom from Hunger Campaign, otherwise described as Development Through Food by the Food and Agriculture Organisation of the United Nations. This spacious programme, for which Dr. B. R. Sen, the Director-General of FAO, is responsible, is to be the subject of a Blue Supplement in *The Eastern Economist* next week and, therefore, little need be said on the subject here. The current fund of $100 million for surplus foods is by no means a measure of the extent to which this programme can be both a source of relief from malnutrition as well as a powerful shot in the arm for new development. This is because, allied to the United Nations resources, are the much greater and currently more effective resources of P.L. 480 funds of the United States. We, in India, already anticipated much of the operation of the Freedom from Hunger Campaign through P.L. 480 funds, and we are beginning to find through the same means abundant resources for development.

All in all, the picture is one of a tremendous operation, many times the size of the Marshall Plan, and, indeed, many times the size of any programme which the world has ever seen. Indeed, the whole canvas is so broad, the operation so exacting and the elements in fulfilment so varied, that one can well wonder whether the high hopes entertained from the Development Decade will be justified. This, however, is not the moment for doubts and hesitation. A momentous programme has already been accepted by the United Nations; all the under-developed countries and, indirectly, the rest of the countries of the world will be its beneficiaries. The content of the plan, therefore, should have a powerful appeal both from the point of humanitarianism and from the point of active self-interest. In this age of great advances in technology there is also hope that the problem of organisation will yield to the tremendous capacity that men have to arrive at destinations unforeseen and unpredictable even a year or two ahead. The decade from now is full of wonder. We, in India, should take new courage as well as a new faith from the powerful programme of action which the United Nations has thus unfolded for all the world.

Telstar and India

THE dramatic success achieved by the United States Telecommunication satellite 'Telstar' has somehow or other failed to awaken in India anything like the interest which is its due, or anything comparable to the tremendous reception that has been accorded to Telstar on the European Continent. The reason for the contrast should be clear. Telstar here and now is the means of communicating television programmes across the Atlantic, and thus at one great sweep all the involved mechanisms of the booster stations and complicating telecommunication arrangements look as though they can be made obsolete by the simple principle of reflection of television programmes through Telstar. It is true that the full programmes will need a series of such satellites which might conceivably take two to three years to put into orbit. But the technical problem of long-range transmission of television programmes has now finally been solved. In India where we have no comparable interest in television, the significance of this great discovery has not been appreciated. At the same time, since we have no widespread receiving apparatus, we have not recognised the possibility of our using Telstar within the Indian Union for long-range communication across the length and breadth of the country from a single transmitting point.

It is this latter possibility which invests the coming of Telstar with enormous significance for India. From Delhi, or, indeed, from Bombay and Calcutta, if there were a sufficient number of satellites in orbit, one could relay programmes continuously over the whole of India so that one single transmitting station could serve the whole country. This changes completely the economics of transmitting television programmes in India. What looked like an uneconomic and a totally unworkable single television network might become a possibility. Indeed, one of the immediate requisites of the present time is that the Ministry of Information and Broadcasting should work out the economic consequences of a new network based on telecommunication, via space satellites. It is likely that it will bring television within immediate reach of the great cities of the Indian Union, with a single integrated programme, suitably arranged, to cover news, opinion, and education. The largest purpose for which television should be used in the Indian Union should be education. Over all the world educational television has made vast strides and is proving that it is an instrument of communication of information second to none. It is particularly valuable in cases where—as in the Indian Union—illiteracy and absence of teachers are severe handicaps. The way lies open for a dramatic development both in mass communication and educational advancement in India. Will the opportunity be grasped?

Guest Editorial

The Price of Gold

By PAUL BAREAU, Editor, "The Statist"

FOR some time past, there has been an undercurrent of unease and suspicion about the prospects for the US dollar. It has been increased by the slump in Wall Street and the effect this has had on movements of capital between the United States and Europe. That sense of suspicion has also been deepened by the serious difficulties in which the Canadian dollar now finds itself. The position of the two dollars cannot, for obvious reasons, be equated but one nonetheless reacts on the other. In the massive rescue operation in which over $1 billion has been mobilised to help the Canadian currency, the major contribution has been made by the United States. This is putting up one weak currency to help one which is weaker still and there can be no doubt that the US dollars thrown into the battle in order to help Canada have increased the strain on the US balance of payments.

Another factor in that strain has been the unsettlement of the American security markets and the fear that this may yet snowball into a deeper recession in the United States. There are already signs that retail trade has responded to the fall in security prices. If the repercussions of Wall Street are not quickly offset by official intervention, it will not be long before American industry as a whole lowers its sights, not only for current production but also in its plans to expand productive capacity. If, however, the US Administration pulls out all the stops to arrest the onset of economic recession, this cannot be prevented from adding to the difficulties of the US balance of payments and of the dollar. The United States, in other words, are in a cleft stick. Either they save their economy and wreck the dollar, or they save the dollar and wreck their economy.

A superficial glance at the US balance of payments might suggest that the position is susceptible of fairly easy correction. The current balance, including merchandise and invisible items, is in fact in surplus. It is, however, a surplus which is inadequate to cover the net export of capital by the United States, the economic assistance it is giving to the less developed and emergent countries, and the vast military expenditure which the US Government has to incur abroad. It can, therefore, be argued that nothing would be easier than to ensure equilibrium in the balance of payments and the stability of the dollar, since all that is needed is to cut aid and reduce defence expenditure.

This argument, however, must be shot through with reservations. A great deal of the aid is now tied to American exports and to cut aid would be automatically to cut some of the exports which now help to provide the surplus in the current balance of payments. This is not a case in which "other things remain equal." If economic assistance to other countries is suddenly curtailed, US exports will not remain "equal". Apart from this there are the massive political and social arguments that must weigh against any sudden, unilateral slashing either of the capital that is being exported or the economic assistance that is being given by the United States to the poorer countries of the world. This does not gainsay the fact that the United States are bearing an unduly large proportion of the cost of defence and economic assistance. This burden should be readjusted and there are solid reasons why today's great creditor countries, and particularly those of the Continent of Europe, should take on a larger share of the load. To induce them to do so, however, will be a lengthy process, and meanwhile the US balance of payments is likely to show a continuing deficit and the US dollar to sustain persistent pressure.

That pressure, though it has been mounting in recent weeks, has until this week had no visible effects on the US gold reserve. This is because the United States have been elaborating the technique of inter-central banking credits. Under these a number of central banks, mainly European, have been prepared to accumulate dollars in the course of their official operations in the foreign exchange market and they have furthermore agreed not to exercise their legal right to convert those dollars into gold. These arrangements are similar to those that were arranged little more than a year ago at a Bank for International Settlements meeting in Basle in order to give support to sterling which was then under grave pressure.

That technique is now being applied to the US dollar but probably on a larger scale and so far without a US application for assistance from the IMF. Moreover, some of the European central banks are beginning to show signs of concern about the size of the dollar reserves they are carrying without the protection of an exchange or gold clause. One Swiss banker was heard to mutter recently about the gentleman's agreement not to convert dollars into gold: "It is time we ceased to be gentlemen and became Swiss again". The central banks are undoubtedly becoming restive. They have acquired dollars not only as a result of the bilateral credit agreements with the Federal Reserve Bank of New York. They have also done so as a result of the international gold pool of $250 million created earlier this year to stabilise the free market price of gold. Each bank has contributed its quota to this pool. The latest indications are that the pool is virtually exhausted. Since the currency offered against the gold has been absorbed by hoarding and speculative demand in the free market, the central banks now find themselves holding dollars instead of the gold they contributed to the pool. The Swiss and the French have this week converted $137 million of their US dollars into gold.

These are the circumstances in which increasing interest is being taken in the possibility of a rise in the price of gold. The United States authorities are still adamently opposed to such a move, if only because it would primarily benefit two countries for which they have no particular love, the Soviet Union and South Africa. Such arguments, however, would not weigh heavily against the reality of a worldwide run on the dollar. We are not there yet. There is still reassuring evidence that monetary collaboration between governments and central banks can hold the position and can supply the world with the international liquidity which it needs and which is now so largely provided by the two key currencies, the US dollar and sterling. But confidence is an essential part of that mechanism of the gold exchange standard. If confidence were really undermined nothing could prevent a rush for gold, not only by private individuals but by monetary authorities and this in its turn would inevitably lead to a worldwide devaluation of currencies in terms of gold.

THE WEEK'S NOTES

Kenya

BRIGHTENING PROSPECT

THE LANCASTER HOUSE CONFERENCE left no doubt that the constitutional future of Kenya still required a certain determined effort to give it a concrete shape. The KANU and KADU are no doubt sharing the burden of responsibility, but the suspicions and fears entertained by KADU, representing the minority tribes, have not been removed. A minority always suffers from a fear psychology, but it must be overcome sooner rather than later, if progress is not to be hampered. KADU's insistence on the maximum possible autonomy for the regional assemblies is rooted in its apprehensions about the domineering influence of KANU. All the same, both the parties are sincere and determined in their aim to hasten the advent of full freedom and the desire for co-operation is now becoming more and more evident.

Nevertheless, an attitude of profound mental reservations is far from being conducive to a smooth launching of independence. Mr. Maudling, then the Colonial Secretary, had really a delicate task once again in bringing the parties closer together. But the compromise formula that he evolved during his recent stay at Nairobi could be forged because of his stiff attitude which was inevitable. One of the tough problems posed at the Nairobi talks was the ways and means to strengthen the authority of the Centre. KADU relaxed its rigid attitude on separate administrative services for the regions and agreed to a common cadre. It is not as if it is opposed to a powerful Centre at any cost. It has proposed that a provision should be incorporated in the constitution for a coalition cabinet at the Centre in which case permanent authority could be given to it. This pattern would be preferable to excess of autonomy for the regional assemblies. But a practical difficulty sure to arise is to secure voluntary agreement between the participants on policies to be adopted by the coalition. A significant contribution made by Mr. Maudling on behalf of his Government to the solution of the land problem was to raise the limit of the highland acreage for distribution to the landless Africans to one million or about threefold of what was originally proposed. The cost of compensation would be somewhere around £45 million. Mr. Kenyatta has publicly stated that this liability should be borne by the British Government since it was obviously beyond Kenya's financial resources to undertake. This important aspect should be treated with a liberal attitude. It now seems that the general elections would be held not earlier than February 1963.

Ceylon

THE SQUEEZE

IT IS a sound convention scrupulously observed in diplomatic relations not to do anything that would prejudice the status quo, when a problem is under negotiation or settlement between two governments. Apparently the Government of Ceylon has its own view in this matter. It is not only a different view but quite significant too. Not long ago the Governor-General of Ceylon had given the indication that the question of the stateless residents of Indian origin in Ceylon would be taken for discussion and settlement between the governments of the two countries. The arrangement contemplated for this settlement was to hold talks first at the official level to prepare the ground for the maximum possible agreed approach and in the final stage to take up the question at the summit in October when Mr. Nehru is to visit Ceylon. The arrangement has been conceived on sound lines since talks at the top level ought always to be preceded by talks at the official level to discover the greatest area of agreement and also to narrow down the differences to the minimum. But all this presupposes no change in policy or administrative actions and no disturbance of the existing state of affairs.

If the Ceylon Government is really intent on settling this long-standing problem fairly and equitably, it is incomprehensible why legislative measures should be taken by it that would produce an adverse effect on these unfortunate victims of statelessness. The Bill for the registration of citizens in Ceylon, now on the legislative anvil, contemplates the registration of all citizens into two categories: Ceylon citizens and citizens belonging to other nationalities It is quite obvious that when the registration comes into force, as it is apprehended to be in the near future, an overwhelming majority of, or practically all, the persons of Indian origin who are now stateless will be refused registration as Ceylon citizens. Residents of this class have settled in the island for generations, they have contributed substantially to its economic development in the strategic plantation industries and they have given an unequivocal indication of their choice to adopt Ceylon as their homeland. Unemployment will be the logical sequence of the lack of registration. The obvious intention of this policy is to exert pressure on them to return to India. The problem of residents of Indian origin in Ceylon has long ceased to be an economic problem. It has taken a definite linguistic and racial complexion. The official talks are unlikely to yield fruit and there is little room for optimism when the issue comes up before the two Prime Ministers. India is willing to accept those who opt for Indian citizenship, but she cannot accept any imposed obligation of wholesale repatriation. These people account for one-tenth of Ceylon's population and in her own interest Ceylon ought to settle their future equitably from a human angle.

British Cabinet

THE RESHUFFLE

ALTHOUGH A reshuffle of the British Cabinet was being talked about during the past few days, it was not expected to occur on such a drastic scale. Mr. Macmillan has thrown overboard seven senior colleagues in a single operation. Among them, the two stalwarts are Mr. Selwyn Lloyd, Chancellor of the Exchequer, and Mr. Harold Watkinson, Minister for Defence. Such a sacrifice of senior ministers would naturally suggest deep differences of opinion on matters of policy. But the surprising fact about this reshuffle is that such a rift did not exist. In the exchange of letters between the two, Mr. Macmillan has assured Mr. Selwyn Lloyd that they would follow the path laid by him. This could mean nothing else but the minimum departure from former Chancellor's dogged determination to fight inflation by a bold policy of wage restraint. It is difficult to see in what other directions policy changes are contemplated by Mr. Macmillan for there is no indication so far in this regard. It is the termination of the career of Mr. Selwyn Lloyd that is uppermost in the public mind more than the exit or entry of any other ministers. Mr. Selwyn Lloyd had the courage of his conviction and he never cared for the consequences even if it came to courting open unpopularity. His policy on wages and salaries has cost the Conservative Party many votes. The reshuffle is obviously the direct

result of the recent telling reverses of the Party at the by-elections. This tide could be stopped only with a change of policy, but Mr. Macmillan has at best a vague idea of what the change should be.

Mr. Butler's elevation to the status of Deputy Prime Minister ratifies the de facto state of the hierarchy. Even so, his new authority will strengthen his hands and dispell any doubts about the question of succession when the necessity for it arises. The most important change is the installation of Mr. Reginald Maulding as Chancellor of the Exchequer. He has earned a reputation for imaginative and hard thinking. Besides, his experience at the Board of Trade and his recent intimate knowledge of economic problems particularly in relation to the colonies will stand him in good stead. To what extent he succeeds in bringing about impressive changes at the Treasury will be judged harshly by a critical electorate. Mr. Thorneycroft, who sacrified office for the sake of principle, is now fully reinstated and, likewise, a few of the former departed ministers have been brought in. In the second round, Mr. Macmillan has dropped some of the junior members of his Ministry. The reshuffle has made room for quite a number of new entrants whose claims were being pressed by the back-benchers. By this reshuffle on an abnormal scale, Mr. Macmillan has made it plain that he will not oblige Labour by making an appeal to the electorate in the immediate future. Two years are still to go before the regular term of the present Parliament expires. His reshuffle will prove useful only if the cabinet with a new look will adopt really new measures to turn the tide of the electorate's mood against the Conservatives and strengthen their hands at the next general election. Whether this will happen is problematical.

Pondicherry

DE JURE TRANSFER

THE CURTAIN has now been dropped finally on the chapter of French colonial rule in India. The ratification of the treaty of cession of May 28, 1956, between France and India, by the French National Assembly is to be followed by a similar act by the Senate before the final seal of approval would be put on it by President de Gaulle. What now remains to be done is only a constitutional formality to complete the de jure transfer of the former four French colonies of Pondicherry, Kariakal, Mahe and Yanam. The existence of any colonial pockets in India after Independence was obviously an anachronism and the French Government showed full awareness of this fact. It was really to negotiate a formal transfer. But the first efforts in this respect, dating back to June 1948, were frustrated by the overbearing activities of a powerful section of the residents who had come to acquire shady vested interests. This obstacle, however, had to melt and the referendum was taken on October 13, 1954. The local Assembly and the Municipal Communes voted in an overwhelming majority for merger with India and in pursuance of this decision the de facto administration of the four French colonies was transferred to the Government of India on November 1, 1954. What remained to be done was the act of follow-up by de jure transfer.

There can be no doubt that a period of about eight years was altogether disproportionate for effecting this formality even after making a liberal allowance for certain important political factors which kept the French Government anxiously pre-occupied. The Algerian problem was the most important among them and in India there was ample appreciation of the difficulties for the French Government to take the final step expeditiously. Even so, it could hardly be denied that the delay strained the patience of the Government and the people of India. Besides, there were positive difficulties which embarrassed the Government in the administration of the four territories. The sanction behind the administration was of course that of French Jurisdiction Act, but the state in which the French system of law had to be maintained without any authority for the Indian judiciary to entertain appeals created an anomalous situation. The Supreme Court ruled -- and this was quite apparent — that no rights under the Indian Constitution could be claimed by the citizens of the four territories. By contrast, the transfer of the fifth former French colony of Chandernagore proved an expeditious act. Its de facto transfer on May 2, 1950, was followed by the de jure transfer on January 2, 1951. The four territories now legally transferred to India will constitute a separate entity. The French colonial rule in its wake has left a rich legacy of culture and tradition. These ties which the local population has inherited are to be preserved, of course, without prejudice to the genuine integration of the people with the rest of their countrymen.

Prohibition

SENSE AND SENTIMENT

IT IS amazing that Mr. G. L. Nanda, Minister for Planning, and Mr. Shriman Narayan, a Member of the Planning Commission, should allow their enthusiasm for total prohibition to outrun plain commonsense. It was not long ago that Mr. Shriman Narayan took up the question of total prohibition throughout the breadth and length of the country, but somehow he seems to have relaxed his crusade. Mr. Nanda stands in a better position of effective authority than Mr. Shriman Narayan, and, as Minister for Planning, he put a proposal to all the States except Maharashtra, Gujarat and Madras (which are already dry) whether they would be prepared to introduce total prohibition by the end of the Third Plan period on the condition that the Centre would compensate them for 50 per cent of their loss of revenue from excise on liquor. It would appear that Mysore, Kerala, Punjab, U.P., Madhya Pradesh, West Bengal and Bihar responded to his query, while as regards the remaining States no information is available about their attitude to this question.

Of all the States Punjab has been somewhat soft to the Planning Minister in its reply and it has stated that the difficulties of enforcing total prohibition in the adjoining areas of the capital city would prove intractable, unless Delhi goes dry first. All the other States have made it bluntly clear to the Planning Minister that the proposition will not be acceptable to them unless 100 per cent loss of the excise revenue is made good by the Centre and, in addition, the cost of the enforcement of prohibition is also borne by it. UP and Madhya Pradesh have gone one step ahead — and rightly so — in pointing out that half the relief against loss offered by Mr. Nanda is confined only to the Third Plan period and not further. Mysore and Kerala have urged that the cost of rehabilitating the displaced toddy-tappers in other small industries ought to be a responsibility of the Centre.

These demands are absolutely unexceptionable. They show in very simple terms the financial difficulties that lie in the pursuit of the Utopia of total prohibition. The loss of excise revenue on liquor will have to be made good by additional taxation at a time when anti-tax compaigns have emerged as a new hurdle to raising resources for the Plan in some States. The enthusiasts of total prohibition seem to be oblivious of the bitter reality of illicit distillation and bottlegging on an extensive scale that cannot be stamped out. It is to be hoped that now at least this fad of total prohibition will be abandoned.

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The World Abroad

INFLATION: MR. J. K. GALBRAITH IN THE WITNESS BOX

By

ODYSSEUS

OUR attitude towards inflation is our attitude towards sin — we are all against it, but we accept it as an inevitable and permanent human weakness.

And just as (unofficially) a good many of us enjoy sin, so we enjoy inflation, provided, like sin, that it is not too blatant. Those who enjoy inflation most obviously are governments, industrialists, and trade unionists — people in a position to exact higher price at the expense of all those on fixed incomes who are powerless to hit back. Sin and inflation are, however, short term enjoyments. In the not so long run, they both end in hell. Ignoring the soul's eternal torments, and sticking to this world, persistent inflation leads to the hell of a static or declining economy.

How do you combat inflation? For a preliminary answer I turn to Mr. J. K. Galbraith's "Affluent Society". The ordinary average duffer usually fails to grasp that Mr. Galbraith's best seller is basically about the problem of inflation. Most people regard the "Affluent Society" as an exposition of the thesis that wants (at any rate in the USA) are artificially created by massive advertising in a frenzied race to keep industrial production at full capacity in order to maintain employment. Mr. Galbraith does, indeed, make this point, but this is only part of his theme that insistance on production at near-capacity together with full employment as basic social aims inevitably means over strained capacity and over full employment, and that this leads to creeping inflation. However I may disagree with Mr. Galbraith's solutions, I think that his book offers one of the clearest, non-technical analyses of the problem, and I particularly direct your attention to what he says about the orthodox anti-inflationary weapons of (a) monetary and (b) tax policy.

FAILURE OF MONETARY CONTROL

Mr. Galbraith points out that, theoretically, to raise the rate of interest reduces the aggregate demand for goods. By thus reducing the total volume of spending, monetary control aims to reduce the pressure (a) of demand on productive capacity and (b) of demand on the labour force, and so stabilise prices. To the extent that this policy is successful it reduces consumer demand, which reduces the prospects for profits, and so reduces investment. But investment is necessary for growth, and we all now agree that growth is one of the chief aims of a modern economy. So that here the aim of price stability seems incompatible with growth. This has been a constant criticism of the UK's post-war "Stop and Go" alternations of high bank rates that halt growth followed by low bank rates which allow production to catch up, so that production bottlenecks appear once more, employers bid against each other for scarce materials and scarcer labour, and prices and wages resume their way up.

Mr. Galbraith insists that monetary policy does not even, in fact, achieve what it seeks. For when production is at full capacity, profits will be encouraging. Further investment will therefore seem attractive. Investment plans will not be changed by moderate increase in the interest rate. If really high rates are enforced, small firms are hit while big firms are not. Where a comparatively small number of big firms (i.e. an oligopoly) predominate in an industry, they are likely to be able to pass higher costs on to the consumer. Such big firms, which are important customers of the banks, and which can also raise funds easily on the stock market, can, broadly, contract out of a high bank rate policy, unless the government persists in it for a prolonged period, until real unemployment and real deflation threaten to a degree that is socially undesirable and politically impossible. On the other hand, people in highly competitive markets — farmers, small builders, small retailers, dealers — cannot easily raise their prices to consumers. Here, again, a stiff disinflationary policy can hardly be kept up for long, because farmers and small business are also voters.

Spending by consumers (at any rate in an advanced industrialised state with strong unions and welfare machinery), as also by governments (heavily committed to defence and to electoral largesse) is fairly constant. Business investment spending, by contrast, is mercurial. It depends on industry's estimates of future returns. All that we know about the future is that it cannot be known. Estimates as to what the future holds change, and so accordingly will investment. And changes in investment, by changing prospective earnings, change the future itself. If high interest rates are persisted in long enough, they will, by curtailing the borrowing of weaker firms and industries, in the end affect demand and so the investment prospects of the larger firms. High interest rates therefore work on the most mercurial type of spending in an economy. Mr. Galbraith concludes that there must always be the danger that monetary policy, if pressed until it does, in fact, stabilise prices, will reduce investment to the point of causing depression. A depression can, of course, be corrected, but it can hardly be regarded in itself a desirable aim of policy.

FAILURE OF TAX CONTROL

Mr. Galbraith then turns to tax policy. The government can attack inflation by increasing taxes, and aiming at a budget surplus big enough to reduce total spending to a point which eases the pressure of demand on productive capacity and on the labour force. Whereas monetary policy hits the weaker industries and firms first, tax policy reduces the demand for the products of all firms, big and small.

Now in democracies, government expenditures are likely to be at the minimum that voters regard as tolerable, so that a tax policy against inflation must mean an increase in taxes. We need not elaborate the point that however much democratic governments may talk about economies in expenditure, substantial cuts are

virtually impossible, as Mr. Thorneycroft, Chancellor of the Exchequer, found in 1958 when his colleagues would not let him cut a paltry £50 millions out of a £6,600 millions budget.

Next, proposals to increase taxes arouse the electorally dangerous controversy between the Left and Right on inequality of incomes. The Left wants higher income taxes to reduce, or even to eliminate, inequality. The Right attacks high taxes as killing incentives, impeding saving, and so on. Mr. Galbraith dismisses this controversy as of minor importance in the USA now-a-days, where, he says, it is widely appreciated that (as I pointed out here last week has been the case in Germany) wage earners benefit more by a relativly constant percentage share in an expanding economy than by a rising share of redistribution in a stagnant economy. If the masses in the USA have grasped this, they certainly have not in the UK, where "fair shares" remains prominent in the Labour party's programme, and judging by the exceptional pressure for wage increases characteristic of most Western countries in the past two years, the European masses seem nearer to the British than the American in this.

Finally, higher taxes conflict with the aim of production and full employment. When the economy slackens, business reduces investment. Just as demand quickens investment as production reaches capacity and capacity is enlarged, so falling demand slows investment as production drops away from capacity, so that a substantial decrease in growth begins. In other words, growth will only be at a maximum when the economy is under that pressure to use capacity which produces inflation. A policy which holds production below capacity for the sake of price stability inescapably sacrifices economic growth.

This, broadly, with some interjections and asides from me, is Mr. Galbraith's exposition of the dilemma of full employment versus inflation. What is his solution? In effect, he says, the whole problem arises from an insensate insistance on industrial growth, whereas we (or at any rate the West) are now rich enough to relieve pressure of demand on capacity and the labour force by slacking off production and divorcing the resulting unemployment from loss of income by paying unemployment benefits close to the average working wage. We must stop worrying about efficiency, incentives, avoidance of waste, etc., and allow industry to be managed at a level slightly below capacity, which is the only hope of checking inflation. Hitherto (at any rate in the USA), industrial goods have been overproduced, while education, health, and other public services have been starved of funds. These should now be financed by a sales tax on private spending.

That wealth is now so great that a country can afford to slack off may, just conceivably, be true of the USA, but it is certainly not true of Europe and not remotely true of Asia. Mr. Andrew Shonfield has pointed out that as far as the USA (or any Western economy) is concerned, if more public services are to be provided, more workers will be needed to produce them. The number of doctors, teachers, and builders of new hospitals, schools, etc. must be increased. That means fewer workers available for industry, so that the USA will have to go on worrying about efficiency, waste, and incentives to obtain higher productivity per worker. Nor do US statistics suggest that many workers could be transferred from industry to the public services. Already manufacturing employs only a quarter of the total US labour force, and already US workers are increasingly entering the service industries, in which it is difficult to achieve the great benefits of rising productivity. This places an ever greater responsibility on manufacturing industry to raise productivity even higher, so that its increased productivity can be shared in the form of lower prices by the low productivity service industry workers, for whom there will be nothing left if the manufacturing workers absorb all productivity increases in higher wages, passed on to consumers in higher prices. Altogether, affluence, properly used, will mean more, not less, work all round. Mr. Galbraith has analysed the problem of full employment and inflation, but it seems that we must look elsewhere for a solution.

INDIA AND POLAND: CO-OPERATION IN ECONOMIC RESEARCH

By DR. IGNACY SACHS

(Dr. Ignacy Sachs is currently in charge of the Centre of Research on Underdeveloped Economies, sponsored by the Warsaw University and the Central School of Planning and Statistics).

AT a recent gathering of economists from all quarters of the world, convened by UNESCO in Warsaw to discuss the Marxist contribution to the theory of growth, it was felt that co-operation between students of economic affairs, and more particularly between planners, should take a more concrete shape, attacking specific issues rather than sticking to generalities. Good will was certainly necessary, stated one of the participants, but it could not make us happy by itself, just like a healthy body would not suffice without an inquiring mind.

This calls for measures both on a multilateral and on a bilateral level.

In the United Nations and in different other international bodies and meetings economists from developing countries and from the socialist world could join in working parties devoted to practical problems and current experience of planning, as well as to the lively issues of international trade. But, even if we foresee an intensification of such activities, plenty of room is left to bilateral exchanges.

In this respect, India and Poland have an impressive record. Poland's leading economists, professors Oscar Lange and M. Kalecki stayed for some time in India on the invitation of the Indian Statistical Institute, while in Warsaw we had the privilege of listening to lectures of Professors Gyan Chand, P. C. Mahalanobis, V. K. R. V. Rao, K. N. Raj, A. K. Sen, V. B. Singh to mention only some of our distinguished guests from India. Indian magazines opened their columns to articles on 'Polish economic model' and Polish planning, written by Polish and Indian authors. One of the leading publishing houses in Poland brought out a bulky volume with seventeen essays on the Indian economic and social scene contributed by Indian scholars. Indian authors will again figure prominently in

series of 'symposia by correspondence' called 'Studies on Developing Countries' to be issued shortly in English and French in Warsaw under the responsibility of an Editorial Board headed by Professor Oscar Lange.

Of course much more may be done on the same lines. But new avenues should also be explored. Both the countries take a passionate interest in economic planning and are engaged in framing five-year and long-range plans. Academic and working economists in Delhi and Warsaw are busy drawing certain generalizations from the experience accumulated by the planning commissions. It would seem, that there is a vast scope for exchanges in this matter.

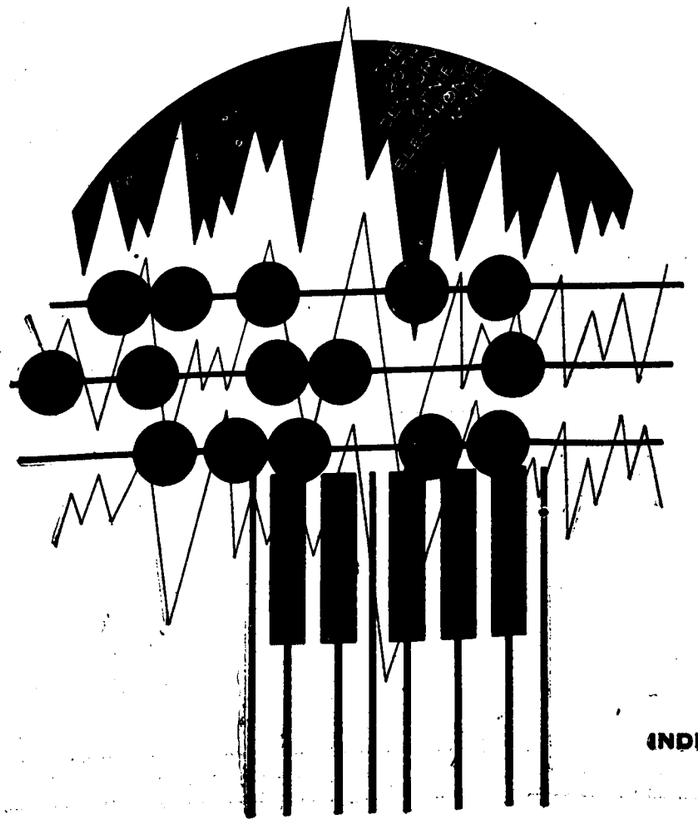
Then comes the field of teaching. The Central School of Planning and Statistics in Warsaw intends to organize an advanced course of planning for economists from developing countries. The lectures will be delivered in English by members of the School staff, as well as by professors and specialists from the Warsaw University, the Polish Academy of Sciences, the Planning Commission. Most probably a few scholarships will be extended to Indian fellows. Several Indian teaching and research institutions take interest in the syllabus of the course, as they are also engaged in training planners. At the same time, a Centre of Research on Underdeveloped Economies sponsored jointly by Warsaw University and the Central School of Planning and Statistics came recently into existence. Professor M. Kalecki was appointed chairman of its Scientific Board. The main area of interest of this rather modest research unit is again that of economic planning and programming, and therefore, the Indian developments will be followed with special attention.

Last but not least, mention should be made of a still more specific subject, namely that of prospects of Indo-Polish economic co-operation and trade. Although the situation of the two countries is very different in many respects, in both the cases the overall rate of economic growth will depend in the long run to a considerable extent on the likely performance of foreign trade.

The record of Indo-Polish trade, on the whole, is satisfactory and shows great vitality. But the rapidly changing economic structures of the two partners call for a careful study of new possibilities and long-run arrangements. In this author's view, Indo-Polish trade could grow at a considerable speed for years to come, if appropriate measures are taken on both sides. The complementarity of two growing and planned economies depends to a considerable degree on investment and trade decisions, taken by the planners, mostly when the share in each other's trade remains small.

The existence of long-range plans should make possible a far-seeing attitude and certain steps could be agreed upon, to lay foundations for durable collaboration between different industries in both the countries. Poland and India could use more extensively such instruments, like long-range agreements and contracts, achieving some degree of international planning and drawing thus all the advantage from the fact that Indo-Polish trade should be the bridge between two planned and to some extent co-ordinated economies. Although much remains to be done in this respect, a good climate of responsiveness to such ideas seems to exist in Delhi and Warsaw. And perhaps more thought on these lines, followed by action, constitutes the most appealing challenge to the skill of those among Indian and Polish economists, who strive to promote fruitful co-operation between the two countries and, at the same time, feel that theory and practice should always walk together as close as possible.

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The European Scene

THE FRENCH ECONOMY NOW

From Our Special West European Correspondent

PARIS, July 13.

AFTER repayment of some long-term debt and after a loan of $80 million to Canada, France's gold and dollar reserves at the end of last month were $3,483 million. They thus exceeded Italy's and became the fourth largest central reserves after those of the USA, West Germany and Britain. About the same time, it was calculated that France had become the world's fourth trading nation, after the same three countries. Her industrial production, having reached a record of 199 in May, i.e. having doubled in ten years, also stands fourth in volume, among Western nations, although in absolute terms well behind that of the other three, whose populations are greater than hers. Without detracting from the credit that is due to the men and the methods that have achieved these results in the last few years, one is entitled to point out that France has done no more than re-claim the place that one would expect her to occupy in the scale of industrial economies, given her population and its abilities, her geographic situation and resources, and her accumulated advantages in domestic assets and overseas connections.

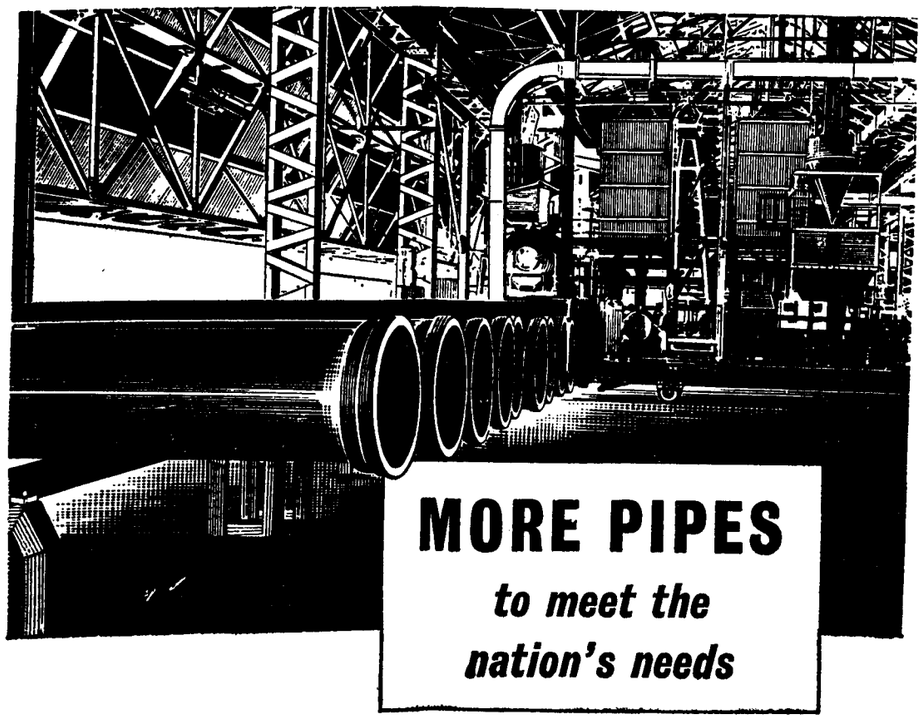
Far from the recovery of the last four years having taken her to a temporary and precarious summit, it has restored her to what one might call her normal position: distinctly behind the larger and better endowed Anglo-Saxon and German economies, but comfortably ahead of other nations that either are smaller or do not enjoy her natural and historical advantages. In other words, there is no reason why, properly managed, her economy should not stay there. It took decades of inflationary folly, two disastrous wars, a declining population and profitless colonial adventures to reduce her to the situation of economic dependence and insignificance she knew after the last war. There is not the remotest possibility of her re-finding the pre-eminence of the beginning of this century, when Paris was the world's biggest lender, the Credit Lyonnais the world's biggest bank and there were more motor cars in France than in the rest of the world put together. Yet her current role in international business by no means exceeds her capacities and resources, and it is a reasonable economic policy to seek to maintain it.

This is the object of present planning, and if it is frequently described by its authors and critics alike as "ambitious" and hazardous, that only reflects that fact that constant effort is required even to maintain an honourable fourth place in the expanding Western economy. There is, for example, an ever-present danger of price-inflation but one cannot imagine that things should be otherwise when literally every employable person is at work and when organised labour, naturally enough, seeks to exploit this circumstance to hasten the rise in living standards to those known in the USA and Britain (those of West Germany are already surpassed). To increase the gross national product by 24 per cent between 1961 and 1965 will be no more than is necessary to keep fully employed a rising population while allowing it, on average, a 23 per cent increase in purchasing power.

Although bordering all the time on the precipice of price-inflation (which is, however, railed off nowadays by convertibility and free trade within the Common Market), this effort is within the powers of the economy, as recent performance shows. Continued expansion has been maintained, at a time when slower progress or none at all was recorded in other industrial economies with the exception of Italy — and even there the long rising curve appears to be flattening out. Despite rising prices at home, despite freer imports and hence more competition from neighbouring industries whose home markets were weaker, and despite the sharp contraction of imperial trade, French exports throughout the first half of this year have been 103 per cent of imports. The massive increase in exports produced in 1959 by the devaluation has settled down to a steady expansion of export sales that approximates 8 per cent yearly and this has every chance of being maintained, for these reasons: liberation of trade inside the Common Market still has a long way to go, and that Market may soon be widened by the inclusion of Britain; expansion in the business activity of France's main trading partners, and notably the USA, Britain and West Germany, could soon be resumed; and the demand of former French colonies, Algeria first among them, will soon rise in absolute terms while remaining relatively less important than trade with industrial countries.

Against that, wage increases have been altogether too fast in the past year; so have they been in West Germany and, more recently, in Italy. There is no mistaking the long-term trend: for European wages to approach American, until the present disadvantage the USA suffers in production costs is wiped out. That prospect, however, need not intimidate European industry, for it means that the European consumer will have the same purchasing power as the American has had in the past decade—and that consumer will by then be, not a hypothetical average of national figures, but the member of a unified market of several hundred million souls. Meantime, the French problem is to prevent the rise going faster here than in neighbouring countries. There is no reason why it should. Recent rises in the price level have not been due to industrial prices, which are virtually stable, but to the impact of the vagaries of the weather on agricultural prices. The natural rise in the working population as the post-war generation comes of age, the demobilisation of soldiers as the army is converted from a clumsy colonial police into a streamlined modern force, and the repatriation of many settlers from North Africa all guarantee an expansion in the offer of manpower greater than will be known in other European countries.

In one respect the improvement in France's international position has been due, not to exploitation of domestic resources, but to substantial investments abroad, specifically in the oilfields of the Sahara and the other producing regions, from the Middle East to Venezuela, where French oil companies have a stake. The cost in foreign currencies of oil imports in 1959 was $350 million, in 1960 $240 million and last year $160 million; thus $100 million each year has been economised on the import bill. This process will continue: oil output of the franc zone will be 24 million tons this year, against 10 million tons in 1960, while natural gas production will grow somewhat less quickly. Given the present glut of world oil supplies (the same tonnages could be bought even more cheaply from Russia, and



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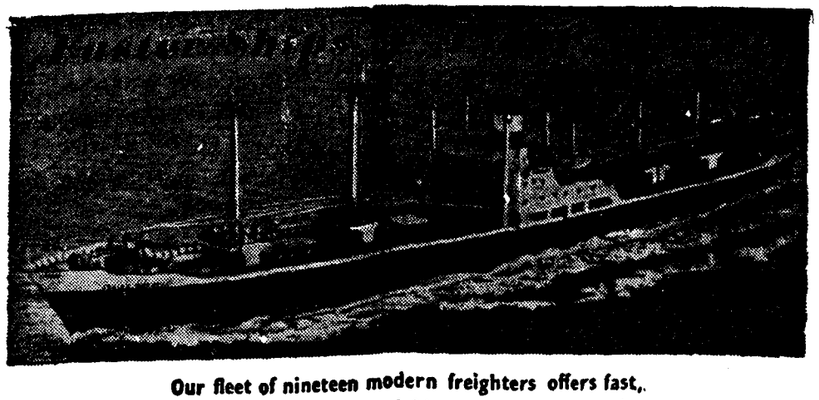
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from the Middle East too when the Iraq-France overland pipeline is built), the Saharan source seems reliable despite political uncertainties, so France may take as resolved—pending the appearance of commercial atomic power—her traditional problem of inadequate energy resources. This is true notwithstanding the fact that consumption of petroleum products is constantly increasing.

More notable, perhaps, than France's return to her normal situation of a prosperous country with a favourable trade balance is the return of sanity to her governmental accounts—more notable, because for centuries this comfortable nation has been recurrently ruined by improvidence in Paris, or Versailles. Public finances are today in a healthy situation, because the normal increase in governmental revenues due to economic expansion has been adequate to meet even extraordinary expenditures, such as the cost of rehabilitation of the 350,000 settler refugees returned from Algeria since January. The Treasury's deficit has been kept within easily manageable proportions for several years, and the Government has abstained from borrowing, leaving the capital market free to meet the needs of the fast-growing steel and chemicals industries. True, promised reductions in tax rates have had to be postponed, but expenditures now include more "social" outlays that are as welcome as tax-cuts: more money for the aged, more help for teaching and scientific research. This restoration of fiscal sanity cannot be taken as irreversible, but it would require a wide shift in political power to undermine it—more frankly, the return to office of the socialists—and meantime the Common Market and currency convertibility have instituted a discipline that will make difficult the re-appearance of the fiscal lunacies of the Fourth Republic.

There are those, both in France and abroad, who predict that the excessive ambitions of de Gaulle will jeopardise the country's chance of preserving her present equilibrium in fourth place among the Western nations. To date, these fears have no firm support. The Government's programme is indeed bristling with prestige projects that would seem retrenchable in a less chauvinist point of view: the nuclear striking force, atomic submarines, an all-French satellite to be launched by 1965, i.e. one year before the combined European Blue Streak satellite in which France has a stake, and so on. Yet, apart from noting that none of these is a peculiarly Gaullist design but all date from before him and will survive him, one is bound to point out that so far their pursuit has not been inconsistent with balanced public finances. The supplementary estimates presented this month, for example, include instalments on the cost of the Pierrelatte isotope separation plant that is needed for nuclear weapons, for the tanker-planes required to refuel the Mirage IV bombers of the striking force, as well as for the supersonic airliner to be built in co-operation with the British—and yet, as mentioned, the budget is as balanced as at the start of the year. All of these projects are open to criticism on political, or moral, grounds: they are being financed at the expense of housing, sanitation, roads, etc. and some of them imply disruption of the Western alliance on which French security will probably depend for many years yet. However, they are being financed, and in ways that are, from the purely financial point of view, unexceptionable, presenting no threat to the budget nor to the country's economic growth. It will seem silly in 1965 to have a satellite, a nuclear force, an atomic submarine and a supersonic airliner but no autoroutes, and pokey flats without baths; but comparable forms of silliness are known from India to America via Russia.

Although the balance has been held to date, it is undeniable that the position of fourth place among the industrialised nations is, for a country of 47 million, a dangerous one, as containing the constant temptation to over-reach oneself. With resources notably less than Britain's, not to mention America's, France is tempted to try things that Italy or Japan would regard as beyond their powers and which West Germany is prevented from attempting; was not that, precisely, the theme of her unlucky imperial age? It is here that European unity offers the possibility of a transfer of chauvinism from the insufficient national base to the more generous West European scale. It is very likely that such a transfer will be effected if and when Britain agrees to make it too. There would then be no serious obstacle to France maintaining her position as the West's fourth economic power, while awaiting the emergence of the Common Market as its second.



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Economic Report from the U.S.

U.S., E.E.C. AND DEVELOPING NATIONS

By GUY SIMS FITCH

WASHINGTON, July 17.

IT is a significant fact of our time that a thousand million people have been moving with extraordinary rapidity from a state of colonial dependency to independence. Such new nations for the most part are born weak, and in some cases perhaps prematurely. But each has a yearning for, and a right to expect, a better standard of living and degree of self-respect than it may have known before. This is the backdrop for the widely heralded Decade of Development which is being promoted by the United Nations at the initial suggestion of President John F. Kennedy. It is quite fitting that Mr. Kennedy should have done this, as it long has been U.S. policy to encourage and strengthen these new nations, and others in the less-developed group, in their efforts to build and improve their societies.

The United States has been doing this through a vast foreign aid programme that has included grants, loans and technical assistance of various kinds to nations all over the world. Specifically in the Western hemisphere, the co-operative development venture known as the Alliance for Progress holds a special promise for the economic and social advancement of the Latin American nations. At the same time, it has been necessary for the United States, often in concert with other free countries and the United Nations, to take steps which would forestall situations of disorder and disarray in developing parts of the world. Such situations, if allowed to foster, obviously could sap the political integrity of the newly developing lands and negate their economic and social progress.

In the effort to strengthen the Free World's economic, social and political fabric, the United States and other industrial countries are working more closely together than ever before. A strong and stable Western Europe can be an invaluable partner in the pursuit of policies to ease the growing pains and speed the progress of the new and less-developed countries. This kind of a Europe already is taking shape, as symbolized by the economically expanding Common Market, or European Economic Community (EEC) — a community which other European countries may in time be joining. The United States welcomes such a Europe not as a rival, but as an ally in the struggle to safeguard the security and improve the conditions of life for all free peoples. This is basic to the Atlantic Partnership concept, of which President Kennedy has spoken often and convincingly. The details of such a partnership will have to be worked out, of course, point by point and case by case. Much progress already is being made in this direction.

Through the Organization for Economic Co-operation and Development (OECD), Western Europe and the United States are devising means of co-ordinating their internal and external economic policies to an unprecedented degree. Among their objectives are the acceleration of their economic growth and the stabilization of international capital and currency flows. An Integral and important part of OECD, in addition, is its Development Assistance Committee (DAC), of which Japan also is a member. Through this body, leading capital exporting nations are attempting to co-ordinate their foreign assistance programmes so as to step up their effectiveness and enlarge their total impact.

In the field of trade, as important as aid to economic health, the aim is to widen commercial opportunities for all nations through the reduction of tariffs and other barriers. The U.S. Congress is now considering a trade bill which would greatly enhance the President's authority to cut tariffs in negotiations with other countries, with special emphasis on the EEC. As this authority is put to use, it presumably would induce the EEC to keep its external tariff wall low and non-discriminatory, in accordance with the principles of the General Agreement on Tariffs and Trade (GATT). The benefits of expanded trade would thus accrue to all GATT parties, abetted by the most-favoured-nation principle under which concessions granted to one trading partner are by and large extended to all.

This by no means exhausts the ways in which an effective Atlantic partnership could contribute to the vitality of all free peoples. A multiplicity of international institutions — such as the U.S. Special Fund and the World Bank and its affiliates — already exist, to which the United States and other countries are contributing, and through which assistance can be, and is being, distributed. The main problem, it appears, is not to increase their number, but rather to improve the effectiveness of the aid machinery already at hand.

As envisaged here, then, a partnership between a strong United States and a strong Western Europe, whatever form it may eventually take, would do more than raise levels of living on both sides of the Atlantic. It would be an outward-looking and progressive force, with its vast and growing resources devoted in large measure to the advancement and well-being of peoples everywhere.

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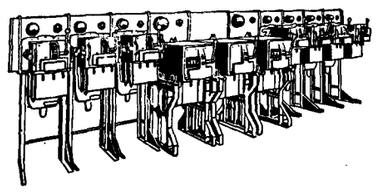
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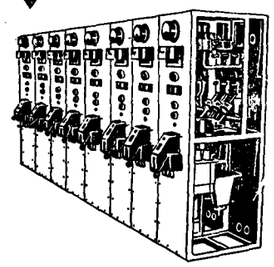
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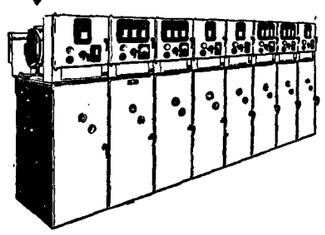
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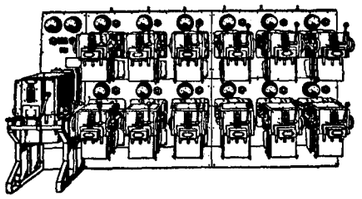
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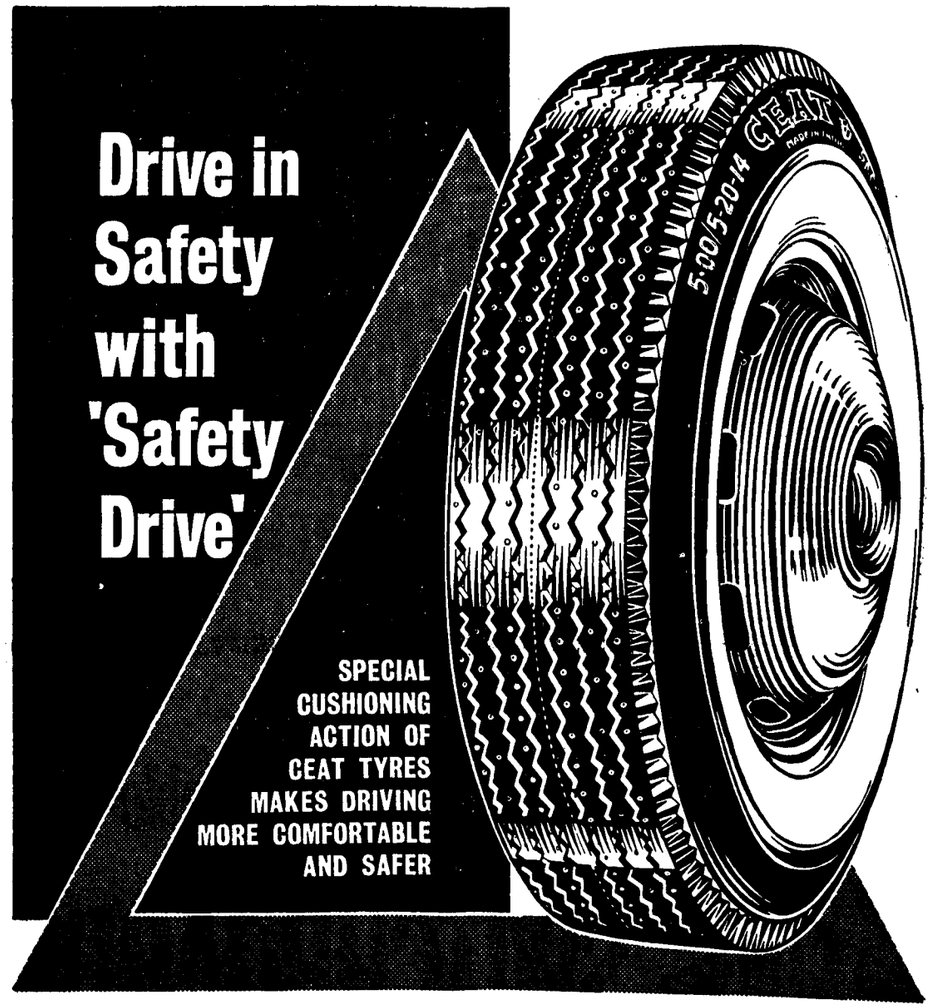
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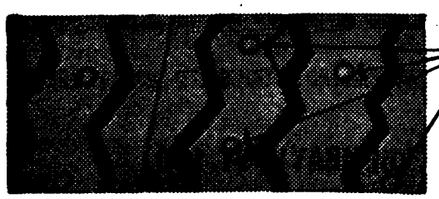
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Special Article

THE MANAGERIAL REVOLUTION IN INDIA

By G. L. MEHTA*

THE success of our national planning depends not merely on the availability of resources but also on the execution and administration of schemes and measures. For this, efficient and imaginative management is essential. It is a prerequisite of modern business but it is also a fundamental of modern Government, especially in a country like ours where the State is increasingly assuming the role of an entrepreneur and trader. More than ever before, the system of management has to fit in with technological, economic and social needs.

During recent years, the pattern of management in our country has been undergoing important changes. It may, therefore, be useful to consider these changes and see what they signify. In industrially developed countries, economic and technical progress has brought about a managerial revolution. Is such a managerial revolution taking place in India? If so, what are its significant features and implications?

THE MANAGING AGENCY SYSTEM

We might begin by reviewing the pattern of management with which we have been familiar in our country. When we speak of management, we have usually in mind the industrial management of joint stock companies since State enterprise in industry on a large-scale is of recent origin. Private enterprise has been functioning through the joint stock form of organisation and it is with corporate management that we are mainly concerned. No doubt, small scale industries have their own problems of management but in many respects, they are qualitatively different. So far as medium and large-scale industries are concerned, the traditional form of corporation management has been the managing agency system. This pattern is in some ways peculiar to India and has been the product of the political and economic conditions obtaining in this country during the latter part of the last and the early part of this century. British and Indian entrepreneurs who promoted and established new industries performed the dual function of providing and mobilising capital as well as of carrying out the day-to-day management of an enterprise. British merchant houses were the first to promote modern types of industry in India and were soon followed by Indian merchant houses. In the earlier period of industrialisation, the British were more prominent in Calcutta, Kanpur and Madras while in the Bombay area, Indian entrepreneurs were the principal contributors to industrial development. British entrepreneurs promoted jute, coal and tea industries, and Indians pioneered the development of industries such as textile, steel and power.

The special features of the managing agency system were, however, common to both British and Indian business houses, such as ownership of part of the capital alongwith direction and control of management in the hands of the managing agency for which remuneration is given not in terms of salaries but as a fixed percentage of profits. This system contributed to industrialisation in the early stages by providing organising and administrative capacity as well as finance and credit through the managing agency. Entrepreneurial attitudes in our country today resemble, in many respects, those prevalent in England and Europe during the last century. Industry is closely held in many cases where the managements have a proprietorial approach towards the enterprise though some industrial firms do have an institutional structure. The working of corporate management disclosed several shortcomings and abuses many of which have been mitigated or removed by reform in company law in 1936, in 1956 and in 1960 as well as by supervision and administration by a separate department. Consequently, the powers of managing agents have been curtailed, the duration of the agency shortened and its sphere of operation regulated. The maximum remuneration for managerial functions has been limited to 11 per cent of profits with a sliding scale as the quantum of commission goes up; there is also a limitation on the number of companies which can be managed by one managing agency. The new institution of secretaries and treasurers provided for in the Companies Act of 1956 is designed to serve the same purposes as the managing agency system shorn of some of its defects. Several companies have adopted this system of management.

In the post-war period, new trends and forces have been modifying the structure and functions of the managing agency system. For one thing, Government themselves have been promoting industrial enterprises which are controlled and managed by corporations and companies run by their officials. Entrepreneurs from abroad who are collaborating with Indian industrialists have in many cases been operating without a managing agency system. Besides, in several existing concerns, the managing agency has been terminated without adverse effect on management. Several new enterprises prefer to have managing directors or managers to organise and operate their concerns.

It is increasingly recognised that for efficient management, modern industrial enterprise demands the services of technicians and specialists. The role of a mere financier in management is no longer crucial. The managing agency has hitherto been regarded primarily as a hereditary or family concern but this is not likely to be acceptable in future. Some managing agencies have recognised this trend and a number of managing agency houses have converted their partnership firms into private or public limited companies so as to broaden the organisational set-up and enlist talent from outside. Most of the managing houses in Calcutta, for example, have been transformed into public limited companies during the last decade. By throwing open their share capital to the public, the managerial remuneration is also shared with the stockholders.

Until recently, most industrial enterprises in India were concerned with production of consumer goods such as textiles or paper or of durable consumer goods like cement where production techniques are simple and well-known. But as the country has increasingly turned towards producing capital goods, machine tools, chemical products and the like, manufacturing techniques have become more complex. In these, new technical processes and scientific methods need to be studied and applied. Establishment and operation of an industrial enterprise requires today talents and skills which have to be mobilised and co-ordinated. Industrial organisation requires long-term planning which cannot be achieved without the co-operation of professional men and technicians. With a variety of governmental controls and regulations and the intricacies of finance and taxation, an industrial enterprise today has to depend on the advice and assistance of accountants and lawyers. The growth of trade unionism and increase in the volume of labour legislation

* Speech delivered by Mr. G. L. Mehta at the symposium organised by the All-India Management Association at Srinagar on July 17, 1962.

requires close attention to problems of industrial relations, supervision and welfare. The top executives in an industrial enterprise have to possess trained intelligence and capacity to work with others — qualities which can enable them to analyse the varied and changing requirements of the industry and co-ordinate the work of the specialist. The work of a manager is primarily concerned with achieving results through the co-operative action of a number of persons to attain common objectives. Moreover, as industrial enterprises grow in size and their activities are diversified, work has to be delegated and procedures decentralised which need a staff with knowledge and experience that cannot be the preserve of a family or a privileged group. Managerial ability, in other words, is not an inherited trait. Vertical mobility is essential in our industries so that the man at the lowest rung of the ladder can, if he has merits and becomes qualified, rise to the topmost position. An industrial enterprise has to look at many factors apart from the purely financial ones — economic implications, public image, political repercussions — before arriving at a decision. The difficulty, as Keynes said in another context, "lies not in new ideas but in escaping from old ones." It is apparent that the managing agencies which look after a number of concerns cannot run them effectively unless they have a staff of specialised and trained persons devoting all their energies to numerous, complex problems which face industries today.

NEW TRENDS IN MANAGEMENT

New changes are also taking place in the field of direction and policy-making of industrial concerns. The board of directors of a company is the ultimate authority which is responsible for managing an enterprise. Following the British pattern, the majority of directors in Indian enterprises comprise of outsiders who are experienced men giving general advice on matters of policy but are not closely associated with detailed management. Such directors with varied background can give valuable guidance but there is an increasing trend whereby the executives of the company itself have now a place on the board. Many concerns now have full-time paid chairmen and executive directors. Several foreign enterprises prefer to have their own executives on their boards. This trend is bound to grow because with the gradual elimination of the managing agency system, management through full-time competent executives will have to take its place.

Another interesting line of development in the entrepreneurial and managerial field is the enlisting of new talent from other spheres. Until a few years ago, there was little exchange of higher staff between the business community and the Government. This situation has been changing and many senior Government officials have joined business while the services of business executives have been utilised by Government on boards of directors in state-run corporations. Such two-way movement is common in industrially advanced countries and would be useful here also. Closer understanding between Government and business is essential to promote fruitful co-operation between the public and private sectors.

Problems of management have assumed much greater importance because of the Government having entered the industrial sphere. It is not widely recognised that the Government are, in fact, the holding company for the largest group of industries in India. If planning is not to fall into disrepute through economic crisis, miscalculations and inefficiency of administration, much more thought should be given and much better organisation set up for management of industrial enterprises. We cannot afford to let planning be discredited by bureaucratic machinery being regarded, in Bagehot's words, as "a grand and achieved result, not a working and changeable instrument." Functioning of the giant Hindustan Steel Corporation serves as a warning rather than an example. It is a matter of satisfaction that the new Minister for Heavy Industry is addressing himself to this task and endeavouring to decentralise the administrative machinery of the steel plants. Indeed, some of our large industrial establishments are prone to be infected by one kind of official virus or another. As Ambassador Galbraith who has made many pertinent observations on this subject has said, "the intrusion of civil service procedures and routines which may be admirably designed to ensure equality of treatment of all employees, can have the effect of destroying the easy inter-personal adjustments and the automatic co-ordination on which effective operation depends."

With the growth of industrialisation in India, industrial enterprise has grown in dimension with the result that its capital requirements have been increasingly provided by a large number of individual and institutional investors and the hold of big financiers and capitalists has correspondingly weakened. Finance and management which have, in the past, been largely provided by the same set of persons have gradually been divorced. The private investor has been content to receive a return on his investment leaving the function of management in the hands of professional full-time executives. The company executives consequently, tend to be on their own and would be concerned with the interests of the company rather than being at the mercy of a group of financiers who happen to control an enterprise. Industrial organisation is no longer a mere matter of finance; its effective functioning demands ability, ingenuity and application. In the sphere of top-management, especially in an industry based on technology, economic and technical questions become merged, and even in preliminary projects of manufacture, research and development are, in a sense, only capital investment one stage further removed. Technical errors involve financial risks just as reduction in costs can be achieved through applied research. This development has hastened the pace of the managerial revolution and is raising the status of the full-time executive. In short, a class of civil servants in the world of business is growing charged with the responsibility of creating national wealth through the private sector working in public interest.

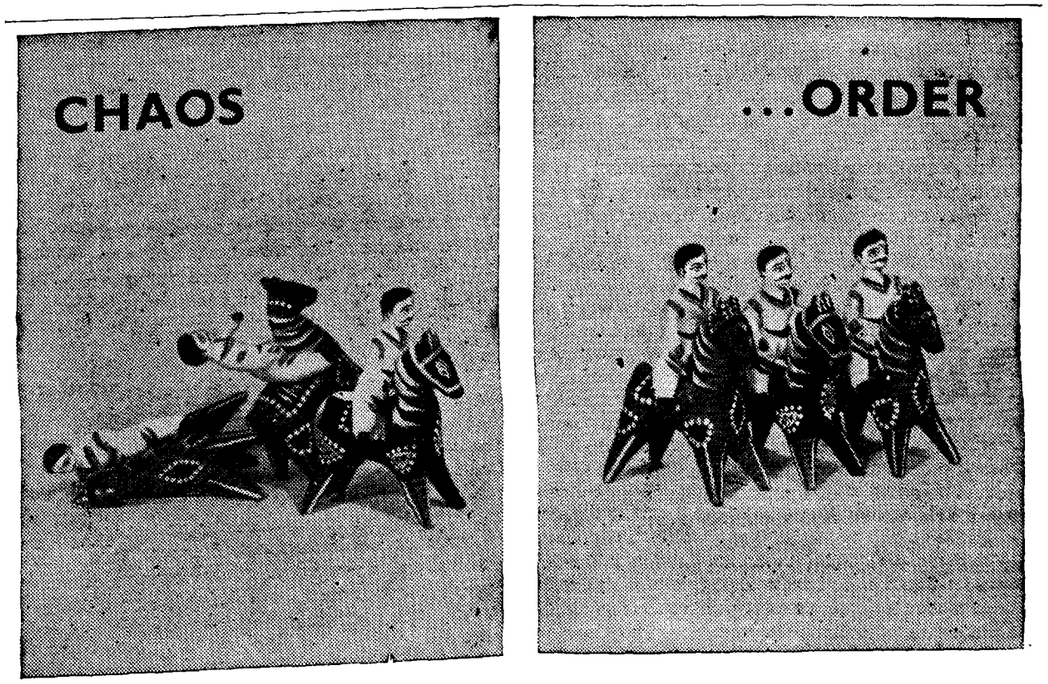
THE TRAINING PROGRAMMES

An encouraging sign is the growing awareness of the need for schemes of staff training at various levels. In private as well as public enterprises, programmes for training in industrial, financial and administrative spheres have been instituted for junior and senior staff. Management associations, productivity councils and other organisations are focussing attention on problems of productivity and industrial efficiency. The Administrative Staff College, the Reserve Bank Staff Training College and other similar institutions are providing training facilities. In several universities and institutes of technology, courses of industrial management have been introduced and are attracting young men and women. Institutes of management are also being organised at important centres. With all these training facilities, the new generation of managers and administrators will, it is hoped, start their career much better equipped than hitherto and the outlook of higher executives will be broadened through refresher courses and well-organised seminars. A word of caution is, however, necessary. Research can also be bogus and symposiums an exercise in self-advertisement. Besides, most industrial psychologists and sociologists study problems from the management's viewpoint and tend to regard questions of productivity as concerned only with workers rather than with organisation as a whole including management.

For, there is no mistaking the trend: industry is moving from personal to social ownership. Consequenly, the emphasis has to shift from status and wealth

to competence and skill. The managerial revolution will increasingly reflect a smaller and, over a period, a declining share in the ownership of a concern of those who merely finance it. Managements all too often deal with other people's money—those of shareholders, banks, credit institutions, even Government's, that is the tax-payer's. The concept of an entrepreneur dealing entirely with his own money is becoming out of date. This does not mean that enterprise and initiative are not needed or that bureaucracy and regimentation can secure industrial progress. But it does mean, in the first place, that qualified and trained men will have to run industry and that the hereditary principle is no more valid in industry than in democratic government. It also means that profit motive by itself and ability to speculate on the stock exchange are no substitute for imaginative leadership and organising capacity. "Hit and miss" methods are out-of-place in an environment of technological development, high costs of production, and economic impact of concepts of social welfare. As Prof. Arnold Toynbee has observed, "in place of original association with notions of enterprise and profit, the term business is coming to be associated with the very different notions of administration and organisation." The wholly new study of "organisation and management" has been hitherto decried in many quarters as mere charlatanry and waste of energy. And it is only now coming to be recognised that it has an important place in industrial development, even if not all that is spoken and written on the subject is really worthwhile.

But with the growing complexity of industrial society and magnitude of business operations affecting individual and collective life, we need not only trained men and women; we shall also have to evolve a managerial ethic. As management becomes increasingly professional in character, it will have to adopt norms of competence and standards of responsibility. As Professor Harold J. Laski observed many years ago in a stimulating essay, "Can Business be Civilised?" the great avenue of social change is the need to organise business as a profession. We should seek to subordinate industry and commerce to public interest by insistence on definite standards of performance such as we have established in law, in medicine, in engineering or in architecture. We must learn to demand responsibility for the technical competence of those engaged in it. We have to endeavour to abolish, on the one hand, anti-social monopolies and on the other, competition which is detrimental to the interests of the community. We should do away with speculative profits and secret commissions. Industrialists are entitled to returns for their risks and efforts and may grow rich in pursuit of their vocations but their wealth should be a by-product of their work and not the "be-all" and "end-all" of their activities. Wealth is a means of welfare, not its substitute.



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THE BUSINESS WORLD

Economic Growth—Pertinent Points by a Professor

By CROESUS

MANY eyebrows are bound to be raised in Congress and Socialist circles by the thesis recently put forward by Prof. G. Carl Wiegand that neither the Totalitarian State nor the Socialist Welfare State, nor, for that matter, the Statist-interventionists and Economic Planners will help materially to raise the average standard of living of our people. If the people in under-developed countries are content to import socio-economic systems from foreign countries, they will not achieve the economic and social advance that Europe and America achieved during the past one hundred and fifty years. For while foreign influences can be stimulating, they can also have a sterilising effect. "An imported machine civilisation can easily destroy traditional cultural values and, in the end, produce social chaos and economic stagnation, rather than material progress."

Prof. Wiegand is convinced that millions in the underdeveloped countries go hungry not because the world cannot produce enough but because the leaders of mankind are blinded by ideologies and a strange confusion of values. He is also not among those who believe that capital and natural resources alone assure economic growth, and, in order to establish this, he takes the examples of Switzerland, Brazil, Germany, Malaya, Indonesia, and Japan. Switzerland is poor in natural resources and yet enjoys one of the highest standards of living in the world, but Brazil, potentially one of the richest countries in the world in terms of natural wealth, is not only heavily dependent on foreign aid, but more than fifty per cent of her population suffer from malnutrition. Both Malaya and Indonesia are rich in tin, rubber and oil, but Malaya has a stable currency, whereas the Indonesian 'rupiah' sells only at about 25 per cent of its official value. Again, it is not foreign aid alone that explains the "German miracle", nor is it the political independence of Japan alone which accounts for the increase in her national income at a rate three times as fast as that of India. The truth is that Switzerland's high standard of living is due to a happy combination of hardwork, private initiative, a high regard for private property rights and a well-developed sense of social responsibility. The German miracle is the result of sound economic policies and a strong belief in private initiative and personal freedom. What makes Malaya prosperous, again, is her belief in economic freedom and respect for private property rights. Japan has not become what she is today by copying Europe, but by assimilating certain ideas and forms which she has shaped to suit her own needs. Conversely, Brazil has relied too much on the theory that foreign aid can provide a sound basis for economic development, while overlooking the risk of inter-governmental loans being used to expand the public sector at the expense of the private sector; Indonesia has not been able to make much headway, because she has been hampering private initiative, and nationalising or confiscating private property.

It is interesting to note that the Professor is wholly on the side of Mahatma Gandhi on the dangers of the all-powerful State. And, for this reason, he is naturally critical of Prime Minister Nehru's view that, "without social freedom and socialistic structure of society and the State, neither the country nor the individual could develop." Remarking that the latter's philosophy is also shared by many American economists and politicians, he makes the point that this philosophy rests on two false premises: (i) a Totalitarian or Socialist State is actually a People's Republic, in which the people have a choice and (ii) that the people, rather than the ruling bureaucracy — or the State as a moloch — enjoy the wealth of country. Both these premises, according to him, are mistaken, as evidenced by the three bitter struggles which overthrew collectivism in Europe and North America — the Glorious Revolution of 1688 in England, the American Revolution of 1776 and the French Revolution of 1789. "In each case", says Prof. Weigand, "the power passed from the ruling aristocracy and its proliferating bureaucracy to the 'entrepreneurial' middle class, and it was this step which precipitated the rapid economic growth of Europe and North America". Modern Totalitarianism and Socialism are likened by him to the European absolutism and Mercantalism 300 to 400 years ago, and, he says, they have all their earmarks: "the replacement of social conscience by jingoistic nationalism, the glorification of the State, the contempt for the individual, the disregard for agriculture, the emphasis upon fiscal and monetary manipulations and a naive economic pragmatism which neglects economic forces." It is these ideas which under-developed countries like India have to fight and defeat, he cautions us.

Prof. Wiegand is particularly critical of the tendency in under-developed countries to overlook the importance of agriculture as a basis for industrial and economic growth. In his opinion, this is at least, in part, the result of a prejudice dating from the colonial rule. After their newly won independence, the free nations do not wish to continue as producers of raw materials in the belief that, thereby, they would be regarded as handmaidens of industrial nations. Dr. Raul Prebisch, one of Latin America's best-known economists who has popularised this concept, is therefore, reminded by Prof. Wiegand that he has completely forgotten that, until the end of the last century, the major portion of the United States exports consisted of two farm products, namely, cotton and wheat, which even today account for about one-fourth of the U.S. exports. Even during the decades of declining prices, the U.S. farm production expanded and this, he maintains, did not prevent, but actually made possible, the industrialisation of the U.S.

The American Professor also deprecates the glamour that under-developed countries generally associate with heavy industries. In fact, he goes so far as to call it "a dangerous illusion" on the part of the under-developed nations to think that all their economic problems can be solved if they can only build enough modern factories. Holding that industrialisation requires a peculiar type of skilled worker (quite different from the skilled artisan) and a market for finished industrial products, he argues that neither can be developed overnight, Europe itself having taken centuries to achieve the transition. Referring specifically to the craze of the planners for heavy industries, this is what he has to say:

> "The case against heavy industries, created by the Government and financed through heavy taxation or inflation, is particularly obvious in India, with its very large supply of cheap labour, and its acute shortage of investment capital. Economic logic calls, for the time being at least, for labour rather than capital-intensive industries. It requires at least $10,000 in capital investments to provide one job in an automated steel plant, compared with $100 to $200 in cottage industries. Some 100,000 steel plows at $20 each will do far more for India's economic development than a $2 million machine tool."

Another bubble that Prof. Wiegand is out to prick is the rather widely held misconception that the four ways in which investments can be financed—(i) through private savings. (ii) private foreign investments; (iii) Government funds obtained through taxation or through printing press, and (iv) foreign aid or inter-government loans — are complementary. They can be complementary, according to him, only under ideal conditions, but, in reality, "they are often mutually distinctive. Private domestic capital formation and private foreign investments go hand in hand. Traditionally, one depends upon the other. Public investments, on the other hand, whether financed through taxation or through inflation, are likely to hamper — contrary to post-Keynesian doctrine — both private capital formation and private foreign investments, unless great care is taken not to undermine private capital formation through heavy taxation and to discourage private investment through direct Government competition. Unfortunately, modern economic planners are rarely satisfied to use public funds to prepare the basis on which a private economy can develop. Instead of building roads, schools, irrigation systems, and enforce social economic order, modern economic planners build steel mills and power plants, in direct competition with private enterprise, and yet they wonder why private enterprise seeks greener pastures in other countries."

What Prof. Wiegand has to say about investment policies in under-developed countries generally seems to fit India's cap perfectly as the following quotation bears out:

> "Investment policies in under-developed countries suffer from a basic defect in economic reasoning. Instead of starting with the available resources and planning their most effective allocation, much of what passes as economic planning in under-developed countries is concerned with production goals usually far beyond the available supply of capital and skilled workers. While there is an old saying that some men succeed better than others because they attempt more, and the fraudulent check-passer may succeed better for a while than his more honest neighbour, in the long run, he is likely to get into trouble; and inflating the currency in order to achieve utopion production goals, like passing bad checks, is a form of fraud, as the two great scholastic writers, Buridan and Oresme, already warned more than 500 years ago. Nor does inflation pay in the long run. It hampers private capital formation, drives existing private capital abroad or into sterile treasure hoards, and scares away foreign investors."

Perhaps the greater service which Prof. Wiegand has rendered to under-developed countries is to point to the dangerous doctrine that "a nation need not worry about the effect of rising prices on the balance of payments as long as the national income continues to grow at a rapid rate." How much more dangerous the effect of rising prices on the balance of payments when the national income refuses to grow except at a snail's pace, as in the case of India, cannot be better summed up than by quoting the following extract from the "Economist", as the Prof. himself has done:

> "The growth through inflation formula is undermining the strength of the United States, and it makes impossible the economic development of India except on a Totalitarian basis and at a cost in human dignity and well-being far greater than even Mahatma Gandhi could have anticipated when he called the State a soulless machine which can never be weaned from violence."

It is for us now to ponder over and decide whether we should persist with this formula or to give it a prompt burial.

Business Notes

Banking

THE LIQUIDITY RATIO

THE REPORTED decision by the Reserve Bank to raise the liquidity ratio (percentage of investments in government and approved securities plus cash to total deposits) from 20 per cent to 29 per cent has agitated the bankers for some time past. They have represented to the Reserve Bank that the ratio should not be raised, by statute, beyond 25 per cent. The underlying idea behind the resistance is the fear that this measure, though ostensibly being introduced to increase the stability of the banks, will result in lowering their earnings at a time when costs are rising steadily due to the penal interest rates charged by the Reserve Bank on advances and also due to the additional burdens imposed by the latest Bank Award. Before coming to a definite conclusion on this controversial problem, it will be necessary to look at the facts. The table below shows the investments made by both the scheduled banks and the non-scheduled banks in 1960-61 in government securities as percentage of aggregate deposits:

	(Last Friday) 1960	1961
I. **Scheduled Banks**		
Banks each with total deposits of		
(i) Rs. 100 crores and above	40	33
(ii) Rs. 25 crores but less than Rs. 100 crores	26	28
(iii) Rs. 5 crores but less than Rs. 25 crores	37	33
(iv) Less than Rs. 5 crores	26	29
II. Non-Scheduled Banks	26	26
III. All Banks	35	31

It will be seen that for 1961, the lowest ratio turned out to be 26 in the case of the non-scheduled banks and 28 for the scheduled banks. If the cash balances are also included, it is certain that

even these banks in 1961 would have complied with the proposed restrictions. It might be asked, then, why the banks are making such a "fuss" over the whole problem. The fact is that these averages for certain groups of banks conceal the low liquidity ratios of certain banks. It is true that all the big banks, specially those with deposits of more than Rs. 100 crores, have nothing to fear from this new legislation. It is the banks in the lower deposit-brackets where increased pressure would be felt. The siphoning off of funds by investment in Government securities at 25 per cent and cash at 4 per cent will certainly reduce their earnings especially when substantially higher rates would be available by making advances to industry and trade. Will it not be better for the Reserve Bank to raise the liquidity ratio by stages? As agreed by the banks, it should be raised from 20 to 25 per cent at the first stage with the warning that within the next four or five years, it will be taken to 29 per cent so that the banks may adjust their investments accordingly. Any sharp jump from 20 to 29 per cent in the liquidity ratio will certainly create trouble in the case of some banks whose current ratio is below the desired level. It is suggested that Reserve Bank should agree to raise it to 25 per cent in the first instance, especially when there is no major threat to the banking system in the short period which may warrant such drastic revision in one stroke.

Foreign Trade

DECLINING EXPORTS

INDIA'S EXPORTS during the first five months of the current year have presented a gloomy picture. Mr. Manubhai Shah, the Union Minister for International Trade, has been planning in recent weeks to set targets of exports so as to take the total volume of exports to Rs. 720 crores—an improvement of about Rs. 60 crores over the preceding year. The figures for January to May 1962 show a fall of about Rs. 7 crores as compared to the corresponding period last year. In other words, instead of showing any increase in India's export earnings as a result of all the steps that have been taken including the self-imposed obligation of the textile mills to export ten per cent of their output, the performance has been far from encouraging. It has naturally created doubts whether the target of Rs. 720 crores for exports is a feasible one at all.

The Third Five-Year Plan had envisaged total export earnings of Rs. 3,700 crores on the basis of Rs. 740 crores per annum. In the first year of the Plan, the exports were well below the annual average. Similarly, the exports are likely to be below the average in the second year of the Plan as well. In order to achieve the stipulated target, the exports will have to be in the region of about Rs. 800 crores per annum in the last three years of the Third Plan. How will the Indian Union face this formidable challenge? With the prospects of the United Kingdom joining the Common Market soon and depressing India's export earnings from Europe, the outlook seems to be far from reassuring.

According to the press reports, some new steps are likely to be taken in order to offer facilities to exporters so as to boost up India's exports. According to authoritative sources in New Delhi, two legislative measures are likely to be undertaken by the Government of India for extending credit to exporters. It is likely that the Reserve Bank Act will be amended so as to enhance the period of its advances for export credits from 90 days to 6 months. Another measure will be to modify the terms of loan facilities offered by the Refinance Corporation. Since the funds for this Corporation are obtained mostly from the P.L. 480 proceeds, negotiations are being undertaken with the US authorities to finalise the new measures. As a result of these moves, the Indian exporters will be in a position to grant longer credits to importers abroad. These credit facilities may range from 6 months to 2 years. Some of India's competitors in the international market are known to have sold their goods on a 5 years' credit basis. This handicap will be removed to a certain extent after these changes have taken place. Heavy equipment in particular can be exported on the basis of credit for two years. The Reserve Bank, however, cannot extend its credit period to two years and, therefore, exports financed by the Refinance Corporation only can come under this category. Extended credit may mean smaller earnings in the short period but in the longer run it will assist the Indian Union in retaining its markets.

Wool

A SMALL-SCALE INDUSTRY FACES EXTINCTION!

WHILE THE Union Government is never tired of giving vent to its protestations that it wants the cottage and small-scale industries to flourish in the expanding economy of India, and is providing assistance in various forms for the achievement of this objective, it is indeed intriguing that an important and already well-established one such industry, namely, the handknitting wool processing industry is being throttled. The travails of this industry, on which are dependent for their livelihood nearly 4,500 families in four cities—Delhi, Amritsar, Ludhiana and Calcutta—emanate from the shortage of grey handknitting yarn which the industry alleges is being diverted by the spinning mills to feed their own dyeing units installed during the course of the last two years. While there can be little objection to the spinning mills themselves going in for dyeing operations, to allow this to be done to an extent that the very existence of the small-scale sector, which during the past two decades has been meeting the demands of the consumers quite efficiently and at reasonable prices, is something that can hardly be justified.

Although the requirements of the small handknitting wool processors were assessed last year by the respective State Directors of Industries (on the basis of their actual purchases in the three years 1957-58, 1958-59 and 1959-60) around 20 lakh lbs. per annum, no proper arrangements have yet been made by the authorities to ensure them regular supplies of their raw material at reasonable prices. Even the ad hoc quota of 2½ lakh lbs. fixed for them to meet their requirements for the three months to September 30, 1961, has not been fully delivered by the spinners; this quota was to be made available by October 15 last year. The industry further alleges that whatever supplies have been effected are also of sub-standard quality. Numerous communications from the Federation of the Handknitting Wool Processers, which was formed last year on the advice of the industrial Adviser to the Textile Commissioner, both to the Government and the spinners are said to have failed in getting redress for the industry, with the result that it has been virtually starved of its raw material.

What is more shocking, however, is the allegation made by the Delhi processors, who form the biggest contingent in the Federation, that the discussions their representatives had at the meeting of the Distribution Committee for Worsted Woollen Yarn, formed out of the Development Council of Woollen Textiles, held in Bombay in May last, had been given a wild twist so much so that the protests and objections raised by them do not even find mention in the Minutes of this meeting, while some of the points mentioned in the Minutes were not even raised or discussed. This is something very unusual. The Ministry of Commerce and Industry should obviously look into the matter and set the things right so that this small-scale industry is allowed to continue to play its useful role in the economy of the country.

Public Loans

PATTERN OF RESPONSE

NOW THAT the details of the total subscriptions to the latest issue of the Government of India Loans are available, a correct assessment of the response may be attempted. According to the Press Communique issued by the Reserve Bank of India, the following are the figures of subscription for the three Loans:

3¾ per cent National Plan Bonds — Fifth Series (3¾ per cent 1968)	:	Rs. 92.25 crores
4 per cent Loan 1972	:	Rs. 80.59 crores
4½ per cent Loan 1985	:	Rs. 84.03 crores
TOTAL	:	Rs. 256.87 crores

Out of the total subscriptions aggregating Rs. 256.87 crores, conversions amounted to Rs. 153.67 crores. It may be noted that the total of the two outstanding maturing Loans offered for conversion amounts to Rs. 183.14 crores. In other words, holders of the maturing Loans who did not choose to convert accounted for Rs. 29.47 crores, which means that the net borrowing during the second year of the Third Five-Year Plan (assuming that the Government of India will not enter the market again this year, will amount to Rs. 73.73 crores. This is by no means the highest amount of net borrowing in recent years, since the net borrowings in 1956-57, 1958-59, and 1959-60 were higher at Rs. 77.21 crores, Rs. 180.86 crores and Rs. 106.71 crores, respectively. In view of this, there is a school of opinion which feels that the Reserve Bank should have kept the subscription lists open for the full three-day term as had been announced. Had this been done, it is argued by this school, the Government could have got at least Rs. 275.00 crores, i.e. 10 per cent over and above the Loan amount announced without any extra effort. It would have meant a total net borrowing of Rs. 91.86 crores. Apparently, the authorities were anxious to close the lists very soon after the target of Rs. 250 crores was reached to take credit for the Loan being fully subscribed even on the second day itself, long before the official closing hours of the day. This is perhaps understandable in the light of the response to the Central Loans (issued in two stages) last year. Even so, there seems to be force in the contention that the subscription lists should have been kept open until the close of the third day. Incidentally, this would have provided some more time for the up-country investors about whom the authorities are known to have expressed quite some concern in the past.

But the authorities today evidently feel that they have not to bother themselves to the same extent as they had to do in the past, thanks to the easy money conditions and the large deposits which have been accumulating with the commercial banks, not to speak of the L.I.C. and the Provident Funds which can always be relied upon to lend a big helping hand to any government Loan. If even with the response of the commercial banks, the L.I.C. and the Provident Funds, there should still be any gap left, the Reserve Bank is, of course, there to fill it. There is no information as yet on the extent of subscriptions from these sources individually. Nevertheless, the impression in market circles is that the L.I.C., the commercial banks, and the Provident Funds must have subscribed to the tune of Rs. 80 crores, Rs. 60 crores and Rs. 65 crores, respectively, the balance of Rs. 51.87 crores coming from the Reserve Bank and other sources, including individuals. We may expect that this would be the broad pattern of public subscriptions to Government Loans in the coming years.

HMT

COMMENDABLE RECORD

THE UNCHARITABLE amongst the critics of the public sector in India may be prone to pay a left-handed compliment to Mr. M. K. Mathulla, the Chairman and the Managing Director of Hindustan Machine Tools, and his colleagues on the success attained by them, but for an engineering enterprise to be able to show a net profit of 24 per cent on its share capital within a period of six years, and that too after progressively reducing and maintaining its sale prices at 10 to 20 per cent below the landed cost of foreign machines of equivalent quality, is by no means a small achievement. The Hindustan Machine Tools' management, which was honoured last year with the Presidential Award for the best-managed public sector undertaking and the Presidential Certificate of Merit for outstanding performance during 1960-61, can legitimately be proud of the working of this venture.

The company's balance sheet for the year 1961-62 reveals that it has made further commendable progress. Total sales this year were substantially higher at Rs. 4.76 crores, against Rs. 3.36 crores in the previous year. The gross profit amounted to Rs. 201 lakhs, as against Rs. 127.51 lakhs. After providing for increased depreciation at Rs. 65.01 lakhs, against Rs. 45.72 lakhs, and Rs. 8.49 lakhs, against Rs. 7.34 lakhs, for paying interest to the Government of India on the loans advanced by it, the net profit comes to Rs. 127.53 lakhs, compared to Rs. 74.07 lakhs in the previous year.

The dividend has been quite judiciously maintained at 10 per cent, for the company is still in the throes of its expansion programme. The Development Rebate Reserve has got an allocation of Rs. 22.56 lakhs, as against Rs. 1.95 lakhs in the previous year. The General Reserve has been provided for for the first time—a sum of Rs. 40 lakhs has been allocated for this purpose. The income-tax liability of the company during the 1961-62 was nil, because the losses incurred in the earlier years were yet to be fully set off against the current profits. A sum of Rs. 3.10 lakhs has been carried forward as against Rs. 1.39 lakhs brought in.

The number of machines produced by the company increased from 702 in 1959-60 and 1,002 in 1960-61 to 1,251 in 1961-62. Despatches correspondingly went up from 644 machines in 1959-60 and 1,007 machines in 1960-61 to 1,240 machines in 1961-62. Production in 1961-62, though substantially higher than in the preceding years, was, however, still running short of the orders booked which were for 1,380 machines during the course of the year. The indigenous content in the machines produced by HMT now ranges well over 90 per cent, except in the case of grinders where it is 43 per cent. Although no further progress was made in this regard during the course of the last year, it is hoped the company would be able to improve upon its working in this respect during the current year.

Another very encouraging fact about the working of the company during 1961-62 has been that it has entered the world market by export of machine tools to West Germany and Switzerland. In view of the current foreign exchange crisis in the country, it is appro-

priate that HMT has planned to undertake an extensive export promotion programme.

The expansion programme of the company is also making good progress. The company was able to commission into production its second factory, built at Bangalore, in July last year—nearly 10 months ahead of schedule. This factory was built entirely by Indian engineers and out of company's own funds. The full benefit of this second unit will probably be accruing during the current year. The HMT's two existing units have now a capacity to produce 2,000 machines per annum.

The work on the third unit to be set up at Pinjore, in Punjab, at an estimated cost of Rs. 10 crores, is stated to be progressing satisfactorily. Approximately 850 acres of land are being acquired for this project and the ground levelling operations have begun on the land already taken possession of. Orders for the purchase of machinery and equipment from abroad have also been placed. A master plan for the main factory as well as the township has been prepared and construction is expected to commence shortly.

The first phase of the construction of the company's watch factory, which was delayed by seven months as a result of an unforeseen defect in the title of the land originally selected for it, is expected to be completed by September. Manufacturing operations are expected to commence in October. Most of the equipment has already arrived at the site for installation.

New Issue

MOHATTA AND HECKEL LTD.

MOHATTA AND HECKEL LTD., a new company recently registered in Maharashtra with the object of undertaking the manufacture of wires and wire ropes, is expected to enter the capital market sometime in October to raise Rs. 25 lakhs by way of public subscriptions.

The authorised capital of the company is Rs. 1 crore. Capital worth Rs. 55 lakhs — Rs. 10 lakhs in preference shares of Rs. 100 each and Rs. 45 lakhs in equity shares of Rs. 10 each — is to be issued in the first instance. Of this, the promoters and their friends will be taking up capital worth Rs. 20 lakhs. Another Rs. 10 lakhs worth capital is proposed to be subscribed by the foreign collaborators, Messrs. George Heckel Limited, Saarebruckel, West Germany. The public issue will represent the remainder.

The factory of the company (capacity 3,600 tons of wires and wire ropes per annum) is proposed to be located somewhere between Thana and Kalyan, near Bombay. Plans are to commission it into production by the end of the next year.

The total capital outlay on the project is estimated at Rs. 1• crore. Negotiations are being carried on by the company with the Industrial Credit and Investment Corporation of India and some other financial institutions for securing some loans to meet the expenditure over and above the funds made available by the share capital.

The Board of Directors of the company comprises Mr. G. D. Kothari, Mr. R. L. Kirloskar, Mr. B. D. Somani, Mr. Kantilal Desai, Mr. Brij Rattan Mohatta, Dr. A. V. Baliga and Mr. Suraj Rattan Mohatta. Messrs. Mohatta Sales Limited will be the Managing Agents.

Plastics

ENGEL INDIA MACHINES AND TOOLS

A NEW company called Engel India Machines and Tools Ltd., has been incorporated in Calcutta for the plastics industry, in collaboration with the world-renowned Maschinenfabrik Ludwig Engel Kg. of Austria. The foreign collaborators will not only supply the necessary plant and machinery for setting up the company's factory near Calcutta and train Indian technicians in their factory in Austria, but will also participate in this Indian venture's equity capital. They will also be providing Austrian technicians to set up this factory and run it in the initial stages.

The company will have an authorised capital of Rs. 1 crore, of which half is proposed to be issued in the first instance. 50 per cent of issued capital will be subscribed by the Directors of the company, their friends and the Austrian collaborators. The balance 50 per cent issued capital—Rs. 25 lakhs—all in ordinary shares, is envisaged to be offered to the public in the near future as soon as the formal sanction of the Controller of Capital Issues is obtained.

The entire standard capacity machines and equipment requirments of the Indian plastics industry are at present being met through imports. In spite of the serious foreign exchange shortage, India had to import in 1961 machines and tools for this industry to the tune of Rs. 30 lakhs, mainly from Europe. The setting up of the Engel India factory will help in saving all this foreign exchange expenditure. Besides, it will ensure a regular supply of machines and tools of the latest design for the Indian plastic industry so as to enable it to produce articles at a competitive price.

The Board of Directors of Engel India include Mr. Ranadeb Chaudhuri, Mr. Sasadhar Raha (the two promoters of the company), Mr. Ludwig Engel, Mr. S. C. Sen and Mr. S. C. Raha.

Textiles

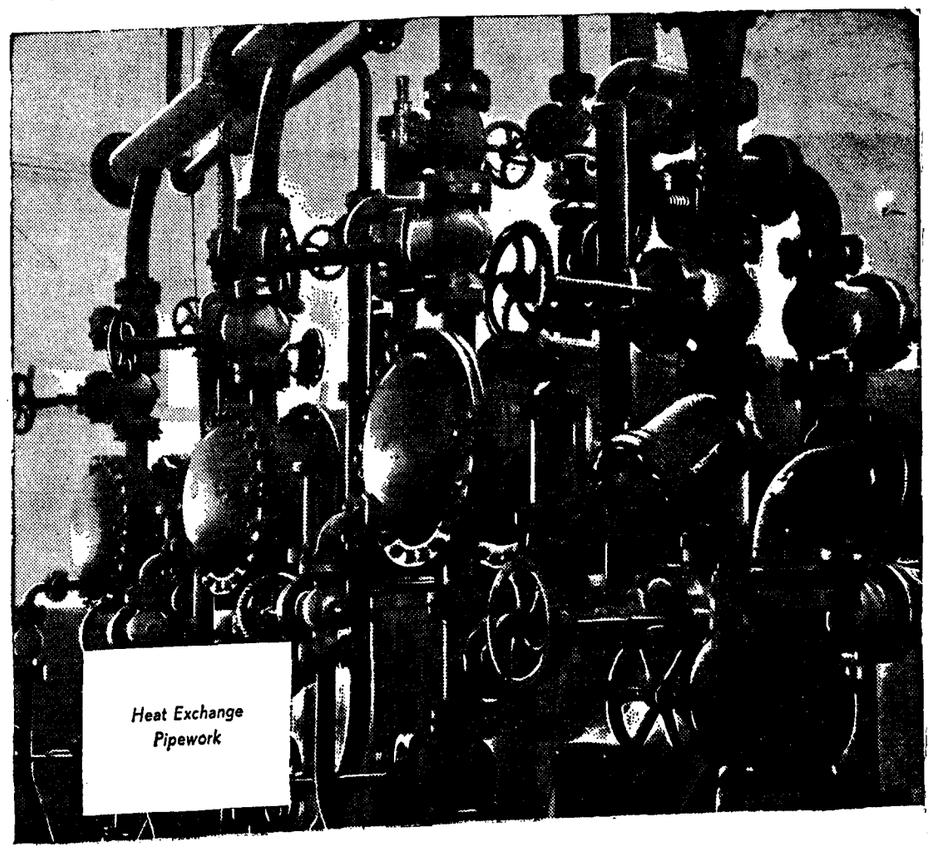
COTTON YARN OUTPUT UP: TRADE IN PIECEGOODS DOWN

WHILE THE cotton yarn production in countries outside the Soviet Bloc was approximately 3 per cent higher in the first quarter of 1962 than in the corresponding period of 1961, the world trade in cotton piecegoods continued to suffer a setback started in 1961. Shipments of cotton piecegoods from the main non-Soviet Bloc exporting countries were roughly 4 per cent less than in the corresponding period of 1961, according to the quarterly statistical review of the UK Cotton Board.

The principal change in the pattern of output, the Board says, has occurred owing to a severe curtailment of production in Japan where output is running below last year's level. The Board observes that fluctuations in cotton yarn production in the non-Soviet Bloc countries as a whole are much smaller than the fluctuations in some individual countries. While production in India, the US and Canada continued to register substantial increases, the production in the UK and Western Europe as a whole was well down in comparison with a year earlier, the main exceptions being Italy and Spain.

Against this, exports from the UK, Japan, India, Germany, the Netherlands and Spain were all substantially lower then a year earlier. It is possible that exports from some of the other European countries and the US may have been marginally greater than in the first quarter of the last year, but the only major exception to the general rule is Hong Kong, where massive shipments in the US helped to boost exports of cotton piecegoods to record levels.

India's textile exports have dropped by over 120 million yards as a result of uncompetitive prices of Indian cotton piecegoods occasioned by the rise in the cost of production owing to the acute raw cotton shortage. According to an analysis of the pattern of exports in 1960, prepared by the Cotton Textile Export Promotion Council (India) there has been a notable shift in consumer preference in overseas markets towards finished goods in which India has yet to become competitive.



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FROM THE CAPITAL'S CORRIDORS

CENTRE - STATES CONFLICTS

CONFLICTS between the Centre and some States have been impeding economic progress in several crucial sectors. But they continue to be handled lackadaisically. There seems to be no sense of urgency about removing these obstacles to the progress of the Plan in spite of the fact that other challenges to economic growth are also mounting.

Take, for example, the Assam oil royalty dispute which has already lasted more than a year. During this period, Oil India Limited (OIL)—in which the Central Government is an equal partner with Burmah Oil Company—has been prevented from finding more oil in the State because the Union Mines and Fuel Ministry and the Assam Government cannot agree on quantum of royalty payable to the State.

After a great deal of talk about referring the issue to the Supreme Court for its advisory opinion, it has now been decided to ask the Union Finance Minister, Mr. Morarji Desai, to arbitrate on it. Mr. Desai is reported to have accepted the ticklish assignment. But while it is presumed that both the sides will abide by the Desai Award, there is no guarantee that they would, in fact, do so.

In one respect, at least, the decision to refer the dispute to Mr. Desai for arbitration is a welcome development. The Supreme Court would have taken at least a year to complete its hearings and pronounce the judgment which would necessarily have been confined to the Constitutional issue: whether the Centre could alter the rate of royalty without the concurrence of the State Government. Mr. Desai will attack the heart of the question: what should be the fair quantum of royalty to be paid to the Assam Government? And he is expected to give his award within eight or ten weeks of his return from overseas later this month.

Meanwhile, what baffles disinterested observers is a simple question: Why cannot the State Government allow Oil India to start its exploration and prospecting programme in the new concession area and apply the rate of royalty finally accepted with retrospective effect?

WEST BENGAL COAL DISPUTE

With slight variations, the story is more or less the same in relation to West Bengal's dispute with the Centre over coal. The coalmines under dispute are among the best in the country. But nobody seems to be worried by the fact that they have not been worked for so long because of the long-distance argument between New Delhi and Calcutta which ultimately resulted in a suit being filed in the Supreme Court by the West Bengal Government.

After he became the Minister in charge of Coal, Mr. K. D. Malaviya discussed the matter with Dr. B. C. Roy and the two arrived at a working arrangement. That was more than two months ago.

During this period, the agreement could not be announced and enforced because the Planning Commission took serious objection to one of the provisions of the draft agreement. This clause gave the West Bengal Government the right not only to work the coalmines in the State, but also to earmark their output for the public sector projects in the State. The Planning Commission thought that it would be dangerous to concede the principle of a State Government having the exclusive right of using the coal produced within its jurisdiction. In practice, the Commission said, the coal produced in West Bengal would mostly be used locally. But in theory the distribution of coal would have to be planned by the Centre in the best interests of the national economy as a whole. The Commission, therefore, insisted that the Centre must retain the right to supervise the distribution of coal even if it was mined by a State Government.

The Cabinet, which considered the problem a day after Dr. B. C. Roy's death, reached a decision which accommodated the Commission's point of view without basically upsetting the agreement reached by Mr. Malaviya and the late Dr. Roy. Why has the agreement not been announced so far, so that early steps can be taken to work the disputed coalmines, nobody in New Delhi seems to know.

The Planning Commission has lately been trying, however, to set some norms about the States' participation in Central projects for industrial and mineral development. One decision the Commission has taken is that in oil refineries to be set up in any State to process the crude found there, the State's share should not exceed 15 per cent.

The background to this decision is that originally Mr. K. D. Malaviya wanted all the public sector refineries to be under the ownership of the Centre, the State Governments being given a share in them to the extent of the value of the land to be supplied by them for setting up the refineries and the townships. It was on that basis that the Gauhati and Barauni refineries were planned. But when the royalty dispute with Assam began to simmer, he offered the State Government 12½ per cent partnership in the Gauhati refinery. The State Government was not satisfied and the offer was raised to 15 per cent. Meanwhile, the third public sector refinery at Kyoli in Gujarat was planned. The Oil Ministry, therefore, offered the Gujarat State Government also 15 per cent partnership in the Kyoli refinery. The State Chief Minister, Dr. Jivraj Mehta, is however, reported to have spurned the offer as inadequate. In fact, he is believed to have threatened to take the matter to the Supreme Court.

ROYALTY ON MINERAL RESOURCES OTHER THAN OIL

While the Planning Commission has taken a fairly firm decision on the participation by the States in oil ventures of the Centre, its findings about other Centrally-sponsored mineral and industrial projects are far from precise. In brief, the Commission's attitude is that the extent of the States' participation in these projects will vary from case to case, and be fixed by the relevant States and Central Ministries by agreement.

Another way of saying the same thing is that a State can get away with a share in a Central project directly proportionate to the pressure it can bear on the Centre.

Mr. Bijoyananda Patnaik's success in pushing through the first phase of his ambitious plan to develop Orissa's mineral wealth under the auspices of the State Government is an instance in point. Not only has the State Government been allowed to start the mining of iron ore on its own, but it has also been allowed to go ahead, with the Centre's help, with the development of Paradip Port. Now, Mr. Patnaik is to accompany the Union Minister for International Trade, Mr. Manubhai Shah, to Japan to negotiate arrangements for a long-term supply of Orissa's iron ore to Japan in return for foreign exchange as well as Japanese help in developing the requisite transport facilities in the region.

COAL PROBLEM: MORARJI DESAI'S APPRAISAL

Before leaving for Europe, the Union Finance Minister, Mr. Morarji Desai, took an unusual step. He wrote a letter to Mr. K. D. Malaviya, the Union Minister for Mines and Fuel, giving his frank appraisal of the coal policy and production, and urging that the Government should not hesitate even to revise coal policies and procedures in order to ensure that the Third Plan target of 97 million tons is actually achieved.

In this letter, Mr. Desai is believed to have made no secret of his apprehension that a substantial short-

fall will take place in both the public sector and the private sector unless new methods are adopted speedily to execute the coal projects.

Apart from drawing attention to the chronic shortage of power, explosives and funds, the Union Finance Minister has put his finger on a particularly sore point in the coal policy. He is reported to have said that the decision to restrict the private sector operations to existing mines and those immediately contiguous to them is hampering production.

A dismal fact to which the Finance Minister has drawn pointed attention is that even today, more than a year after the Third Plan came into force, the country has not reached the level of coal production fixed for the end of the Second Plan.

On the basis of the expected transport capacity, coal production next year will exceed only slightly the Second Plan target of 60 million tons. This means that the entire increase of 37 million tons in the production of coal during the Third Plan will have to take place in less than three years.

This task is formidable enough. According to Mr. Desai's analysis, it has been made even more difficult by the fact that there is already a built-in shortfall in the programmes of both the NCDC and the private sector. Even the Singareni coalfields are unlikely to achieve their target.

Whether the Finance Minister's plain speaking will have any effect or not, it remains to be seen. But the obstacles to a change in the coal policy are as formidable as the coal problem itself.

An important straw in the wind is the fate which is being meted out to Mr. T. T. Krishnamachari's first note to the Prime Minister on the problem of coal transport and power. Details of this note are not yet available, but it is known that the Minister without Portfolio has been critical of the railways.

The Planning Commission has considered the note twice. The Special Committee of the Cabinet has discussed it at length. But we are back again where we were. No decision has been taken on Mr. Krishnamachari's proposals. Instead, they have been referred to the officials of the Railway Board and the Coal Ministry who are to go over the much-trodden ground all over again.

FICCI ESTIMATE OF COAL OUTPUT IN 1965 - 66

Meanwhile, the Federation of Indian Chambers of Commerce and Industry has come to the conclusion that coal output during the Third Plan period will considerably fall short of the 97 million tons target. According to an official spokesman of the Federation, the Planning Commission should thank itself if the output reached a figure of 75 million tons in 1965-66.

The spokesman said that it took India nearly thirty years to raise coal output from 25 million tons to 55 million tons. Even if note is taken of the fact that intensive efforts to raise coal production had been made only during the last decade, the annual rate of growth in the industry did not work out to more than 3 million tons. With extra efforts during the next three years, the spokesman added, an average annual increase of about 4 million tons was the upmost that could be expected.

NUCLEAR POWER

It is now reasonably certain that the expectations of commissioning India's first atomic power plant at Tarapur by April 1966 would not materialise. There has been so much delay in securing the necessary financial and technical collaboration—which the USA has now promised to provide—that to expect atomic power from this station for meeting the industrial requirements of Maharashtra and Gujarat States is just unwarranted. It is, however, hoped that this nuclear power plant would start feeding some industries in the western region towards the close of the Fourth Plan period.

In pursuance of the decision, taken last week by the Planning Commission, to set up the second atomic power station at Partapgarh, in Rajasthan, the Atomic Energy Commission has been authorised to start the preliminary work on this project straightaway so that it can start coming up early during the Fourth Plan period.

OIL REFINERY IN SOUTH INDIA

Preliminary studies, it is understood, have been initiated by the Union Ministry of Mines and Fuel for setting up an oil refinery in South India. Four port towns, namely Madras, Cochin, Tuticorin and Mangalore, are being considered as possible sites for this refinery. A study team is stated to have already visited these sites and submitted a report to the Indian Refineries Ltd. The factors that will weigh in the selection of the final site are availability of land, electricity, water and transport facilities. Another important factor that has to be taken account of before any final decision is taken for setting up this refinery is the pattern of demand for petroleum products in South India. This question is being examined by the Union Ministry for Fuel.

The Government is believed to have received several offers for setting up this refinery on a participatory basis. Among these are included the offers of the American oil companies, Philips Petroleum and Standard Oil of Indiana and that of the State-owned Italian firm ENI. Since the Government's policy is to have all future oil refining business in the public sector, the offers of the foreign companies can only be considered on the basis of minority share-holding on their part.

The decision whether this refinery should be based on indigenous crude or the imported one depends on how far the proposed oil prospecting operations in the Cauveri basin prove successful. Taking into consideration the fast expanding demand for petroleum products in India, basing of this refinery on imported crude cannot be ruled out.

According to the present thinking of the Ministry, this refinery is to be set up by the end of the Third Plan or the beginning of the Fourth Plan.

TAXATION IN STATES FOR RAISING RESOURCES FOR THIRD PLAN

Although the Planning Commission has not yet completed its discussions with the State Governments about raising of resources for the 1962-63 State Plans, it is clear that the Commission's efforts to persuade the States to step up their tax effort with a view to making available adequate resources for the implementation of the Third Five-Year Plan, have borne fruit. In 1961-62, the first year of the Third Plan, the State Governments cumulatively levied fresh taxes totalling Rs. 17.5 crores only. 1961-62 being an election year, the States' performance in mobilising community's resources in the form of additional taxation for the uphill task of building the economy of the country, was understandable. But the Planning Commission had apparently viewed this with dismay, because the minimum additional tax revenue which the State Governments are required to bring in during the whole of Third Plan period is to be of the order of Rs. 610 crores. On this reckoning, the additional taxation target in the States' sector during 1962-63 had been fixed at Rs. 73 crores. The additional taxes which the States have levied this year are expected to yield a total of Rs. 65 crores during a full year and about Rs. 50 crores during the remaining nine months of current financial year.

This year's performance, though still somewhat short of the target, is considered satisfactory and has prompted the belief that States would be in a position

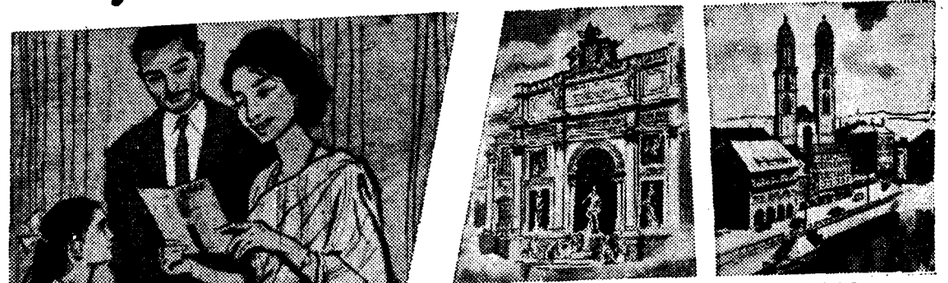
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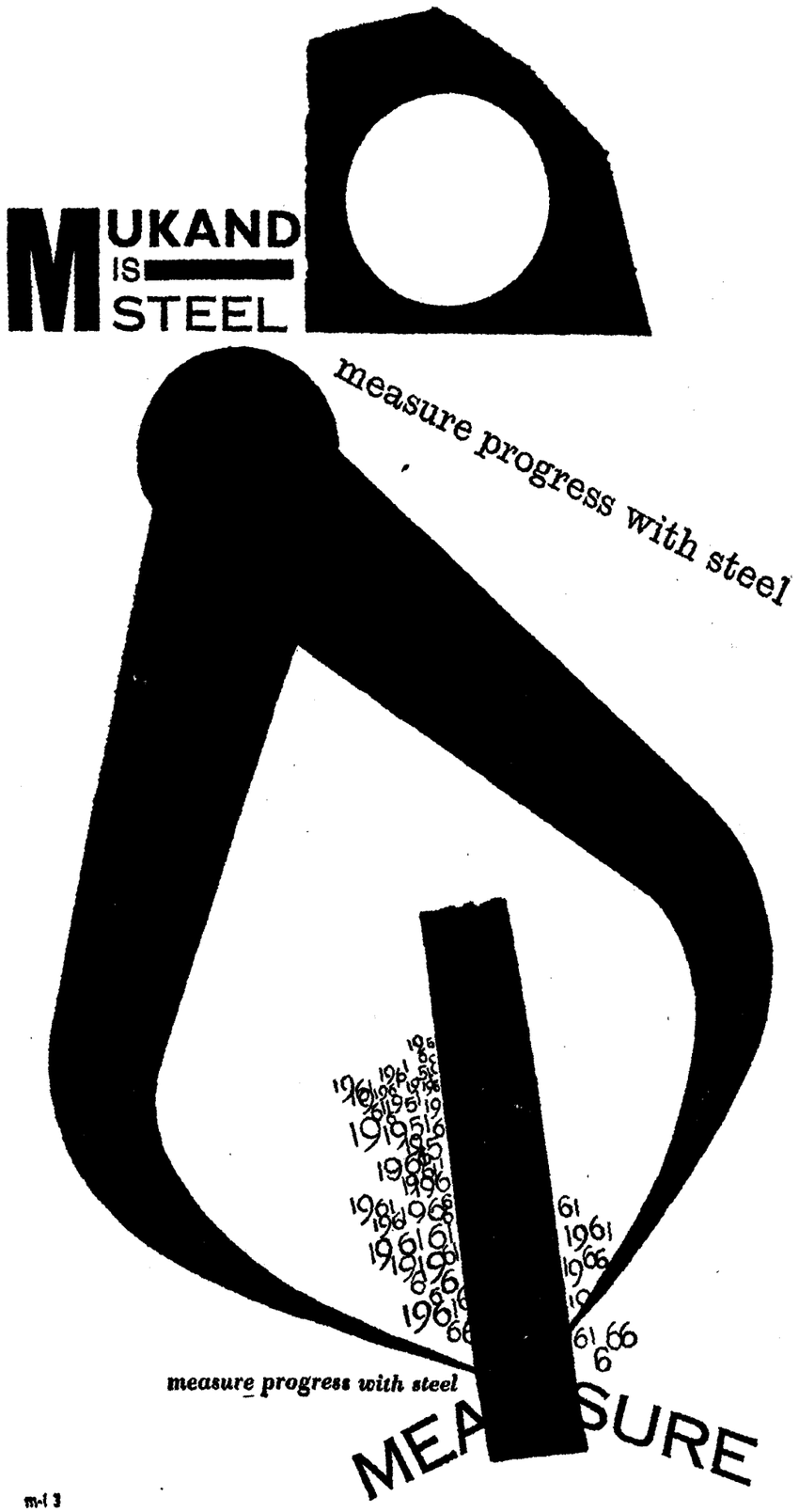


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to fulfil the obligations enjoined on them by the size of the Plan.

The Planning Commission, it is learnt, has also off and on reminded the State Governments that non-Plan expenditure must be avoided. Some time ago, the U.P. Government launched a scheme for providing pension to old people. A noble thought, but it implied eating into the resources meant for the execution of the Plan. Similarly, the Punjab Government's intention to raise the salaries of police constables to a minimum of Rs. 100 per month and the effects this move would have not only on the other services in this State, but also on the police personnel in the other States of the Indian Union, cannot be viewed with equanimity. The massive taxation resorted to by the Punjab Government recently with a view to build houses for Harijans is another instance of how the requirements of the Third Plan are sometimes sacrificed for achieving "other" objectives. The Union Finance Ministry and the Planning Commission, if they have been urging the State Governments to desist from upsetting the apple cart of the Plan resources, have obviously been doing what is apparently called for in the situation. A programme of social uplift can only be accorded its legitimate place in the planned development of the country. Trying to foster it beyond a point where it will start affecting development in the other key sectors apparently amounts to throwing all propriety and pricrities laid down in the Plan to winds.

PANNA DIAMOND MINES

The diamond mines in the Ramkherya and Majhgawan areas in the Panna district of Madhya Pradesh are expected to go into production during 1963, it is learnt here.

The project reports for the exploitation of the diamond deposits in these two areas have been prepared by the National Mineral Development Corporation which has been entrusted by the Government of India the task of executing these mining projects.

The investment in the Ramkherya mines is envisaged to be of the order of Rs. 46.2 lakhs. The target of production for this area has been put at 12,500 carats of diamonds per year.

The investment envisaged to be effected for the development of the Majhgawan mines is Rs. 90 lakhs. The production target for these mines has been put at 30,000 carats per annum.

Although no commercial exploitation of the Ramkherya and Majhgawan mines has been undertaken so far, diamonds have already been recovered here in the course of prospecting. During 1960-62, 540 gems weighing 330.3 carats were recovered in this area in addition to 284 industrial diamonds having a total weight of 152.7 carats. The industrial diamonds are utilised in the manufacture of diamond tools.

IRON AND STEEL BOARD: PROPOSAL SHELVED

The Union Government has dropped the idea of setting up an Iron and Steel Board in India on the lines of the Steel Board in the United Kingdom. The proposal, it may be recalled, emanated some time ago at a meeting of the Central Advisory Committee on Steel. Sardar Swaran Singh, the then Minister for Steel, promised to examine it. Consequently, the Secretary to the Ministry of Steel, Mr. N. N. Wanchoo, was asked to study the working of British Steel Board during his recent visit to the Continent. The proposal, it appears, has been dropped as a sequel to Mr. Wanchoo's this study.

Mr. Wanchoo, it is learnt, had found that most of the functions of the UK Steel Board were being discharged in India by the Steel Ministry or the Iron and Steel Controller. He is, therefore, said to have expressed the opinion that there was no reason to change the present set-up and to add to the official agencies that already exist.

The UK itself, it is understood, is thinking of revising the structure of its Steel Board, especially in view of the likelihood of its joining the Common Market and the European Coal and Steel Community. This is stated to have provided another reason for shelving the proposal of setting up an Iron and Steel Board in this country.

STORAGE CAPACITY FOR BUFFER FOOD STOCKS CROSSES 3 MILLION TON MARK

The Union Food Department claims that it has now adequate storage facilities to keep more than three million tons of buffer stocks of foodgrains. "Storage is no longer a problem. The position at present is extremely satisfactory and it will go on improving further as each month passes", it was officially stated here this week. It was pointed out that proper storage facilities were an indispensable factor for the success of Government's plan to meet emergencies, to ensure the supply of good quality foodgrains to the people and to stabilize food prices.

Construction of Government godowns for storing foodgrains made striking progress in the first year of the Third Plan and, in all, godowns with a capacity of about 5 lakh tons were added to the network at a cost of about Rs. 5 crores This capacity is over 1 lakh tons more than that built during the entire period of the Second Plan. At present, the total capacity of Government-owned godowns is 1.25 million tons and new godowns are coming up (nearly 60,000 tons capacity) each month. The construction target for 1962-63 is 7 lakh tons and this will be the peak year. The target for 1963-64 is only 5.4 lakh tons.

At the end of the First Plan, Government-owned storage capacity was only 228,000 tons. This rose to 686,000 tons at the end of the Second Plan and to about 1,250,000 tons by the middle of this year.

In view of the decision to maintain a buffer stock of 5 million tons of foodgrains, it is proposed under the Third Plan to increase storage capacity in the country to the same level, including 30 to 35 lakh tons of Government-owned accommodation—10 lakh tons of bulk storage godowns (both silos and flat storage) and the rest as bagged storage godowns. The Third Plan has provided Rs. 25 crores for this construction programme and there is an assurance that more funds will be forthcoming later, if necessary.

Most of the existing godowns are for bagged storage, but the bulk storage programme will gather momentum this year. Global tenders have already been invited for four big flat storage godowns at Borivilli and Manmad in Maharashtra, Kanpur in Uttar Pradesh and Kalyani in West Bengal. These four new bulk godowns will together have a capacity of about four lakh tons.

Progress in the construction programme has been speedy of late because many improved godown designs have been worked out and standardised. Shortage of steel is no longer a major bottleneck as tubular trusses are being extensively used. At some places, timber also has been utilised. The organisation at the Centre in charge of the construction programme has also been streamlined with the creation of a special Food Wing of the Central Public Works Department. Certain difficulties like shortage of cement and bricks and sheets, however, still persist and in some places, land acquisition proceedings are time-consuming. Difficulties are also being experienced in the matter of railway sidings.

At all Government godowns, modern scientific methods of storage are being applied to preserve the grains in good condition over long periods. Rodents cannot enter these godowns. There are also arrangements for proper fumigation of food stocks in gas-tight chambers. New operational devices are also being introduced such as weighbridges for railway wagons and lorry-loads of foodgrains, which will go a long way in speeding up arrival and despatch of supplies. As more and more

Government godowns are built, private godowns, which are now being hired for storing food stocks, are being released for the storage needs of private traders.

LABOUR LEGISLATION

A number of labour laws are due for amendment, and it is possible that the Union Law Ministry will sponser legislation for this purpose in the monsoon session of Parliament beginning on August 6. Compensation payable to workers in the case of death or permanent disability is sought to be increased through amendment of the Workmen's Compensation Act. The Payment of Wages Act will be amended in order to extend it to new industrial establishments such as air services, tramways and motor transport etc. A new law may be enacted to ensure safety standards in the Construction Industry where recent years have witnessed an increase in accidents.

NO MORE FEAR OF FOG AT AIRPORTS

A West German scientist, Prof. Ulrich Schmieschek is stated to have developed an equipment by which even the densest fog can be dispelled in a few minutes within a radius of 150 meters. The equipment should obviously go a long way in reducing the hazards in air travel.

Giving the details of this new equipment, German News, of July 14, states: "In an open area in Cologne, this fog disposal device has already proved its merits. From afar, the equipment has the appearance of a large fan or radar screen of seven-metre diameter. The essential part of the device is a two-blade propeller sucking the air into a rotating wire mesh in which the fog is condensed into tiny water droplets. Behind the screen there develops a kind of funnel of entirely fog-free air expanding at a speed of ten meters per second.

"Equipping one of the major airports completely with fog-disposal units will cost roughly one million Marks. The cost per landing will to no more than 40 to 50 Marks. Therefore, the method developed by Professor Schmieschek is much more economical than the previously known system of 'FIDO' which was developed during the Second World War, and is based on the burning of oil whereby the fog is ousted by the heat that rises up.

"Numerous enquiries from Germany and abroad are being received in the Aviation Institute at Cologne. The equipment developed by Professor Schmieschek is now being put to test on an industrial scale."

IMPORTS FROM RUPEE COUNTRIES

An Import Trade Control Public Notice says that it has been decided that applications from Actual Users borne on the books of the Development Wing, Government Departments and Public Sector Corporations for licences for import of goods from rupee countries, in pursuance of the Trade Agreements made with them, may, at their option, be submitted direct to the Chief Controller of Imports and Exports, New Delhi. These applications will be examined for issue of licences from rupee area countries on merits and taking into account the availability of the particular goods applied for under the rupee payments agreements.

The applications, complete in all respects, should be accompanied by the necessary essentiality certificates from the sponsoring authorities. Applications from firms borne on the books of the Development Wing have to be submitted through the Development Wing, while applications from Public Sector Corporations and Government Departments should indicate that the approval of the Ministry of Finance for sanction for the release of foreign exchange has been obtained.

IN BRIEF...

The Indian Standards Institution has decided to hold the Seventh Indian Standards Convention at Calcutta on January 28, 1963. About 600 delegates drawn from different scientific and technical institutions, and State Government Departments and industrial and commercial organisations are expected to participate in the deliberations of this Convention. A few delegates from the neighbouring countries are also expected to attend it. The subjects to be discussed include Food Purity and Food Quality Standards, Aluminium in Electrical Technology, Standardisation in Automobile Industry, Informative Labelling, Standardisation in Multi-Purpose Projects, Export Promotion and Standardisation, Consumer Organisations and Standardisation and Promotion of Company Standardisation in India.

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A Rs. 5 crores fisheries corporation is likely to be set up soon. Japan and Norway are expected to lend help in this venture.

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The 29th annual general meeting of the Indian Sugar Mills' Association will be held in Delhi on August 8. Besides reviewing the various important developments during the past year, the meeting will discuss various resolutions having a vital bearing on the future of this industry. Mr. S. K. Patil, the Union Food and Agriculture Minister, will inaugurate the meeting.

•

A trade delegation, under the leadership of Mr. M M. Vadi, Industrial Adviser (Engineering) to the Ministry of Commerce and Industry, will be leaving from Bombay on July 21, for Djkarta to explore the possibilities of exporting engineering goods to Indonesia. On its way back, the delegation will visit Singapore, Kaula Lumpur, and Bangkok.

•

The Bombay Oxygen Corporation Limited expects that the oxygen plants at its Muland (near Thana) factory will go into production before the end of this year. It has already imported four oxygen plants from Germany and 10,000 oxygen cylinders. The acetylene plant, which the company is also importing, is stated to have already been shipped. The supply of acetylene cylinders from abroad has also been arranged. The entire project is expected to be commissioned by the first quarter of 1963.

•

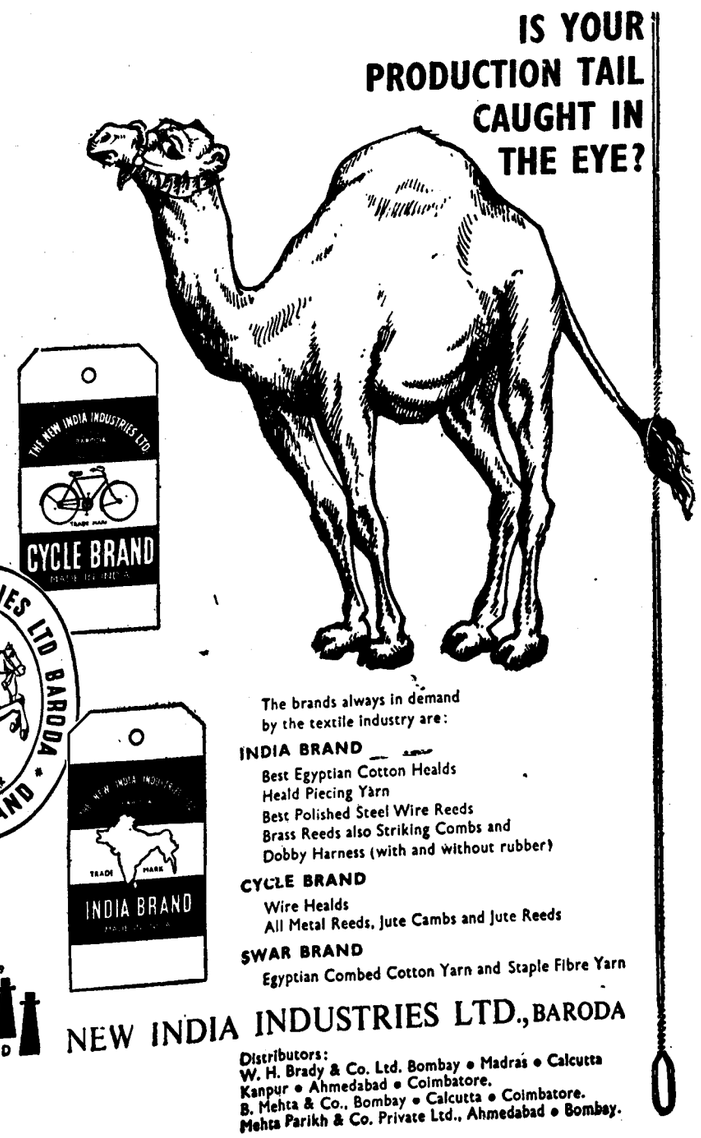
Tube Investments of India Limited has announced that the first part of its new factory near Madras to manufacture cold roll formed metal sections is now complete and the plant will be installed shortly. Its main products will be cold formed sections that can be used for building of bus bodies, rail cars, roller shutters, insulation systems, furniture and in motor and textile industries. The second phase of the project, which the company has plans to complete within two years, will widen the sphere of activity by fabrication of the cold formed sections by bending, welding, pressing, rustproofing and painting, for the building industry. Technical know-how for all these activities is being provided by the TI subsidiary of UK, Metal Sections Limited, Birmingham.

•

Talks for the extension of the existing trade agreement between India and Morocco (the agreement has been in operation since August 1, 1961) are scheduled to be held in Rabat on July 22. The Indian delegation to these talks will be led by Mr. S. Vohra, Joint Secretary, Ministry of Commerce and Industry. Since the agreement came into force, goods worth Rs. 90 lakhs have been exchanged by either country. The chief items of export from India are light engineering goods, tea, textiles and coir. Rock phosphate, lead, cork and asbestos are the items imported by India from Morocco.

•

Ultra-sound is now used to clean wrist watches in Czechoslovakia instead of chemical solutions. The new method has been introduced in the Prime Watch Factory there with great success.



COMPANY AFFAIRS

THE BANK OF INDIA

The Bank of India has made satisfactory progress during the six months ended June 30, 1962. The profits, after making the usual provisions for contingencies, for the first half-year of the current year are a shade lower at Rs. 47.50 lakhs as compared with Rs. 47.85 lakhs in the corresponding period of last year. The Directors have decided to pay an interim dividend at the rate of 16 per cent per annum (Rs. 4 per share) subject to deduction of tax for the first half of 1962 — same as in the first half of 1961.

PUNJAB NATIONAL BANK LTD.

The Punjab National Bank Ltd. has reported good progress for the half year ended 30th June, 1962. Subject to audit, the net profit of the Bank for the first half year of 1962 after providing for tax and making other necessary provisions amounts to Rs. 59.93 lakhs (including Rs. 10.38 lakhs carried forward) against Rs. 80.29 lakhs (including Rs. 4.23 lakhs brought forward) subject to tax for the corresponding half year in 1961. The Directors have declared an ad-interim dividend for the current year at the rate of Re. 1 gross per share amounting to Rs. 20 lakhs, leaving a balance of Rs. 39.93 lakhs to be carried forward to the next half year's account.

NEW STANDARD ENGINEERING

The working of New Standard Engineering Company Limited for the year ended March 31, 1962, shows a gross profit of Rs. 22.26 lakhs against Rs. 18.04 lakhs in the preceding year before providing Rs. 8 lakhs for depreciation (Rs. 5.92 lakhs), Rs. 1.73 lakhs for development rebate (Rs. 4.50 lakhs) and Rs. 5.50 lakhs for taxation (Rs. 3.10 lakhs). Sales have increased to Rs. 1.59 crores against Rs. 1.19 crores in the preceding year i.e., increase of 33 per cent over the sales of the last year. The directors have recommended an ordinary dividend of 9 per cent, 4.50 per cent from profits exempt from income-tax and 4.50 per cent subject to tax. A sum of Rs. 50,000 is transferred to general reserve leaving a balance of Rs. 11,838 which is carried forward.

UNIVERSAL ELECTRICS

The directors of Universal Electrics Limited, in their first annual report for the year ended March 31, 1962, have stated that work at the factory has started and at present the building is under construction. The plant is expected to commence trial production by the middle of next year. Construction period expenses amounting to Rs. 63,284 will be allocated to the fixed assets on completion of the factory buildings and erection of the machinery. The company has undertaken a project to manufacture house service meters in collaboration with Messrs. Mitsubishi Electric Manufacturing Company Limited of Japan. A public issue of its capital was made in January this year and was oversubscribed.

NEW ISSUES

The following five companies have been authorised to issue capital totalling Rs. 1.37 crores. Of these, Jaswant Sugar Mills Ltd., is issuing 'bonus' shares, Swastik Oil Mills Ltd., 'debentures' and the other three 'equities'. Details are as under:

1. **Jaswant Sugar Mills Limited, Meerut, U.P.,** having a paid-up capital of Rs. 30 lakhs, is to issue bonus shares of the value of Rs. 12 lakhs on capitalisation of its reserves to a like extent.

2. **Swastik Oil Mills Limited, Bombay,** will raise 6.5 per cent debentures of the value of Rs. 20 lakhs for cash at par. The proceeds will be utilised for redeeming the existing debentures and for providing working capital.

The present paid-up capital of Rs. 30,37,500 is in equity shares of Rs. 100 each.

3. **Super Spinning Mills Limited, Andhra Pradesh,** is raising capital of Rs. 25 lakhs, in equity shares of Rs. 10 each, for cash at par. The proceeds will be utilised for establishing a cotton spinning mill.

4. **Deccan Sales Corporation (P) Ltd., Bombay,** having a subscribed capital of Rs. 30,600, is issuing equity capital of the value of Rs. 19,69,400 in shares of Rs. 100 each for cash at par. The money will be used for the manufacture of granulated compound fertilisers.

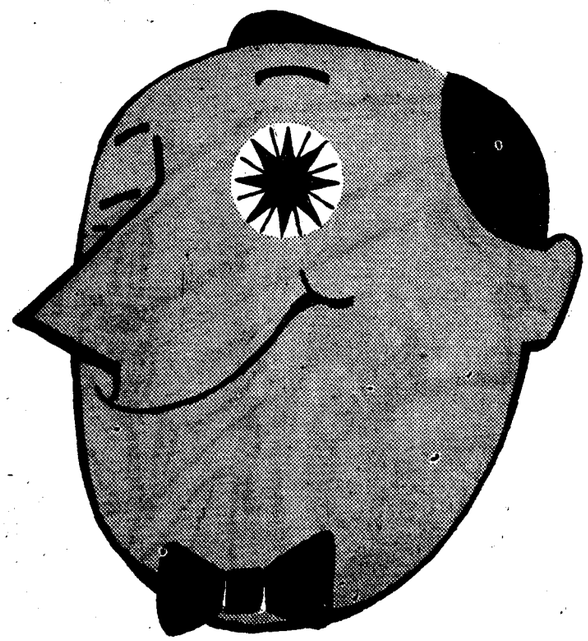
5. **Bombay Wire Ropes Limited, Bombay,** has been granted a revised consent to issue capital of Rs. 60 lakhs in equity shares of Rs. 10 each for cash at par. The proceeds of the issue will be utilised for the manufacture of wire ropes. The revised consent is valid upto December 31, 1962.

A CORRECTION

The profits of the Simplex Mills Co., Ltd. for the year ended March 31, 1962 were Rs. 55.82 lakhs (quoted incorrectly as Rs. 52.82 lakhs), while the amount earmarked for additions to the plant and machinery was Rs. 18.38 lakhs and not Rs. 13.38 lakhs as was inadvertently stated on page 1493 of our journal dated June 29, 1962. The errors are regretted. — Ed.)

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.

BRIGHT OUTLOOK



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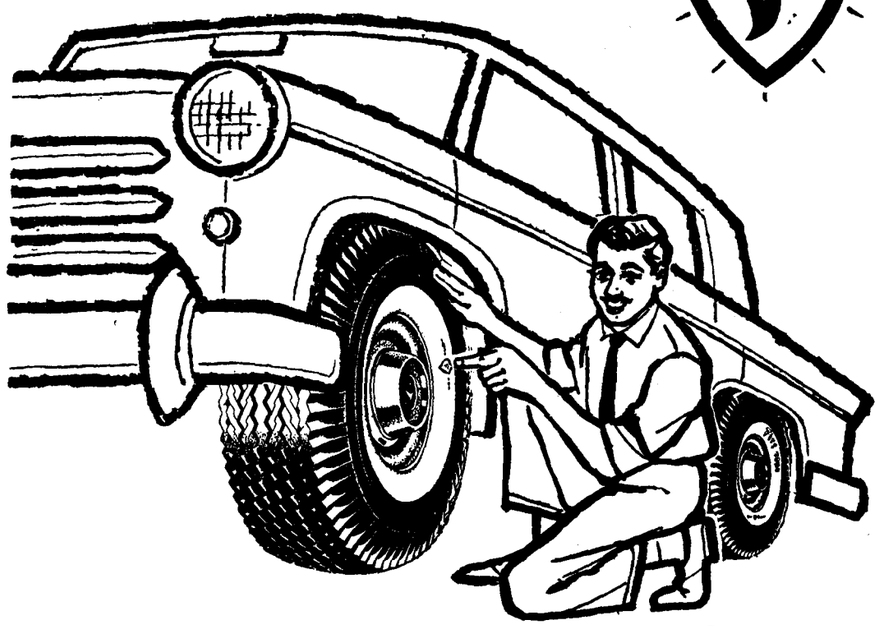
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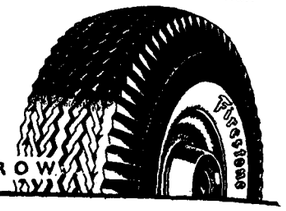
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BEST TODAY—STILL BETTER TOMORROW

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
June 2, 1962	..	126.0	102.1	122.2	135.1	138.6	126.1	127.9	127.3
June 9, 1962	..	124.6	99.3	122.2	136.0	139.5	126.5	128.4	126.9
June 16, 1962	..	124.1	98.7	124.2	135.9	139.7	127.0	128.8	126.8
June 23, 1962	..	124.8	99.5	124.3	136.5	139.3	126.8	128.5	127.1

* 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 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*
May	..	—	—	—	167	—	—	—	—	—	—	—	—
June	..	—	—	—	171	—	—	—	—	—	—	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 13-7-1962			6-7-1962			29-6-1962			22-6-1962		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 gram)	127.10	126.15	126.58	126.35	125.50	125.83	125.95	124.90	125.48	126.50	125.20	125.78
Silver (per kilogram)	216.10	213.70	214.98	215.30	213.65	214.07	215.40	214.60	215.03	215.65	214.80	215.28

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										
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										
8-6-1962 ..	902,74	1,260,74	2,163,03	50,75	76,90	5.90	1,253,60	207,68†	66.73	571,43
15-6-1962 ..	904,81	1,268,20	2,173,01	55,86	85,37	6.50	1,235,03	202,27†	65.87	575 01
22-6-1962 ..	906,66	1,275,86	2,182,52	52,92	90,91	6.59	1,229,32	194,66†	65.25	583.36
29-6-1962 ..	918,55	1,284,31	2,202,86	56,84	91,40	6.73	1,253,46	171,06†	46.67	607.07
6-7-1962 ..	904,09	1,294,63	2,198,72	54,66	108,52	7.42	1,252,27	172,51†	64.80	598,72

† 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.

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										
April 1961 ..	2,017,13	18,88	2,036,01	117,76	118,01	235,77	11,58	121,90	1,678,34	2,036,01
May „ ..	1,989,60	16,63	2,006,23	117,76	113,01	230,77	11.50	118,51	1,656,95	2,006,23
June „ ..	1,958,79	30,43	1,989,22	117,76	108,01	225,77	11.35	118,54	1,644,92	1,989,22
April 1962 ..	2,136,62	23,21	2,159,83	117,76	110,61	292,37	10.57	118,65	1,812 81	2,159,83
May „ ..	2,143,74	24,94	2,168,68	117,76	102,00	219,76	10.13	115,05	1,833,87	2,168,68
June „ ..	2,111,73	33,72	2,145,45	117,76	92,48	210,24	9.80	113,75	1,821,43	2,145,45
Week-Ending										
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
15-6-1962 ..	2,131,04	30,03	2,161,07	117,76	92,68	210,44	9.73	112,41	1,838,22	2,161,07
22-6-1962 ..	2,097,04	41,07	2,138,11	117,76	92,08	210,44	9.83	114,44	1,,813,23	2,138.11
29-6-1962 ..	2,076,68	43,31	2,119,99	117,76	91,68	209,44	9.88	116,24	1,794,31	2,119,99
6-7-1962 ..	2,094,77	23,77	2,118,54	117,76	91,77	209,53	9.89	114,79	1,794,22	2,118,54

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														
April 1961 ..	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
May „ ..	61,60	16,21	78,38	116,50	272,69	144,08	501,78	16,72	41,65	21,40	83,99	125,25	191,55	21,22
June „ ..	64,96	13,55	84,67	123,86	287,04	134,21	506,25	30,47	39,78	14,49	68,97	121,34	208,22	22,97
April 1962 ..	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
May „ ..	50,54	15,77	86,11	150,91	303,30	158,79	547,11	24,96	64,10	5,79	111,26	129,86	174,46	36,65
June „ ..	56,84	11,35	91,78	149,74	309,71	168,06	562,78	33,77	52,34	8,62	98,64	126,68	203,05	39,67
Week-Ending														
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
15-6-1962 ..	57,43	5,17	87,14	148,86	298,59	166,62	550,21	30,08	56,79	9,02	118,67	124,51	171,92	39,22
22-6-1962 ..	69,77	4,71	98,62	151,27	324,37	174,07	583,44	41,12	52,25	9,66	124,51	122,13	194,03	39,74
29-6-1962 ..	53,36	25,49	98,70	149,65	327,21	175,39	587,60	43,35	44,04	5,64	34,89	134,93	282,27	42,46
6-7-1692 ..	48,16	25,19	109,23	193,42	376,00	120,06	581,06	23,83	58,89	6,78	37,88	133,58	279,04	41,35

* 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

EXPORTS OF COTTON PIECEGOODS

(Figures in million yds./sq. yds.)

Supplying Country	1953	1954	1955	1956	1957	1958	1959	1960	1961
ASIA									
India (including handlooms)	654.52	863.36	751.48	746.72	881,40	622.40	850.16	723.68	602.78
Japan	914.00	1,278.08	1,138.92	1,262.04	1,468.36	1,245.32	1,263.00	1,425.80	1,412.00
Honk Kong	133.60	162.60	164.72	140.52	196.32	220.36	235.20	312.44	358.61†
Pakistan	—	—	0.08	16.96	10.28	4.08	42.00	75.60	61.04†
Formosa	—	1.12	—	11.84	N.A.	9.68	62.20	94.00	120.00†
Lebanon	—	1.26	0.33	0.16	N.A.	N.A.	N.A.	N.A.	N.A.
South Korea	N.A.	N.A.	N.A.	NA.	N.A.	8.96	18.64	38.68	9.16
Sub Total	**1,702.12**	**2,306.42**	**2,055.53**	**2,178.24**	**2,556.36**	**2,110.80**	**2,471.20**	**2,670.20**	**2,563.59†**
WESTERN EUROPE									
United Kingdom	709.92	637.28	554.52	473.16	455.76	384.08	347.44	327.08	286.66
Austria	13.84	14.00	15.20	18.32	24.32	27.92	30.16	36.48	33.63†
Belgium	190.00	223.60	211.36	221.88	244.44	191.64	217.72	274.24	266.59†
Denmark	2.44	1.80	2.04	2.92	3.44	3.04	4.08	5.96	4.52†
Ireland	0.32	0.36	0.12	0.04	0.04	0.04	0.44	2.00	N.A.
Finland	0.16	0.56	0.68	0.72	0.68	5.20	9.12	8.32	15.00†
France	492.80	517.96	388.72	315.40	317.84	308.34	406.24	532.88	440.71†
West Germany	232.36	230.84	247.72	206.56	217.64	202.20	242.72	284.80	287.61†
Greece	5.20	1.84	0.08	0.04	0.08	0.16	0.12	1.16	1.90†
Holland	231.00	231.32	238.44	255.88	250.12	267.12	303.40	339.96	307.00†
Italy	144.12	103.44	100.80	95.60	106.48	109.84	90.52	116.68	112.45†
Norway	0.24	0.16	0.16	0.88	0.48	0.76	1.00	1.20	2.52
Portugal	99.48	136.96	109.44	115.16	127.72	123.68	123.68	180.16	145.96
Spain	49.80	44.24	44.44	33.24	34.64	20.28	67.72	166.92	138.77†
Sweden	7.00	8.28	8.60	11.92	11.92	13.36	14.92	22.20	26.88†
Switzerland	55.40	50.88	53.40	59.56	58.52	56.60	64.48	63.04	55.14
Sub-Total	**2,234.08**	**2,203.52**	**1,975.72**	**1,811.28**	**1,834.12**	**1,714.76**	**1,924.36**	**2,363.08**	**2,125.64†**
AFRICA									
Congo	0.64	3.88	2.52	3.52	3.36	5.60	1.75†	0.28	N.A.
Egypt	9.64	18.12	25.36	36.16	37.44	50.96	62.44	125.52	80.58†
Rhodesia	N.A.	4.72	4.72	4.12	4.40	3.72	3.52	2.08	N.A.
Union of South Africa	—	2.88	0.39	0.24	0.20	0.44	0.84	1.04	N.A.
Sub-Total	**10.28**	**29.60**	**32.99**	**44.04**	**45.40**	**60.72**	**68.55**	**128.92**	**80.58†**

EXPORTS OF COTTON PIECEGOODS — CONTD.

(Figures in million yds./sq. yds.)

Supplying Country	1953	1954	1955	1956	1957	1958	1959	1960	1961
AMERICA									
Brazil	N.A.	N.A.	N.A.	0.52	2.80	7.36	3.52	N.A.	N.A.
Canada	3.44	3.04	3.44	2.84	5.04	4.40	5.72	16.92	N.A.
Columbia	N.A.	2.08	1.00	1.64	N.A.	N.A.	N.A.	N.A.	N.A.
Jamaica	—	—	—	1.64	3.56	3.84	2.60	N.A.	N.A.
Mexico	21.00	19.92	16.32	11.84	11.28	10.80	8.44	18.80	39.77
Trinidad	8.00	1..28	2.00	1.84	3.36	3.12	3.88	4.00	1.28†
U.S.A.	627.80	613.32	551.72	518.88	559.36	505.52	472.72	438.72	471.81†
Sub-Total	**653.04**	**639.64**	**574.48**	**539.20**	**585.40**	**535.04**	**496.88**	**478.44**	**512.86†**
NON-COMMUNIST COUNTRIES									
Sub-Total	**4,599.52**	**5,179.18**	**4,638.72**	**4,572.76**	**5,021.28**	**4,421.32**	**4960.99**	**5,640.64**	**5,282.67†**
EASTERN EUROPE AND COMMUNIST COUNTRIES									
Bulgaria*	—	22.76	26.98	50.99	43.71	7.77	N.A.	N.A.	N.A.
China *	N.A.	17.92	134.40	286.72	358.40	450.00†	500.00	450.00†	N.A.
Czechoslovakia	N.A.	N.A.	N.A.	135.40	138.36	124.28	137.52	150.40	135.97†
East Germany*	N.A.	N.A.	N.A.	10.55	16.43	N.A.	N.A .	N.A.	N.A.
Hungary*	109.04	119.38	126.38	108.12	72.29	111.81	127.68	'120.98†	N.A.
Poland	83.52	86.20	62.84	101.40	69.72	28.32	40.56	101.12	98.94†
U.S.S.R.	N.A.	N.A.	152.00	126.32	194.44	185.12	181.20	213.59	N.A.
Yugoslavia	28.68	37.96	15.92	42.16	57.72	9.72	43.36	82.48	93.00†
Sub-Total	**221.24**	**284.22**	**518.52**	**861.56**	**951.07**	**917.02**	**1,030.32**	**1,118.51†**	**327.81†**
GRAND TOTAL	**4,820.76**	**5,463.40**	**5,157.24**	**5,434.32**	**5,972.35**	**5,338.34**	**5,991.31**	**6,759.20†**	**5,610.48†**

† Estimated.
* Cotton World Statistics converted on the basis: 9,000 yds. = 1 metric ton.

Source: U.K. Cotton Board.

ZONAL EXPORTS FROM INDIA, U.K. AND JAPAN

ZONE	India (M. Yds.)			U.K. (M. Sq. Yds.)			Japan (M. Sq. Yds.)		
	1961	1960	1959	1961	1960	1959	1961	1960	1959
Asia	155.96	171.11	211.64	16.47	21.39	29.83	623.30	629.97	632.41
Africa	184.65	182.96	298.20	130.31	159.52	157.90	252.06	214.33	142.18
Europe	160.69	218.04	181.40	38.80	39.85	43.55	189.76	185.00	141.66
America	29.87	58.17	58.64	11.39	16.76	20.08	212.46	223.77	209.25
Oceania	41.38	64.55	64.72	53.48	73.34	79.89	134.42	172.73	141.75
TOTAL (including unspecified) ..	574.30	694.83	814.60	286.66	327.09	347.42	1412.00	1425.80	1267.25

Source: INDIA—D.G.C.I.S., Calcutta.
U.K—Board of Trade, U. K.
JAPAN—All Japan Cotton Spinners' Association.

WORLD PRODUCTION OF COTTON CLOTH

(Figures in million yds./sq. yds.)

Country/Unit	1955	1956	1957	1958	1959	1960	1961
U.S.A. (Million Yds.)	10,174.60	10,317.08	9,533.76	8,973.72	9,598.80	9,328.28	9,015.76*
China (Million Yds.)	3,816.00	6,312.00	5,524.00	6,232.00	8,204.00	8,492.00†	N.A.
U.S.S.R. (Million Yds.) ..	6,456.00	5,964.00	6,120.00	6,332.00	6,692.00	7,248.00	N.A.
India (Million Yds.)	6,846.48	7,090.60	7,265.40	7,054.96	7,183.43	7,244.36	7,710.00*
Japan (Million Sq. Yds.)	3,011.84	3,475.64	3,838.08	3,164.64	3,294.08	3,853.12	4,047.20
France** (Million Sq. Yds.) ..	1,821.88	1,858.92	2,135.92	2,201.84	2,083.88	2,112.88	1,988.96
Germany, West (M. Sq Yds.) ..	1,419.20	1,547.76	1,632.20	1,539,76	1,550.28	1,673.84	1,578.20
U.K. (Million Yds.)	1,781.00	1,611.56	1,627.60	1,428.60	1,336.80	1,293.56	1,234.72
Italy (Million Sq. Yds.)	1,011.44	1,063.56	1,166.32	1,144.48	1,203.68	1,335.64	1,152.80

* Estimated.
** Including cotton / linen and cotton spun rayon mixtures but in which cotton predominates.
† Based on figures of consumption of raw cotton.

Source: U.K. Cotton Board.

INDIAN UNION

PRODUCTION OF COTTON CLOTH : 1955 — 1961

(Figures in million yards)

	1955	1956	1957	1958	1959	1960	1961 (Est.)
Mill-made cotton piecegoods ..	5094.48	5306.60	5317.40	4926.96	4925.43	5048.35	5,142
Handloom cotton piecegoods ..	1480.00	1508.00	1644.00	1796.00	1907.00)	) 2195	2568
Powerloom cotton piecegoods ..	272.00	276.00	304.00	332.00	351.00)		
TOTAL PRODUCTION ..	6846.48	7090.60	7265.40	7054.96	7183.43	7243.35	7,710

CATEGORY-WISE PRODUCTION OF MILL-MADE CLOTH : 1955 — 1961

	Coarse		Medium		Fine		Superfine		Total	
Year	M. yds.	% to total production	M. yds.	% to total production	M. yds.	% to total production	M. yds.	% to total production	M. yds.	Percentage
1955 ..	562	11.2	3,759	73.8	462	9.1	301	5.9	5,094	100.0
1956 ..	719	13.5	3,797	71.6	444	8.4	347	6.5	5,307	100.0
1957 ..	1,163	21.9	3,503	65.9	383	7.2	268	5.0	5,317	100.0
1958 ..	970	19.7	3,396	68.9	303	6.2	258	5.2	4,927	100.0
1959 ..	892	18.1	3,500	71.1	242	4.9	291	5.9	4,925	100.0
1960 ..	705	14.0	3,813	75.5	229	4.5	301	6.0	5,048	100.0
1961* ..	864	16.8	3,842	74.7	196	3.8	238	4.6	5,142	100.0

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3-AUG 1962
DEPARTMENT

With a Supplement on *Development Through Food*

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THE EASTERN ECONOMIST

JULY 27, 1962

Shooting in Ladakh

THE news this week that the Chinese fired twice on an Indian outpost in the Galwan Valley has naturally produced in the country a sense of deep anxiety that our soldiers in these outposts are inadequately prepared both in numbers and in equipment to meet Chinese challenge. The Prime Minister described the situation as serious and stated that we need to be wide awake. Somewhat by contrast, Mr. Krishna Menon in Geneva after lunching and breakfasting with Marshal Chen Yi, the Chinese Foreign Minister, bypassed the issue in what appears to be somewhat light-hearted banter. Mr. Krishna Menon is reported to have said: "These are largely unoccupied areas. They have posts and we have posts. Sometimes they say we shot first and sometimes we say they shot first — actually they shot first."

There can be no doubt that, whether or not the situation can be described in these terms, Mr. Krishna Menon in this matter is plainly outside the ambit of Indian public opinion. When the report first appeared that he was lunching with the Chinese Foreign Minister after Indian troops had been fired upon, what are described as "political circles" in India prophesied adverse comments in the next session of Parliament. One need not assume that these political circles are wiser in their time than the Defence Minister. There is no reason since, in any case, the Defence Minister and the Chinese Foreign Minister were meeting at a neutral base in order to celebrate the signing of the 13-Nation Agreement on Laos, why the Defence Minister should lose an opportunity of presenting to the Chinese Foreign Minister the seriousness with which the Indian public opinion views Chinese aggression there. It is true that Mr. Krishna Menon's reported comment looks very much as though he did not present India's case with quite the vigour with which Indian opinion holds it should be presented. Indeed it does look very much as if criticism in Parliament will again be on the lines presented before, that, while the Defence Minister loses no opportunity to fasten on Pakistan's aggression he tends to be much more tolerant towards Chinese occupation of our territory in Ladakh. This is undoubtedly so, but it would be premature to assume that in his conversation with the Chinese Foreign Minister he has been equally unwise.

It is fair to allow Mr. Krishna Menon to make his statement in the House before he is arraigned at the bar of public opinion. Whichever way Indian public opinion feels about the Defence Minister — and he has his ardent admirers no less than his severe critics — it is time to recognise that the debate on personalities is subordinate to the immediate problem of helping our soldiers who, probably heavily outnumbered, have only their own courage and determination against death and dishonour. It is vital, at this time of crisis, that we should not give the impression that we are more concerned about the personality of the Defence Minister than about the country's predicament. Equally, it is hoped that the Defence Minister will not anger Indian public opinion by light-hearted references to Chinese aggression as though this were picnicking with the enemy in the same manner he has been entertaining and is being entertained by the Chinese Foreign Minister. It is often wise to remember that the devil sups with a long spoon. There is no indication whatever that Chinese intentions are, in any way, less aggressive because Mr. Chen Yi and Mr. Krishna Menon are supping together in the quiet peace of Geneva.

Agreement on Laos

PERHAPS 13 is after all a lucky number. At least, after almost insuperable difficulties, 13 nations have agreed at the Geneva conference on Laos and a new neutral Laos has been born out of their labours. In the process 13 itself has changed its magic character because, with Laos herself, the total is now 14. But its original merit has not been in doubt and the fact that 13 nations hammered out one of the most complicated agreements of all time is a historical lesson which cannot be lost upon those who still believe that international affairs can be hammered out in a civilized manner at points far removed from the area of hostilities. In this case, although so far removed, passions ran high. It has been many months before an agreement could be reached, notwithstanding the herculean efforts of many great diplomats, in particular Mr. Averall Harriman and Mr. Dean Rusk, the Secretary of State of the United States and Mr. Malcolm Macdonald. It is often not recognised in India that it was the West that was making a major sacrifice of its position and a considerable saving of face was involved in accepting the point that neutrality in Laos was necessary. The new Treaty finds a method of withdrawing the "protection" offered on paper by SEATO which has been over and over again reiterated by American statements of policy. The Kennedy Administration is to be congratulated on its great capacity for flexibility in this matter, and its willingness to recognise that, when the military position became untenable, its political forces needed to bow to the inevitable.

The agreement on paper at Geneva does not remove all military complications. The United Control Commission now proposed will have the difficult task of removing the North Vietnamese troops and advisers within a period of 75 days. Similarly, Americans will need to withdraw, but

this constitutes no extreme difficulty because it is extremely likely that they will remove themselves without any pressure from the Control Commission. Since the presence of the Chinese Foreign Minister, Mr. Chen Yi, seems to commit China fully to the pact, one might hazard the view that China's tremendous influence on Ho Chi Minh and those primarily interested in a Communist Laos situation, will also be affected. On the other hand, we are in no position, in view of our experience in Ladakh, to take China for granted. The Control Commission obviously has difficult problems in Laos. And the presence of three separate armies—Right Wing, Neutralist and Communist—by no means implies that civilian government will not operate under military pressures in large areas of this problem State.

With all its difficulties, nevertheless, the agreement signed this week is a notable triumph for diplomacy. Not a little credit should be given to Mr. Malcolm Macdonald, the leader of the British Delegation, who has negotiated skilfully over the period of nearly a year. Credit must also be given to the Russians who have not merely exercised their full influence—although Mr. Chen Yi angrily denied that he submitted to Russian pressure—but they have gone further and indicated that the present might be a stepping stone to further Cold War agreements. Tribute here should be paid to Mr. Nikita Khrushchev who has again exhibited some flexibility which in previous days marked him off from his Stalinist predecessor. It is difficult to say how far this new flexibility will reach.

While the present agreement is strictly confined to Laos, it suggests that the thawing of the Cold War in certain areas where military action has brought about a stalemate is a real possib lity. It has been reported from Geneva that this, by no means, covers Berlin where positions are as difficult as before. But there must be many who feel that international negotiation such as has been conducted recently has at least been rescued from disrespect by a major success. Even if one such success comes each year, there will be a power of survival in this machinery, the only that we have between ourselves and total destruction. For this reason men of goodwill all over the world will look to the agreement on Laos as of a new star raising again in an hour of darkness the hopes of mankind for peace on earth and goodwill amongst men.

Guest Editorial

Atlantic Partnership

By Our Special West European Correspondent

EUROPEAN reaction to the remarkable speech of President Kennedy in Philadelphia on American Independence Day has so far been rather cold. The President, it will be remembered, drew a parallel between the unification of the newly independent American colonies that was consecrated in the "city of brotherly love" just 175 years ago, and the process of unification now in course in West Europe, and went on to say that the problem for both of these collectivities was no longer independence but their mutual interdependence. "The United States are ready to adhere to a Declaration of Inter-dependence. We will be prepared to discuss with a united Europe the means of forming a concrete Atlantic Association". (These may not have been his exact words, for I am translating the versions published in Paris; I mention the point because it is evident that the President aimed at, and no doubt attained, a rare nobility of language.) Whereas Alexander Hamilton 170 odd years ago invited Americans to think on "a continental scale", Mr. Kennedy asked them to think on "an inter-continental scale". Alone, neither the USA nor united Europe could succeed in defending themselves from Communism, aiding the developing nations and promoting their own economies. Together, they could do all this and more.

Aware that this grand design for an Atlantic Association would be regarded by many as premature, Mr. Kennedy admitted that its construction would be neither rapid nor easy. Eleven years elapsed, he recalled, between the Declaration of Independence and the publication of the American Constitution, while another generation was required for the elaboration of federal institutions that would function along the lines indicated in that great document. A first European reaction has been to point out that this long delay applied, first of all, to the construction of a united Europe, that is, to the very appearance of one of the members of the President's "equal partnership". May be further delay (and by now we are reckoning in terms of decades, if not generations) would be necessary before that new collectivity could devise, with the USA, the framework of an Atlantic Association.

In saying this, European commentators are not objecting to framing plans that might take a long time to realise. They are hinting that it is not only too early but positively pernicious to plan inter-dependence between groups of whom only one is yet really independent—because the blueprint for inter-dependence can act as a brake on the liberation of the other from its inferior position. The point is very familiar in France, for in the 1950's conservative cabinets that were not genuinely converted to decolonisation granted both Tunisia and Morocco what was hypocritically called "independence in inter-dependence", which meant (or was intended to mean, for it never worked) a neo-colonial status, an incomplete relaxation of imperial bonds. Of course, no one suspects the American Government of similar perfidy; its 17 years of unfailing support for European integration and the immense sums it gave to restore the European economies that now rival its own are there to attest its sincerity. And yet, in some ways, the Europeans feel that they are still too much the wards or clients of their American protectors to be able to discuss equal partnership.

They feel this in regard both to their industrial power and their ability to defend themselves. That is, they believe that European industries are too small and that in a free-trade association that embraced all the Atlantic nations, they would be wiped out, swallowed up or at least outclassed by the giant American corporations; while their defence forces are notoriously insufficient to match Russia's without American protection. A difference between these two sorts of inferiority is

everyone agrees that West Europe should, and probably could, continue its industrial development until it approaches the USA's, whereas many (a substantial minority in Britain and France, and the absolute majority in all the other West European countries) believe that Europe should not, and could not, build nuclear forces independent of America's and intimidating enough to discourage Russia. In the former case, the matter of Atlantic economic unification, it is too early yet to project an Atlantic community, and that is why no authority in the Common Market takes seriously Washington's dream of a free-trade area in manufactures. In the second case, defence, there can be no question of equal partnership between the USA and, on the one hand, European nations that are content to remain protegees forever, nor, on the other hand, with Europeans who are striving to assert their atomic independence.

West Europeans, then, are not ripe for an offer of inter-dependence and equal partnership because they do not feel "equal enough". Some of them have suspected that previous American offers in this sense (prior to the Philadelphia speech, which had a different ring) were designed to prevent them becoming "more equal". For example, when the Democrat Administration tells Americans that freer trade with Europe would improve the US balance of payments, Europeans, who know that the USA already has a substantial surplus in its trade with Europe, see that this can only mean that US corporations could be expected to sell much more on this side of the Atlantic; so the equality in question would cover a unilateral invasion of American goods, at the expense of European industry. Or when Washington offers to equip a "NATO nuclear force" that would be additional to the USA's own force, Europeans soon see that this offer changes nothing in their dependence on America as long as the head of NATO is automatically an American general responsible solely to the White House. So the scheme is interpreted as a red herring, intended to dissuade certain Europeans from constructing a truly independent modern defence. Such ulterior motives appear to be absent from President Kennedy's latest description of inter-dependence. On the one hand, the brief but instructive tussle between Brussels and Washington about tariff increases on some European goods (the Common Market promptly retaliated) has made clear that the Europeans will not let the President's "grand design" in trade become an instrument for unilateral commercial gains. On the other hand, Washington is reluctantly reconciling itself to the prospect of a completely independent French nuclear force, with which one day it will co-operate rather than dominate.

Nevertheless, most Europeans consider that their unification, economic expansion and military modernisation will all have to make much more progress yet before the notion of equal partnership between inter-dependent groups will be meaningful. "The idea of inter-dependence", wrote Le Monde, "is not at this stage particularly exalting. It could only become so if Europeans and Americans really agree to transform into relations between equals a connection which at this moment is that between clients and protectors". It is obviously true that the reciprocal concessions of sovereignty implied in the notion of inter-dependence only become possible when West Europe has some sovereignty to abridge, and at present it has not — and not because the Americans are dominating it, but because the Europeans have not been able to agree on what political form their unity should take. The quest for political unity, for some sort of a European sovereign (which, no doubt, will never be more than a shadow of the real unity forged in Philadelphia 175 years ago) had already been complicated by the clash between the One-Europe movement and Gaullist ideas of an international confederation; it will henceforth be vastly more complicated by the approach of Britain to the European association. (For, although the British reserve the word "nationalist" for folk they do not like, they have super-chauvinist sensitivity about abatement of sovereignty alongside which Gaullism pales into a rather unpatriotic internationalism).

It would, however, be mistaken to conclude from this, and from the indifference with which European capitals greeted Mr. Kennedy's address, that absolutely nothing will be done toward realising his scheme for an Atlantic community until the West Europeans have completed their political unification in one form or another, concentrated their industries till they can stand up to General Motors and Dupont, built a ruggedly independent nuclear force fit to terrify the Russians and in general overcome all their inferiority complexes. Far from it. As long as they avoid precisely the sort of solemn Declaration of Inter-dependence that President Kennedy rhetorically suggested, the USA and uniting West Europe will evolve toward the sort of equal partnership he had in view. The process, for example, is already far advanced in the monetary sphere. Moneys, national currencies, can become "equal", be equally demanded in exchange markets, even though the economies that use them are widely unequal in industrial power; and when, as at present, the currencies of half a dozen European countries that are joined in an enterprise of economic integration attain this monetary equality with the dollar, inter-dependence becomes a reality. Just after the Common Market's spokesman, Professor Hallstein, went to Washington to pooh-pooh the idea of an Atlantic free-trade area, European central banks reached a secret agreement in New York with the Federal Reserve to defend the dollar against the speculation that might have been unleashed by Wall Street's "Black Monday". Progressing in these discreet ways, monetary interdependence across the Atlantic is further advanced than is commonly realised.

Similar partnership is developing inside the Organisation for Economic Co-operation and Development, where it is becoming clear that numerous problems can be dealt with only by "thinking on an inter-continental scale". Aid for developing nations, the marketing of agricultural surpluses and the promotion of trade in manufactures are all being treated in this way, and I do not mean simply by a multilateral approach: discussion begins multilaterally, but the habit of the Common Market powers of taking a joint line on most of these issues soon converts the problem into two-sided co-operation between the USA and the ECM. This will be even more evident when Britain joins the Six and learns by experience that (imperial nostalgia and Anglo-Saxon fraternity notwithstanding) membership of the European economic unity leads to thinking in terms of a European policy — which then requires to be co-ordinated with US action on a basis of equal partnership.

A DELHI DIARY

THE RETURN OF THE PRODIGAL

I HAVE been absent from these pages so long that I feel my return is like that of the prodigal who has wasted his substance in riotous living—seeing that most of my time has been spent abroad where hotel prices are incredible though this may be, sometimes twice those of the Ashoka! I shall have more to say about ways of living in subsequent diaries, but for the moment, having made my profound apologies for my absence, and having quickly obtained forgiveness from my all-too-generous readers, I can proceed at once to partake of the fatted calf and all that that implies. So far as Delhi is concerned, let me say that from a narrow journalist's point of view it remains one of the most interesting places in the world even without the Chinese in Ladakh to give us a special cause of excitement every day, whether or not Mr. Krishna Menon makes a statement. Security, trade, aid, planning (or its absence!) are all invested here with a direct personal appeal which one sadly misses in foreign countries.

THE PALAIS DES NATIONS

While I must defer observations on many great events and institutions for future diaries, I cannot resist immediate comment on my first view of the Palais des Nations in Geneva, too often believed to be the monument of an age that ended before World War II. I am quite sure in my own mind that this is a tremendous error. The Palais des Nations is alive today with the same spirit of its beginning, and even though the United Nations, because the great monument was believed to be inauspicious, now lives in New York, a vast amount of its thinking is still done in Geneva by the same international civil servants who patiently, and not skilfully, are building a new international world largely with the assistance of the Specialized Agencies. Of these, the Economic Commission for Europe, the International Labour Office and representatives of many others are still housed in a building which, for sheer beauty of design, must be one of the greatest in the world. On clear days across the Lake of Geneva one can see Mont Blanc in all her glory. I can claim the special privilege of having seen her thus in three days out of five. I believe this record is one which very few people have been able to beat!

U THANT

I cannot also resist the temptation of saying my first piece on a meeting with the Secretary-General of the United Nations, U Thant, who was attending the Economic and Social Council meeting at Geneva. Those who heard him speak there and elsewhere will agree with me when I say that one of the great historical events of our time is the manner in which the Acting Secretary-General of the United Nations has risen in stature to fill his great office with dignity and skill in judgment and discrimination. Undoubtedly, one of the great discoveries of our time is the manner in which greatness thrust accidentally upon particular men draws out the greatness latent in them. I make this prophecy here and now that U Thant, if permitted to continue, will be a great Secretary-General and a worthy successor to Dag Hammerskjoeld. That I know is high praise. I meant it to be the highest praise of all.

THE PRICE OF FREEDOM

Before I proceed further to exalt Delhi by comparison with other countries, I should promise my generous readers in expiation of my sins, a round up in five countries: the United States, Italy, France, Germany and the United Kingdom. This, I regret to say, will need five whole weeks in which I have to pay the price of my recent freedom. I wonder whether the world can be so compressed at this time of eternal crisis. I do not know. But I promise to make an attempt to pay the penalty of the freedom of the last two and a half months by an agonizing reappraisal of the sights that I have seen and the odious comparisons consequent there on.

JULIUSZ KATZ-SUCHY

Today, however, may I refer to one of the notable omissions in the landscape discovered on my return to New Delhi? The Diplomatic Colony misses two notable figures; Mr. Walter R. Crocker, the popular High Commissioner from Australia, and Mr. Juliusz Katz-Suchy, the dynamic Ambassador of Poland over the last four years. Both Mr. Crocker and Mr. Katz-Suchy are distinguished scholars; both are ardent listeners in political affairs in the sense that they welcome different points of view, although they hold vigorously their own. They both developed a wonderful circle of friends covering many shades of opinion; their houses were opportunities for stimulating intellectual exchange such as all journalists must surely envy. One acquired not merely new ideas but almost a new environment. Sometimes, for those of us who, like myself, have tended to build a somewhat rigid wall around the mind, the discovery of a new world such as that of Poland has been somewhat disconcerting. I do not know whether Mr. Katz-Suchy would consider this a compliment, but I feel that so far as Poland is concerned, he first opened windows to me to demonstrate its flexibility and non-Communist catholicity! Whilst an ardent expositor of the policies of his country's Government, he was a widely tolerant preceptor of what might be described the non-Communist culture of this country. He understood the language of the West even though he believed in the doctrines of the East. And thus he made an original contribution to East-West (and neutral!) understanding which was substantial. I think in this respect he will be very difficult to replace, though Poland has had other distinguished representatives, and India has been particularly fortunate in Ambassadors, beginning from Mr. Grudzunski, who pioneered developments in Indo-Polish trade which under Mr. Katz-Suchy has now reached such substantial proportions.

CHUP - CHAAP AND CHUP !

As I shall be dealing too much with international affairs in five succeeding weeks, let me comment on a large domestic issue. I submit my irrepressible cartoonist who, as usual, reflects not a little of the opinions I share without treading, as I do, heavily on anyone's toes !



"Let us remain chup chaap"
Courtesy: "The Hindustan Times"

ARGUS.

THE WEEK'S NOTES

Railway Accidents

A GRAVE TURN

THE ACCIDENT to the Amritsar Mail at Dumraon Station in Bihar, which took place on the night of July 21, has come as a bolt from the blue. The toll of casualties shows that 65 passengers have been killed and over 50 injured. This accident is bound to be treated as grave. Responsibility can be directly attributed to the human element. The failure of the human element seems to have been very serious in this case. The circumstances which led to the head-on collision of the mail train against a stationary goods train are most surprising. The goods train in question was in the process of doing shunting operations and, inexplicably enough, it moved on the down main line over which the Amritsar Mail had a line clear signal to pass. The fact that at the time of the accident (and presumably some time before that) the goods train was standing on this same line shows a tragic error in directing the shunting operations. The person responsible for this error was the cabin-man, who is reported to have fled the cabin immediately on the occurrence of the accident. This failure of the human element is as tragic as it is indicative of a deplorable lack of due care and diligence in the discharge of duties by the railway staff directly concerned with traffic movements.

It is a matter for deep concern that the safety factor on the railways should be weakened, and weakened in no trifling manner, in the course of a short period. During June this year four major railway accidents occurred on the Indian Railways. This one, which took place on the Eastern Railway, was the gravest of them all. Two more occurred earlier on the South-Eastern Railway and one on the Southern Railway. The toll of casualties in the three earlier accidents was 14 lives lost and 108 passengers injured. This is so far as the safety factor is concerned in relation to passenger traffic. But between mid-April and mid-June this year, not less than 22 accidents are estimated to have taken place involving passenger and goods trains.

In fairness to the Railway Administrations it could be conceded at once that in some cases nothing is so accidental as a railway accident. Sometimes a serious accident may take place in a situation absolutely beyond the control of the railway staff. The blowing off of a railway train from the rails by a forceful and extraordinary cyclone is a recent tragic illustration. But this is an exception. Not long ago Mr. Swaran Singh disclosed that a large number of level crossings have been left unmanned and this situation increases the danger of accidents. The cost of protecting them with watchmen and equipment would, no doubt, be heavy; but happily there is the assurance that this operation would be taken in hand and the programme would be phased over a reasonable period of time. The condition of the track and pressing into service high-powered heavy-weight locomotives may make accidents easier than otherwise would be the case. Supervision and maintenance of the track need considerable tightening up and close vigilence.

But when all these considerations are given due weight, the cruel fact remains that the responsibility of the railway staff arising from its negligence is increasing in railway accidents. Even the routine annual official report on accidents does not conceal this fact. The Railway Ministry and the Railway Board must now do real hard thinking about this new menace. The first thing to be stamped out is laxity in discipline.

M.P. Congress

DISCIPLINARY ACTION

IF FACTIONALISM and indiscipline have reached a culmination in some of the States of which Madhya Pradesh is a notable example, it is a matter of reassurance that the Congress High Command is not hesitating to take firm action against those who undermine the solidarity of the party. Ever since Mr. B. Ramakrishna Rao tendered his report on the internal affairs of the Madhya Pradesh Congress Committee and recommended strong corrective action, the High Command has taken a serious view of the wrangles among Madhya Pradesh Congress leaders. The members of the State Congress Executive Committee have been found guilty of breach of party discipline and as a punishment the entire Executive Committee has been put under suspension. To this, however, the State Congress President, Mr. Deshlehra is an exception inasmuch as Mr. B. Ramakrishna Rao has exonerated him from direct complicity in surreptitious activity in the last general elections. The reason for suspending the Executive Committee is to keep the atmosphere clear and free from any exercise of questionable influence during the forthcoming elections of the Congress organisation due to be held in October.

Mr. Deshlehra was not directed to tender the resignation, but he has yielded to the persuasion of Mr. G. L. Nanda and Mr. C. Subramaniam to vacate office to inspire confidence among Congressmen about free elections. Mr. Deshlehra has given further corroboration to what was already a widely known fact that groupism in Madhya Pradesh has been complicated by regionalism. He was perhaps right in telling in plain words Mr. Nanda and Mr. C. Subramaniam that any attempt to set up an interim Executive Committee by rapprochement among the contending factions would produce artificial results. The alternative therefore was for the High Command to appoint an ad hoc committee and also to nominate a President until the elections are held.

The question that really arises is: What after the disciplinary action? Mr. Deshlehra's statement that he himself may be held guilty of forming a group is significant. But his defence to the effect that he did it in the best interests of the organisation and without any factional purposes can be taken as no more than an expression of self-righteousness. Just at about this time comes the MPCC's decision to expel Mr. M. P. Mishra, a former Home Minister in the State Government and a leader of considerable influence in the Mahakosal region of Madhya Pradesh. Mr. Mishra was charged belatedly with having enrolled bogus members three years ago. The coincidence of his expulsion with impending disciplinary action against the Executive Committee cannot be ignored. It will vitiate the atmosphere more. All in all, matters have become too complicated and it is to be wondered how an ad hoc committee and a nominated President — perhaps from outside the State — would be able at all to bring about any improvement. Groupism in Madhya Pradesh is much more deep-rooted than appears on the surface.

Laos

NEUTRALITY TREATY

THE TRYING and difficult negotiations for achieving peace, independence and neutrality for Laos lasted well over fourteen months. But it was a momentous occasion when the neutrality treaty was solemnly signed at Geneva on July 23. Thus the labours of the fourteen-nation Geneva Conference, which declared in 1954 the acceptance of the principle of neutrality for free Laos, were brought to a happy culmination.

While there was anxiety on the part of the leading nations of the two power blocs about the achievement of a neutralist government for Laos, the real obstacles arose among the three Laotian parties on the formation of the coalition. It is this major problem of agreement on coalition that was responsible for the long delay in signing the treaty. The tone of the speeches delivered at the Conference session on Saturday, July 21, shows that there is a genuine desire on the part of all the nations that Laos should be really independent and neutral. To this end, the time-table laid down for the withdrawal of foreign armed forced from Laos will be observed. What is, however, really important is that there should be no subversion of neutrality from outside and on this score the present indications are reassuring.

Proof of the determination of Laos not to deflect from the path of neutrality is already to be found from the Coalition Government's decision not to allow any part of its territory to be used for aggression directed from whatever sources against her neighbours. This clearly relates to Thailand and South Vietnam, which, not long ago, entertained apprehensions about such a threat via Laos. Military pacts run precisely counter to the policy of neutrality and it is because of this that the coalition has declined the protective wing of SEATO. A somewhat intriguing development, which synchronised with the conclusion of the treaty, is the decision of the Coalition Government in Laos to extend de facto recognition to the Kuomingtong Government of Taiwan. The last two developments are significant pointers to the desire of Laos to steer the path clear of alignment with any of the two power blocs.

Banking

FOREIGN BANKS IN PAKISTAN

THE PAKISTAN GOVERNMENT'S action in promulgating the ordinance, which calls upon the branches of foreign banks in that country to deposit with the State Bank of Pakistan a minimum of Rs. 20 lakhs or 5 per cent of the time and demand deposits combined (whichever is higher) is not so simple and harmless as it may appear on the face of it. It is a universally recognized practice to safeguard the interests of the depositors by prescribing a certain minimum statutory limit for the maintenance of cash bearing a definite ratio to the deposits. The object is unexceptionable. But by another universally accepted convention, these cash balances, which are made compulsorily placeable with the Central Bank, form part of the deposits which the foreign banks attract from depositors inside the country of their operation. All that is required is to keep the cash balances in the local currency.

But the Pakistan ordinance makes a significant departure from this practice and stipulates that these cash balances must be obtained from outside the country. In simple terms this stipulation requires the branches of foreign banks to procure the foreign exchange equivalent of the required balances. It is here that the sting of the novel provision lies. Apparently, the object is to secure some additional flow of foreign exchange in the State Bank of Pakistan. This requirement, however, will adversely affect the foreign countries to which the branches in Pakistan belong. As many as 21 Indian banks have 48 branches in Pakistan and this new obligation would involve placing foreign exchange of a sizeable amount. In India's present strained foreign exchange position, it certainly involves an avoidable burden. It is to be trusted that the Pakistan Government will pay heed to the representation made by the Government of India to alter the condition about the procurement of the needed cash balances in foreign exchange.

Iran

DR. AMINI'S EXIT

AT A TIME when Iran's economic crisis requires a man of vision and firmness at the helm of affairs, Dr. Amini found no alternative but to resign. This is indeed very unfortunate. Ever since he accepted the high responsibility of the office of Prime Minister in difficult circumstances, he has shown a determination to bring within manageable dimensions the problems of inflation and foreign exchange shortage. He made a bold bid for implementing the policy of land reform and took unpopular measures to stamp out official corruption. But precisely all these policies invited for him hostility from a cross-section of the population, ranging from the landlords and traders to civil officials and army officers.

Dr. Amini's immediate problem was to raise external resources to meet the maturing obligations of repayments for foreign loans to the tune of about $100 million in the budget year and to find another $100 million to finance the foreign exchange component of the development projects. Besides that, he had to narrow down the gap in the budget estimated at $160 million. All this was really difficult to do, but Dr. Amini did not flinch from his responsibility. He proposed to reduce the budgetary gap by retrenching expenditure on defence and the civil administration where Parkinson's Law seems to operate with a vengeance. In the process he succeeded only in inviting a storm of opposition all around him. This, in brief, was the background to his resignation. His successor, Mr. Assadullah Alam, has announced that there will be no change in the home and foreign policies. It is difficult to see how he can succeed where Dr. Amini failed, if, as he says, there is to be no deviation from his predecessor's policies.

U.N. Finances

WORLD COURT'S RULING

THE COST of the Suez and Congo operations has involved the United Nations in a debt of $170 million and created a crisis of a significant magnitude in its finances. While the Congo operations are still going on and there are portents which threaten to prolong it for an indefinite time, U Thant finds himself faced with a dilemma to finance these operations. The General Assembly voted expenditure of the order of $80 million to cover the Congo expenditure for the eight months ended June 1962. It was at the time of this vote that Russia and Belgium raised a basic objection to the sanction of the outlay contending that these operations were not authorised by the United Nations Charter. The controversial point had to be referred to the World Court for its advisory opinion.

By a majority of 9 to 5, the judges of the World Court gave their ruling on July 20, upholding the General Assembly's view that both the Suez and Congo operations were covered by the Charter and an obligation rested on the members of the U.N. to contribute to their costs. Britain, which was directly involved in the Suez, did not oppose the expenditure. But France took the contrary attitude. Russia and Belgium raised objections to the sanction in respect of the Congo operations. The real problem is how the ruling of the World Court can be enforced. Presumably, the member nations are expected to respect its decisions. Russia's objection is apparently influenced by her disapproval of the late Mr. Hammerskjoeld's handling of the Congo issue. It is to be trusted that no embarrassing precedent would be set by disregarding the World Court's opinion. If unfortunately it is disregarded, South Africa's position will be strengthened in flouting the World Court's decision on the issue of South-West Africa in case it goes against her.

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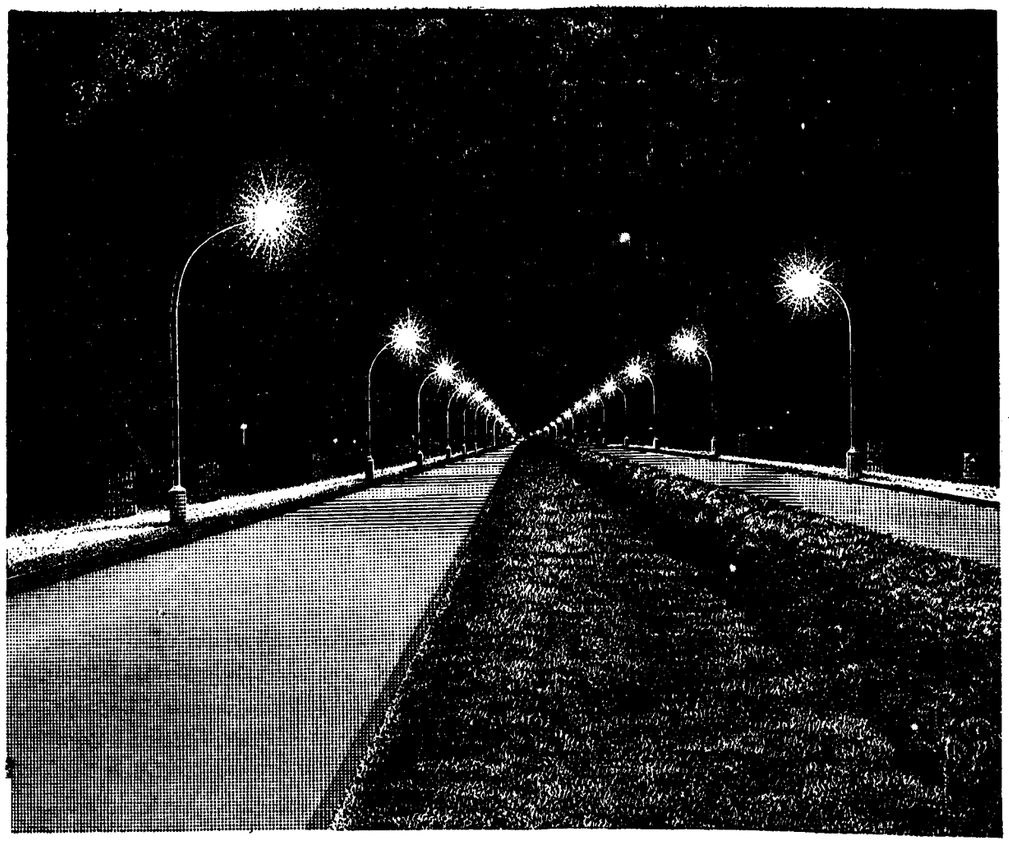
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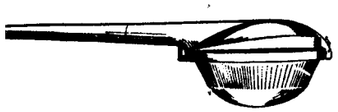
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The World Abroad

INFLATION: THE ROLE OF EXCESS DEMAND

By

ODYSSEUS

OF THE FOUR CAUSES of rising prices, which the 1961 OECD Report on this problem identified—namely, (1) special or temporary factors (such as bad harvests, increased sales taxes, and relaxation of rent controls); (2) monopolistic pricing; (3) excess demand for goods and labour; and (4) excessive negotiated wage increases as an independent force—the Report held that items (3) and (4) predominated. These have been widely discussed as demand-pull inflation and cost-push inflation. Both have greatly influenced postwar Europe, though they have differed in strength from country to country.

Extreme cases of excess demand, caused by persistent large government spending, financed by bank credit, occurred in Turkey, where between 1953-59 the consumer price index rose from 100 to 215, Spain (100 to 150), Iceland (100 to 130) and in France in 1956-57 (100 to 129). But 13 other European countries all experienced periods of excess demand, particularly in 1955-57. That all experienced it (in varying degree) shows the international character of the movement. The condition of excess demand came about typically as a strong rise in private fixed investment was added to the existing strong upward trend in consumption demand, the sharpness of which was often not fully revealed by the annual statistics. For example, in the USA, expenditures on new plant in 1957 were 23 per cent higher than in 1955. But between the first quarter of 1955 and the first quarter of 1957, the increase, at 60 per cent, was nearly thrice as great. Fluctuations in investment demand of this size are incompatible with financial stability and a steady growth rate at high levels of employment.

POLITICAL CONSCIOUSNESS GROWING

The OECD Report excuses the financial authorities for their frequent "too little and too late" policies by reminding us that (a) the 1955-57 investment boom was the first post-war experience of its kind, and (b) in many countries there were major gaps and serious delays in the information available to the authorities. But the Report notes that statistical analysis has improved since then and, above all, that there is greater political consciousness of the problem and more determination to face it firmly. They wrote this before Mr. Selwyn Lloyd stepped up the UK bank rate to 7 per cent, inaugurated his wage pause, and created the National Economic Development Council last year. Whatever criticisms can be made of his policies, they certainly have not lacked determination and political courage. Europe is, one hopes, getting cured of the depression psychology of the 1930's and is coming to the view that the alternative to over-strained capacity and over-full employment is not necessarily depression.

The authorities have hitherto relied more on monetary than on fiscal policies, because amongst other reasons, monetary policies are more flexible, and do not have the same direct, unpopular impact on consumers as fiscal measures. But more and more, the governments of Europe are coming to see that fiscal policy can also be made flexible. The OECD's recommendation that the authorities be given power to change the effective rate of tax for specified sources of government revenue over a specified range of tax rates, without prior Parliamentary approval for each change, has been sympathetically received in several European centres, including London, bearing in mind that (1) the period of a year, usual in national budgets, is too long to give enough flexibility to tax receipts as an instrument of stabilisation policy, (2) the annual budget often involves forecasting economic developments from 18 months to two years ahead—an extremely speculative job; (3) interim budgets are, of course, possible but are not often used for tax increases, because (a) they imply that the regular budget was wrong and (b) the amount of tax change that would be desirable often appears small compared to the fuss and bother; (4) a big difficulty in securing flexible tax changes for anti-cyclical purposes is that they involve debate as to which taxes should be changed — a politically sensitive topic; if powers to vary taxes were taken in advance, before any crisis had appeared, they would probably arouse less political excitement; (5) the orthodox annual budget system works both ways—there have been instances when tax cuts to stimulate demand were not made for fear that if the whole formal parliamentary precedure were needed each time, the cuts would not be restored when required. Finally (6) these proposals would help to reduce the repercussions among consumers of expectations aroused by the fact that tax changes can only be made on regular annual occasions. It has often happened that the public has hastened to buy goods in anticipation of a budget tax increase or to postpone consumption in anticipation of a cut.

The OECD's proposals have aroused criticism from those jealous of the legislature's authority to tax, but it should not be difficult to find ways of meeting this objection. What is at stake is not some tremendous issue of principle, but the power to vary specified taxes up or down—within limits specially authorised by the legislature.

PRICE CONTROLS DISTORT

As for monetary policies, most authorities would accept Mr. J. K. Galbraith's argument that big firms, able to tap the banks and to raise funds on the stock markets, can, at any rate for a fairly long period, contract out of higher interest rates. The Report on the (British) Monetary System (the "Radcliffe Report." 1959. Price 15 sh.) not only agreed with this, but pointed out that nearly half of the total volume of UK investment is now financed by the public authorities and that this public finance does not respond to the rate of interest so much as to administrative decisions to go ahead or to cut down. Nevertheless, both the Radcliffe and the OECD Reports agree that monetary and fiscal measures, jointly, still have important roles to play. Among the several measures suggested by Mr. Galbraith in his "Affluent Society" to solve the twin problems of inflation and full employment were price controls, but, as the Radcliffe Report points out, experience has shown that purchasing power frustrated by particular controls will eventually, and inevitably, spill over into other markets where uncontrolled goods and services can be bought, and this distorts the allocation of resources.

The wide differences in the money markets and in the traditions of the central banks of the twenty countries which the OECD Report covers make generalisation difficult. Nevertheless, one important point which

emerges is that instruments of monetary policy must be chosen in such a way that the normal working of the various credit and security markets is not undermined. A good deal of the equilibriating forces normally operating in the economy work partly through the demand and supply of various types of credit and the consequent adjustment of interest rates. The task of fiscal and monetary policy can be complicated if these equilibriating forces are needlessly hampered by administrative control or arbitrary decisions about particular interest rates.

There is, however, a special case for the regulation of consumer credit, although even here experience shows that control breaks down if enforced over too long a period and that it tends to distort the behaviour of credit institutions. Consumer credit regulation is a useful standby in emergency situations but the need for continual restraint of this kind indicates that more fundamental measures are required.

All European countries have applied monetary and/or fiscal measures to influence the rate of housing construction, either over-all or to even out seasonal fluctuations. These measures need to be applied more energetically in future, because housing construction in the last boom was stimulated to rise to too high a level in many countries, and was not restrained quickly and strongly enough as excess demand developed. It should be possible to do better in future now that the greater part of the postwar housing shortage is over.

It cannot be too greatly stressed that a condition of excess demand—i.e., when capacity is overstrained and labour shortages are general—is a matter of degree because of the existence of structural rigidities in the economy. These determine how much unemployment will arise from the firm use of fiscal and monetary policies intended to control pressure of demand when prices rise. Some unemployment will be frictional, but, in addition, other unemployment will arise because total effective demand will not always distribute itself among the various branches of activity in such a way that high employment of resources is simultaneously obtained everywhere. Full employment in some fields will be reached while there is still slack in others. Hence, the management of demand unavoidably means that advantages must be weighed against disadvantages. The OECD Report believes that this dilemma can be best faced in two ways. The first is to assure the greatest possible flexibility of the economy by promoting competitive conditions. And when one considers the vast amount of tariff protection still persisting in Europe and North America one cannot help feeling that the scope for action here remains substantial.

The second way is to assure that the consequence of high demand in individual industries is not an inflationary rate of wage increase in the economy as a whole, because if an excessive rate of wage increases can be avoided, this will allow the total demand to be higher and the level of unemployment to be lower without creating a general pressure on the price levels. This, of course, is part of the general problem of wages, which we will examine next week.

(The sales agents in India for the Report on the Problem of Rising Prices, published by the Organisation for European Economic Co-operation and Development are the International Book House, 9 Ash Lane, Mahatma Gandhi Road, Bombay, and the Oxford Book Shop, Scindia House, New Delhi, and 17 Park Street, Calcutta).

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Economic Report from the U.S.

THE INTERNATIONAL COFFEE AGREEMENT

By GUY SIMS FITCH

WASHINGTON, July 24.

THE UNITED STATES traditionally has favoured open trade, generally free from governmental regulation and interference in the market place. At the same time, the U.S. Government has come to recognize that commodity situations can occur in which governmental intervention on an international scale becomes a matter of virtual necessity.

A case in point is the current Conference on Coffee, in which the United States is participating along with the other interested countries. The objective is to arrive at a long-term stabilization agreement that is workable, realistic and equitable to all concerned.

Such an agreement presumably would take into account the interests of both the exporting and the importing countries, and both would assume certain responsibilities. In regulating the flow of coffee entering world markets, exporters would share the burden of controlling production and shipments, while importers would assure that world consumption is not inordinately limited by unreasonable trade restrictions. For itself, the United States imposes virtually no obstacles that might limit its coffee consumption.

The Coffee Conference in New York, thus, has implications for other international commodity problems as well. Success in the coffee negotiations could point the way toward similar solutions for other products in similar difficulties—in which the world situation is clearly unsatisfactory and in need of this kind of a remedy.

While plans for the negotiation of an International Coffee Agreement are most advanced, it is likely that the United States would seriously consider the desirability of participating in other commodity stabilization arrangements when and if they appear warranted. As in the case of coffee, the effort would be to reach a global agreement that embraces both exporters and importers, with emphasis on progress toward multilateral and non-discriminatory trade.

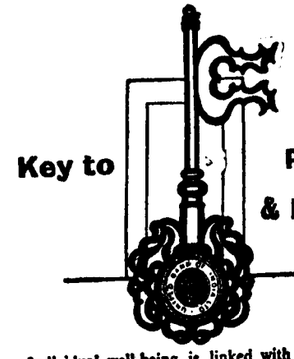
Each such proposal, however, would have to be treated on its own merits. Commodity stabilization is a highly complicated and difficult problem at best, one in which solutions, to be effective, should be tailored to individual cases. Conditions, after all, vary from product to product, and what might be desirable and feasible for one, such as coffee, might not be for another.

In addition to reconciling the interests of producers and consumers, an effective agreement also calls for reasonably accurate predictions of what the future market for a particular commodity may be. This can place difficult demands on economists, who are, in their finest function, more than mere technicians dealing in impersonal sets of statistics, oblivious of political and social forces. They are concerned largely with vital questions affecting human needs and aspirations in a world of constant change and modernization.

In this kind of a world, economic estimates and measurements do not always supply definite answers to pressing problems. But commodity agreements can be highly useful, if carefully devised. They can, for instance, help achieve such worthy ends as establishing fair prices for producers and consumers, adding to the income of exporting countries, increasing consumption and assuring adequate supplies of primary products.

They are not necessarily panaceas, however, and there are limits to what can be expected from even the best of them unless other important steps also are taken. These include the search for new commodity uses and for more efficient production techniques so as to lower costs and widen potential markets. Above all, they include the diversification of industry and agriculture so as to transfer resources to other gainful pursuits and, thus, reduce a nation's dependence on one or just a few primary products. These combined moves could lead to an enlarged national income and a higher standard of living.

In short, there should be an intimate relationship between stabilization agreements and the entire process of economic development—a process to which the United States and other "free" industrial countries are contributing through their economic aid and technical assistance programmes.



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THE BUSINESS WORLD

The Sugar Industry in Maharashtra

By CROESUS

THE unrealistic policies of the Maharashtra Government in respect of the sugar industry in the Deccan region are coming home to roost, but the worst is yet to come. Thanks to these unrealistic policies, Maharashtra has begun to lose, one after the other, the distinct advantages that it enjoyed at one time over other sugar-producing States. One of the main advantages that the State has been enjoying over the other sugar-producing States, for example, is its high per-acre yield of sugar. With the implementation of the Maharashtra Agricultural Lands (Ceilings on Holdings) Act, 1961, by the Maharashtra Government, however, sugar factories will be deprived of their extensive and very efficiently managed cane farms, the principal source of their raw material. Apart from the psychological effect of the uncertainty occasioned by the delay, on the part of the State Government, to make up its mind as to the machinery to be set up for the implementation of the provisions of the Act, there is genuine apprehension that the Ceilings Legislation would affect both the quality and the quantity of the cane produced. And, if and when this happens, it is bound to be reflected in the raw material prices of the sugar industry in the State. Now, it is common knowledge that raw material costs constitute nearly three-fourths of the total production cost in the case of the sugar industry. The only silver lining to the cloud of raw material (cane) costs, if any, is the recent announcement of the Government of India fixing cane prices based on sugar recovery. True, but, in so far as the Deccan sugar factories are concerned, this notification cannot make much difference, inasmuch as the Maharashtra Government has ere now been fixing cane prices in the State on recovery basis.

Another outcome of the State policy, namely, the indiscriminate licensing of sugar factories, mostly on co-operative lines, which has already begun to tell on the economics of the sugar industry in the State, is the loss of freight advantage which sugar factories in Maharashtra have enjoyed in the past. For Maharashtra has now become not only self-sufficient in sugar; it has become a surplus State. In view of these marked changes for the worse in the condition of the industry, it remains to be seen how long the present wage scales of sugar factory workers in Maharashtra — the highest in the country — can be sustained. It is not surprising, therefore, that Mr. F. Edwards, President of the Deccan Sugar Factories' Association (D.S.F.A.) should have told the twenty-third Annual General Meeting of that body, last Monday, that "the competitive capacity of the sugar factories in this State vis-a-vis sugar factories in the other States will be taxed severely."

A third aspect of the State's unrealistic sugar policy is reflected in the inordinate delay of the Maharashtra Government in refunding the cane cess on exported sugar. It may be remembered that, in order to reduce the loss incurred by sugar factories in exporting sugar to foreign countries, the Government of India had agreed to the refund of cane cess in respect of all exported sugar. Accordingly, all the other concerned States have refunded the cess but not so the Maharashtra Government. To quote Mr. Edwards, "it is a matter of deep regret, however, that the Maharashtra Government have not still refunded the cane cess amounts to the factories on sugar exported during the year 1958-59, 1959-60 and 1960-61. Prolonged correspondence with the State Government has only evoked a response that the State Government are seeking clarification on certain points from the Central Government and the refund would be made after the clarification is received. The matter has remained unsettled for more than three years and it is a sad commentary on Government administration."

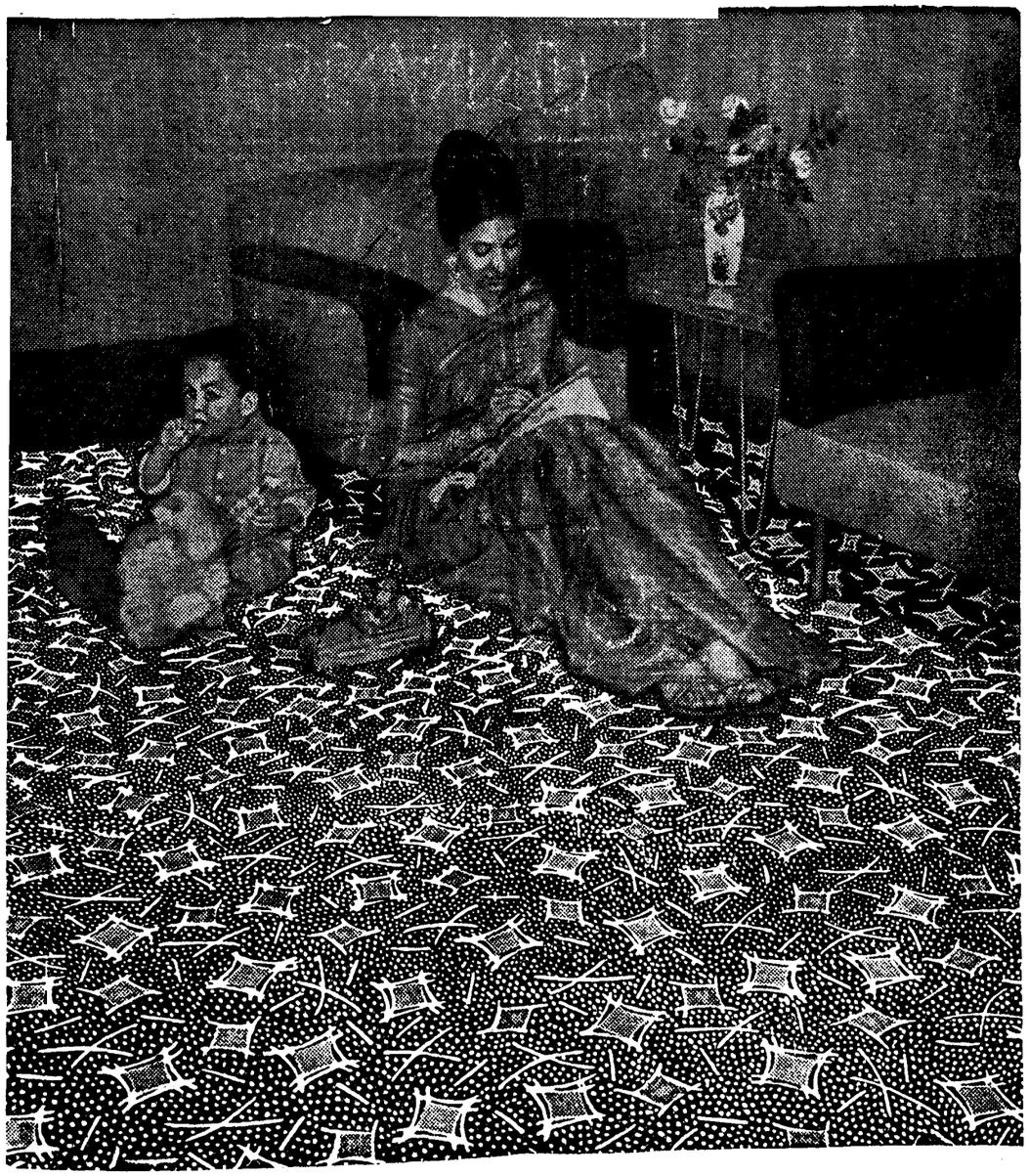
This is not only a sad commentary on the administration of the State Government but also on the authorities at the Centre who seem to be content with only passing laws and making announcements but not caring to ensure that these are properly and effectively implemented. No country which is in such dire need of augmenting its exports could afford to let so much delay in refunding cane cess and thereby jeopardising future exports of sugar. In this case, the State Government, which has not exactly bothered to utilise the proceeds of the cane cess for the specific purpose for which the cess was avowedly introduced, has even less justification to withhold the refund as directed by the Government of India.

So much for the sugar industry in Maharashtra. But Mr. Edwards had some important observations to make on sugar problems affecting the country as a whole as well. By reason of the fact that the main problem which the sugar industry in the country is confronted with today is the disposal of surplus sugar, Mr. Edwards made two pertinent observations, both affecting sugar exports. Observing that the sugar cost structure is very rigid — and this cannot but be conceded when "the cane price, which accounts for nearly three-fourths of the total production cost, is controlled by Government" and "the wages of labour (representing 9.15 per cent) are regulated by the Wage Board" — he declared: "The only way to bring down the sugar cost is by reduction in the present high excise duty." As he rightly remarked, the excise duty on sugar was increased in 1957 by Rs. 4.20 per maund to Rs. 10.70 per maund with the specific object of restricting internal consumption so that larger supplies of sugar might become available for export, but the position has since radically changed, and "there is now no justification for continuing the excise duty at the enhanced rate."

An even more important and timely observation of Mr. Edwards relates to the feasibility of producing raw sugar for export. He was no doubt provoked to give public expression to his views because of the reported good prospects for export of raw sugar to many countries in the world, particularly Canada and Japan, and the rosy chances of long-term contracts with those countries. These reports have since taken an even more positive form, by way of a deal which is reported to have been finalised, last week, between the Indian Sugar Mills' Association and the State Trading Corporation for exporting 200,000 tons of raw sugar between December 1962 and March 1963 (i.e. during the coming sugar season). Before a final decision is taken in

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this behalf, the interests concerned would do well to heed the warning of the D.S.F.A. President that "the question requires to be very carefully considered, since a wrong decision would only create new problems without solving old ones." He was fully justified in sounding such a note of caution, because, as he said, all the sugar factories in the country are equipped to produce only white sugar and a change-over to raw sugar would necessitate alterations and additions to the existing machinery equipment, not to speak of the foreign exchange expenditure that might be necessary. Again, as he said, in the absence of refineries in India, all the raw sugar produced would have to be exported. As raw sugar deteriorates very quickly, steps would have to be taken to ensure its speedy export, besides, of course, the construction of special storage godowns. Hence Mr. Edwards' considered conclusion: "It is, therefore, very doubtful whether, in these circumstances, sugar factories in India would be able to produce raw sugar as cheaply as other countries, where factories are equipped to produce raw sugar exclusively". It may be recalled, in this connection, that an effort was made in this country, a few years ago, to start a refinery to refine imported raw sugar, to begin with, and manufacture raw sugar indigenously later on, but discussions about the feasibility of producing raw sugar in the country proved abortive and the plan had to be given up.

Business Notes

E.R.I.C.

STEADY EXPANSION

SINCE ITS establishment, five years ago, the Export Risks Insurance Corporation (ERIC) has been making steady progress in covering export credit risks and thereby helping to foster the export trade of this country. May be, the absolute figures of our total annual exports do not clearly reflect the extent of the precise contribution made by the ERIC towards our export trade, but there is sufficient evidence, it would appear, to establish that, in the case of new industries which have begun to export, the ERIC has been playing a very useful role. Its role should be equally effectively felt in the coming years when small-scale manufacturers enter the export field in an organised way, as the ERIC will extend its activities to cover these interests as well.

During the short span of its existence, the ERIC has introduced a number of policies. Thus, the issuing of "shipments comprehensive" and "contracts comprehensive" risks policies was followed by the introduction of policies to cover the risks involved in increases in freight and insurance charges. Towards the end of 1960, the Corporation began issuing packing credit policies to cover risks involved on advances made by the banks and other financing institutions to exporters to enable them to manufacture or purchase goods for the purpose of exports. These policies were followed by manufacturers' credit policy to cover risks involved in manufacturers supplying goods to exporters on credit terms and also by the market development policies to enable exporters to develop the foreign markets.

In addition to these, the ERIC has made recommendations to the Government to permit the Corporation to introduce two new policies, one for providing export finance facilities to small-scale exporters and another for advances to small-scale manufacturers. When every possible effort is being made to boost up our exports, these additional facilities should encourage a large number of small exporters and small manufacturers to expand their export business. As this section of the trade finds it difficult to get bank facilities, it is hoped the new scheme now proposed would enable them to approach the banks backed by the insurance cover received from the ERIC and secure the required accommodation.

The steady increase in the actual business of the ERIC already and the proposed extension of its activities have prompted the Corporation to extend its customary risk-covering period of three years to five years. For the same reason, the ERIC has also sought the permission of the Government to allow it to double the present permissible ceiling of export credit risk of Rs. 25 crores to Rs. 50 crores.

At a Press Conference last week, Mr. Kapur reviewed the latest half-yearly progress of the ERIC, and also disclosed the new schemes contemplated to be taken up by it as above. Thus, in the first half of the current year, the Corporation has issued 231 policies with a maximum liability of Rs. 6.17 crores, as against 166 policies with a maximum liability of Rs. 4.39 crores for the same half-yearly period of last year.

Banking

RISE IN DEPOSITS AND LIQUIDITY RATIO

PERHAPS THE most important task that the banking system in the country is faced with today is that of mobilisation of savings. It is estimated that, as against the total private investment required under the Third Five-Year Plan of Rs. 4,300 crores (including Rs. 300 crores of external assistance), the additional demand for bank finance is of the order of Rs. 1,300 crores or roughly 33 per cent. The additional deposits that would have to be gathered by the banks if this demand is to be met has been estimated at Rs. 1,850 crores, that is on the assumption that bank advances would be maintained at around 70 per cent of the deposits. As was pointed out by Mr. Tulsidas Kilachand, Chairman of the Indian Banks' Association (I.B.A.), this would represent a rate of growth in deposits of around 20 per cent per annum, as against only 3.7 per cent, and 12.6 per cent per annum achieved during the First and the Second Plan periods, respectively. To step up the rate of deposit growth to 20 per cent would undoubtedly be a most arduous task, as evidenced by the fact that aggregate deposits of scheduled banks rose by only 7 per cent in 1960 and by 11 per cent in 1961. This is as things stand today, but if the higher liquidity ratio proposed by the Reserve Bank of India were able to be brought into operation, it is doubtful, as Mr. Kilachand opined, whether even the 20 per cent increase in deposits would do to reach the Rs. 1,300 crores figure.

Speaking at length on this aspect at the three-day Indian Banks' Seminar, the first of its kind to be convened in the country, last week, in Bombay, the I.B.A. Chief suggested certain measures to meet the demand: namely (i) expansion of branches into areas where banking facilities are non-existent or inadequate (there are still some 1,400 small townships without any banking offices); (ii) better service to customers, and (iii) tax concessions to stimulate growth of savings bank deposits. In order to implement these, Mr. Kilachand rightly underlined the need for certain other measures also, to be taken up simultaneously, such as facilities for training personnel to man the new branches.

The absence of a well-organised credit information agency to collect up-to-date information as regards the

financial and business status of individuals and firms in the country, was another important point touched upon by Mr. Kilachand in his address. As he observed, the existence of an agency for collecting and analysing such data would be of immense use to the banks in processing applications for credit, a work that needs to be done quite regularly and systematically. Although individual banks have been doing something in this connection, it is known that the collection of information on the business standing of individuals and firms by individual banks has not only remained exclusive, the data so collected also has been too general or too inadequate. This is a lacuna that does little credit to the Indian Banking industry. In this connection, Mr. Tulsidas referred to the existence of several private agencies in the U.S.A., such as Dun and Bradstreet Inc. and Robert Moris Associates, which collect information and supply credit reports to subscribing banks and wanted the possibility of organising an agency on similar lines for the benefit of banks in India to be explored.

Suggesting that a five-year plan be drawn for the development of banking in the country, Mr. S. G. Barve, Finance Minister of Maharashtra, said, in his inaugural address, that, in view of the imperative need to develop banking habit in the country, the bankers should take banks to remote and uncovered areas in the country. He said it was rather curious that, whereas there was cut-throat competition among banks in certain areas, the coverage still remained inadequate. Adverting to the crucial role of banks in the rapid industrialisation of the country, the Maharashtra Finance Minister suggested that at least five per cent of the funds with the banking system needed to be earmarked for term-lending. It is only thus, he opined, that the scope for industrial development could increase in the country. Mr. T. D. Kansara, General Manager of the Bank of India, who participated in the Seminar, observed that the banks could even give 10 per cent of their deposits for term-lending, provided the liquidity of the banking system was assured. But this would only be possible if there are assurances that larger borrowing limits would be permitted by the Reserve Bank.

Goa

A TECHNO-ECONOMIC STUDY

GOA, TILL lately a colonial possession of Portugal, is known for its rich mineral resources. But this has not helped remove the backwardness of this region, whether in the agricultural or in the industrial sphere. According to the Study Team, sponsored by the Central Small-Scale Industries Organisation, which has gone into this question, this is the outcome of two factors: (i) hitherto, the exploitation of the mineral resources of the territory was undertaken by the erstwhile Portuguese Administration solely for purposes of export; (ii) adequate power supply, sufficient technical skill and necessary administrative structure were not there to foster a bold programme of industrial development.

The Study Team has made comprehensive recommendations and outlined a detailed plan for rapid industrialisation, on the one hand, and suggested certain measures to bring about self-sufficiency in food production, on the other. Besides, the Team has suggested the establishment of a Department of Industries in Goa and an Institute at Margao for training technical men. The present prohibitive power rates charged in Goa are a reflection of the shortage of power, as also an indicator of the need to make power available at cheaper rates to facilitate rapid establishment of industries. In order to stave off the present power crisis, the Team has recommended that Koyna power should be made available, and Maharashtra is only too willing to oblige, with an eye on the future. Further, it has also suggested the harnessing of the power potential of Dudsagar and Eravalem Falls.

With regard to the question of the establishment of large-scale industries, the Team has favoured the setting up of pig iron furnaces and manufacture of industrial chains, welding electrodes, and chemicals. The Team has also a plan for establishing twenty-four small-scale industries to manufacture clocks, mechanical toys, machine tools, electrical accessories and boat building and repairing, among others. It is in this context, incidentially, that the Team has suggested the establishment in Goa of a unit of the Geological Survey of India and the Bureau of Mines for the proper exploitation of minerals in the region.

As regards food and fruit production, the Team has suggested immediate measures to step up rice output as also to encourage the production of more fruits and commercial crops. The proposed measures are intended not only to bring about self-sufficiency in these fields but also to provide adequate surpluses to be made available for exports. In this connection, the Team has called for every possible aid from the Government to the fruit preservation units, so as to enable them to maintain their exports. Aid has also been recommended to units engaged in the extraction of oil from cashew-nut shells, for which there is a potential buyer in the Indian paint industry. The Team has further recommended the establishment of a small emporium for exhibiting and publicising the various handicrafts of Goa, such as metalware, clay modelling, shoe, embroidery and bamboo handwork. All these are no doubt valuable suggestions, but they need ample funds before they could be effectively implemented. It is here probably that the Report of the Team has failed to make specific and concrete recommendations. To say that banking facilities should be provided and financial institutions should be created, as reported in the daily Press, is too broad a generalisation which will not carry one very far.

Fertilizers

ERRONEOUS CALCULATIONS

THERE SEEMS to be some mystery about Government's calculations on achieving the Third Plan target for nitrogenous fertilizers. In June last — to be precise, on June 12, 1962 — the Deputy Chairman of the Planning Commission, Mr. G. L. Nanda, told Parliament's Consultative Committee on Planning that no more than two-thirds of the Third Plan fertilizer target could be expected to be achieved by 1965-66. This presumably was stated after a review of the Plan's progress. Barely 10 days later, however, Mr. Nanda, staged a complete turn-about and emphatically announced that the fertilizer target would be fully achieved. What happened in the meanwhile to justify this volte-face? It is understood the Planning Commission's Deputy Chairman had received some assurances from the Ministry of Steel and Heavy Industries to the effect that foreign technical and financial collaboration had been secured for the Hanumangarh project, in Rajasthan, and West Bengal Government's project at Durgapur, the dispute over the site of the Visakhapatnam project was over and that the collaborators for these projects were confident of completing them in a period of 18 to 24 months.

On the face of it, all this should suggest that the fertilizer target would be achieved. But if one goes by the U.N. Fertilizer Mission's Report, submitted to the Government of India last year, the optimism shown by the Ministry of Heavy Industries appears to be grossly misplaced. This Mission, after a detailed study of project planning in India, had reached the conclusion that the various stages of execution of a fertilizer project in this country took as many as 52 to 71 months, as



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against 35 to 47 months required according to global norms. The following table, based on the U.N. Mission's report, clearly shows that the minimum normal time needed for setting up a fertilizer plant, after calling the tenders, is 28 months. How the Planning Commission should be taken in by the Heavy Industries Ministry's claim that the Hanumangarh, Durgapur and Visakhapatnam projects would be completed within a period of two years is something which passes comprehension:

Phasing of the Project	Approx. time taken by Govt. of India (months)	Normal time period (months)
1. Preliminary analysis of project report and initial decision to proceeds with the project	5 — 7	4 — 5
2. Preparation of tenders, preliminary process and specifications, etc.	3 — 4	3 — 4
3 Contractors' project bids, review of bids and final decision to construct the factory	12 — 20	4 — 8
4. Ordering, construction and start-up	32 — 40	24 — 30
TOTAL	**52 — 71**	**35 — 47**

In the case of Hanumangarh project, a fundamental decision has also yet to be taken. It refers to the principal raw material and the source of power on which the project is to be based. The original idea of basing this project on Rajasthan gypsum is reported to have been given up. It is now proposed to base this project on petroleum naphtha. But where from is this naphtha to come? It may not be available from the proposed Koyali Refinery before the end of the Third Plan. Is the country in a position to spend foreign exchange on its imports? About power, the U.N. Mission had suggested that to base this project on coal would be a costly proposition, since coal had to be brought from long distances and there were transport bottlenecks in the way. The alternative fuel which the Mission had suggested, namely gas, can be available from Gujarat oil-fields. But the transportation of this gas to Hanumangarh is not included in the plan for utilisation of Gujarat areas gases. Until and unless firm decisions about these two issues are taken, it is obviously hazardous to say that this particular plant can be commissioned into production during the Third Plan period.

In the face of the above facts and the uncertainty about completing three other fertilizer projects, namely, Itarsi, Neyveli and Gorakhpur projects, according to schedule (the licensee for the Itarsi project is reported to have returned his licence and the other two projects are running behind schedule by about a year and half), it requires no second thoughts to say that nitrogenous fertilizer output by the end of the Third Plan is sure to fall considerably short of the planned target, despite the fact that the installed capacity allowed to be set up is in excess of the target fixed. If the country, therefore, is to be made self-sufficient in food during the current Plan period — Mr. Nanda observed recently that if the country was not made self-sufficient in its food requirements by the end of 1965-66, he would consider it a failure of planning in India — it is obvious that arrangements should be made for importing more fertilizers. The recent barter deals for importing fertilizers in exchange for sugar are a step in the right direction and ways and means should be explored to augment fertilizer supplies further. This is necessary in view of the key role fertilizers are to play in keeping the granaries filled with indigenous production when the massive imports under P.L. 480 cease in 1964.

New Issue

METAL DISTRIBUTORS LTD.

METAL DISTRIBUTORS LIMITED, CALCUTTA, will be entering the market shortly to raise equity capital to the tune of Rs. 45,90,160. Of this, capital worth Rs. 6,70,160 is envisaged to be taken up by the directors of the company and their friends. The balance Rs. 39.20 lakhs worth capital is proposed to be offered to the public for subscription in the form of equity shares of Rs. 10 each. The company being a going concern, the new shares will be entitled to dividend from the current financial year which began on November 6, 1961. They will rank pari passu with the existing shares in all respects except that the dividend to be paid thereon will be proportionate to the amount of the capital called up.

The proceeds of the issue are to be utilised for financing the expansion programme of the company, which includes not only furthering of its present activities of supplying non-ferrous metals to the fabricating industry in the country, but also setting up of two new ventures for the manufacture of non-ferrous metals and some finished products from them.

The two new companies which have been organised by Metal Distributors are: (1) Multimetals Limited which will be manufacturing copper alloy rods, tubes, section etc.; and (2) Cominco Banani Zinc Limited which is envisaged to undertake production of electrolytic zinc and its by-products.

The copper products plant is to be put up at Kotah, in Rajasthan. It will have a capacity to turn out various copper products to the extent of 1,800 tons per annum, single-shift basis. Multimetals has also been given a licence to produce 5,000 units of copper printing rolls for the textile industry. These rolls are also proposed to be manufactured at the Kotah plant. Technical collaboration for this project has been arranged with the U.S. firm, Revere Copper and Brass Incorporated, New York. The foreign collaborators will also participate in the equity capital of the Indian venture to the extent of Rs. 25 lakhs. Arrangements have as well been made to obtain a loan of Rs. 54.64 lakhs from the Development Loan Fund to meet the foreign exchange cost of the project. This plant is expected to be commissioned into production in the second half of 1963.

The zinc plant is to be set up near Cochin, in Kerala. It will have a capacity to produce 20,000 tons of electrolytic zinc per annum and 130 tons of by-products (sulphuric acid) per day. Technical collaboration for this project has been arranged with Consolidated Mining and Smelting Company Ltd. of Canada. The Canadian firm will also participate in the share capital of this venture to the extent of Rs. 84 lakhs, which will presumably be utilised for financing the im-

port of machinery. The Canadian Export Credit Insurance Corporation has agreed, in principle, to provide a loan to cover foreign exchange requirements of the project over and above the share capital to be subscribed by COMINCO.

The present paid-up capital of Metal Distributors Limited is Rs. 34.10 lakhs. The company's turnover during 1960-61, when its paid-up capital was Rs. 24.36 lakhs, amounted to Rs. 7.81 crores. In this year, its net profit was Rs. 9.57 lakhs, out of which a dividend of 27.5 per cent was paid. The company has also substantial interest in Metal Distributors (U.K.) Limited.

Corporate Finance

A REVIEW : 1956-60

THE RESERVE BANK OF INDIA Bulletin for the month of June 1962 has made available an analysis of the finances of Indian Joint Stock Companies for the Second Plan period, 1956 to 1960. It is now possible to see in one sweep the performance of the corporate sector during the Second Plan in so far as the rates of growth of the major components are concerned. The growth in the paid-up capital plus free reserves i.e. net worth started with a very high rate of 9.5 per cent in 1956. With the progress of the Plan, it started declining and touched the low figure of 5.1 per cent in 1958. It again started picking up and in 1960 it finished at 8.3. Broadly, this major indicator shows that 1958 was the worst year for the corporate sector. This was mainly a result of poor performance in profits in 1957. Profits before tax in 1957 indicated a fall and this had an adverse effect on capital formation for 1958. All the major indicators in 1958 bore the impress of the failure of the industrial sector in 1957. By and large, it was the failure in the cotton textile industry (211 units out of 1001 in the present Study) which was primarily responsible for the downturn. Sales also, in a similar pattern, started declining in 1957 and the lowest rate of growth was witnessed in 1958.

The results of 1960 as compared to 1959 show a slight deterioration in the sense that the provision for dividends as a percentage of profits before tax has shown a decline. The retained profits also have suffered a similar fate because the provision for taxation had to be enhanced. This new pattern of distribution of profits before tax has emerged because of the increase in raw material costs and other manufacturing expenses. Whereas in 1959 raw-materials and other manufacturing expenses claimed 53.9 per cent of the total expenditure, the percentage for these components rose to 55.2 in 1960. Salaries and wages claimed a slightly lower proportion. Even excise duty in percentage terms indicated a decline. These relative pressures of the various influences on the cost structure show that the industry is gradually facing an increasing burden from rising costs of raw materials and other manufacturing expenses. This is the central finding of the analysis. Unless something is done to arrest the rising cost of raw materials as well as manufacturing expenses, there seems to be no possibility of reducing the cost of manufactures so as to provide relief to the consumers and to make our products competitive in the international markets.

Tata Oil

EXPANSION AND DIVERSIFICATION PROGRAMME

THE TATA OIL MILLS CO. LTD., has decided to float a new concern under the name Tata Finlay Private Limited, in association with Tata Sons Private Ltd., and James Finlay & Co. Ltd., for blending, packaging and

GROWTH AND WORKING OF THE COMPANY SECTOR : 1956 - 60

(1001 Selected Public Limited Companies)

	1956	1957	1958	1959	1960
A. Rate of Growth (percentage increase (+) or decrease (—) per annum)					
1. Paid-up capital plus free reserves (net) worth)	9.5	6.2	5.1	7.1	8.3
2. (a) Gross fixed assets	14.6	16.4	11.7	7.5	8.0
(b) Net fixed assets	18.8	20.5	12.6	5.6	4.7
3. **Inventories**	22.0	10.0	0.9	2.6	17.1
4. (a) Gross fixed assets plus inventories	16.9	14.3	8.4	6.1	10.6
(b) Net fixed assets plus inventories	20.2	15.8	7.6	4.4	9.6
5. (a) Total gross assets	14.4	11.5	7.1	6.2	10.3
(b) Total net assets	15.9	11.8	6.2	5.0	9.5
6. Total income	13.7	9.5	4.3	7.9	12.7
7. Sales	11.8	9.2	5.4	9.5	11.1
B. Profits					
1. Profit before tax (Percentage increase (+) or decrease (—) per annum)	10.8	—17.2	12.8	33.3	14.8
2. Retained profits as percentage of profits before tax	22.7	13.0	15.4	24.0	23.7
3. Gross profits as percentage of total capital employed	9.5	7.5	8.0	9.8	10.1
4. Gross profits as percentage of sales	9.8	8.0	8.5	10.0	10.2
C. Other ratios					
1. Gross fixed assets formation as percentage of total assets formation	51.7	73.0	88.7	67.4	44.1
2. Capital formation as percentage of total assets formation	86.7	94.3	91.8	77.0	80.4
3. External sources as percentage of total sources of funds	63.5	71.6	51.7	37.2	43.5
4. Increase in bank borrowings as percentage of external sources	40.0	27.0	13.0	—6.6	48.3



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marketing tea. In addition, the company has under consideration several new projects as part of its expansion and diversification programme. The principal ones among these are: (i) the setting up of a new factory near Ghaziabad, in U.P., and equipping it with the latest type of machinery for the manufacture of soap and glycerine; (ii) a plant for the manufacture of fruit juice, fruit and spice flavours in powder form in technical collaboration with a Japanese firm; (iii) a solvent extraction plant at Tatapuram for extraction of oils from rice bran, cottonseed, coconut cake etc., (iv) a synthetic detergent plant at Bombay, and (v) modernisation of certain plants and equipment in order to keep abreast of the latest technological improvements.

The total estimated capital expenditure (including working capital) on these projects over the next few years is Rs. 3.50 crores. Of this, Rs. 2.50 crores are expected to be provided by the company from internal resources and borrowings. The deficit of Rs. 1 crore is intended to be partly met by the immediate issue of 140,150 equity shares of Rs. 25 each at a premium of Rs. 15 per share to the existing shareholders in the ratio of one share for every two ordinary shares held. (This will provide a sum of Rs. 56.06 lakhs). The balance is intended to be met by the issue of additional debentures of the value of Rs. 50 lakhs, carrying interest at 6½ per cent, subject to tax.

The authorised capital of Tata Finlay will be Rs. 1 crore, but the subscribed capital for the present will be restricted to Rs. 50 lakhs. Out of the Tata's holding of 51 per cent in the capital of this concern — the balance being held by James Finlay and its associates — TOMCO directors have decided that they should subscribe 21 per cent of the subscribed capital and should be appointed the sole selling agents of the company.

In his statement, circulated along with the directors' report, Mr. J. R. D. Tata, Chairman of Tata Oil says that this venture will eventually prove a valuable and profitable addition to the company's range of activities. The factory of Tata Finlay, to be located in Bangalore, will have a capacity to pack 10 million lbs. of tea in a single shift and will be the most modern in India when it goes into production by the end of 1963.

Managing Agencies

A REVIEW

AFTER THE first five years of the working of the Companies Act of 1956, the managing agency system appears to have attuned itself to the new climate of discipline and controls created by the Statute and through various other administrative measures. All managing agency agreements now in force are said to have been scrutinised in the light of the new norms formulated under the Companies Act, 1956.

The decline in the number of managing agencies and their managed companies is said to have been occasioned by the administration of this Act. Before the Act came into force, there were as many as 4,000 managing agencies which managed over 5,000 joint stock companies. At the end of 1960-61, there were less than 1,000 managing agents managing about 1,400 companies. The reduction in the number of managing agencies and their managed companies is in accordance with the provisions of the Act under which "fit and proper" persons are to be appointed as managing agents after detailed examination of facts by the Government in consultation with the Advisory Commission.

As regards the tenure of managing agents, practice has been established to allow a term of 10 years in the case of first appointment and of 5 years in the case of reappointment. Even the ten-year initial term is liable to be reduced in appropriate cases where the gestation period required by a company is not long. The introduction of a sliding scale of remuneration is designed to bring about a progressive reduction in the remuneration of managing agents in cases where the annual net profits of the managed company exceed Rs. 10 lakhs. In regard to payment of guaranteed commission, the policy adopted by the Government is intended to close an obvious source of needless expenditure to managed companies, but encouraging result has not been achieved because of the traditional practice of many lending and credit institutions asking for a guarantee from the managing agents. Commission on sales and purchases and payments for various miscellaneous services said to be rendered by managing agents have been controlled under the Act.

Under the Companies (Amendment) Act of 1960 the provisions relating to the remuneration of managing agents were further amended in order to regulate the payments to the managing agents and their associates by the managed companies. Under the amended Act any separate payment to the partners of a managing agency firm or to the directors and/or members of a managing agency company shall be deemed to be included in the remunerations of the managing agents. Certain anomalies in the calculation of the managing agency remuneration have also been removed by the amended Act. The managing agents' power to nominate the Chairman of the Board of Directors of the managed company has been withdrawn.

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FROM THE CAPITAL'S CORRIDORS

GUJARAT PIPELINES PROJECTS

A SCHEME for laying a network of pipelines in the Gujarat area, involving an outlay of Rs. 6 crores, is now being considered by the Union Government. These pipelines are meant for (a) transporting crude oil from the Ankleshwar and Kalol oilfields to the Koyali refinery; (b) transporting the refined products from the refinery to Ahmedabad, a principal centre of consumption and distribution; and (c) for the utilization of associated and other gases produced in the oilfields.

The table below gives the details of the six pipelines that have been proposed.

The foreign exchange component of these projects is estimated at Rs. 1.5 crores. It is expected by the Union Mines and Fuel Ministry that this will be available from the ENI credit. In fact, it is being said that the Italian Government and the ENI authorities are agreeable to finance this pipeline network. They are even willing to transfer to these projects any foreign exchange that they may save on the projects which are already being financed by the ENI credit.

In the Third Five-Year Plan, a total provision of Rs. 41 crores has been made for the pipeline programme. Of this amount, only Rs. 4 crores are to be used for crude oil pipelines. The remaining Rs. 37 crores are for product pipelines.

A survey is already being conducted for laying a product pipeline from the Barauni refinery to Calcutta and Delhi. Another product pipeline is to be laid from the Noonmati refinery to the Siliguri distribution centre. Both these projects are already covered by the ENI credit. According to present estimates, the first project will cost Rs. 24 crores, and the second between Rs. 6 crores to Rs. 8 crores.

According to the Fuel Ministry, therefore, enough funds are available under the Plan to accommodate the Gujarat pipeline network.

AVAILABILITY OF NATURAL GAS IN GUJARAT

The Ministry has also argued that there is at present a "most urgent need for the maximum and immediate utilization of the associated and non-associated gases which are likely to be available in Gujarat." By the middle of 1964, or at the latest by the end of that year, the total availability of natural gases in the area will be 1,000,000 c.m.d., which is equivalent to 28.5 million cubic feet per day or to 1,000 tons per day in terms of coal.

According to the Ministry, the gas from Cambay has already been committed for the Dhuvaran power house, which is being built by the Gujarat Electricity Board, and the Ankleshwar gases for the Uttran power house. In order to keep wasteful flaring of natural gases in the area to the minimum, the Ministry says, it is necessary to have gas pipelines at the earliest possible date, and in any case before the middle of 1963.

As a result of the discussions between the Oil and Natural Gas Commission and the Gujarat Electricity Board, it has been decided that the price of gas would be equated to the price of residual fuel oil on a thermal value basis. On this basis the sales per year on the gas pipeline would amount to as much as Rs. 3 crores on a maximum throughput capacity. Even if the throughput is much less than the maximum envisaged, the price now agreed to would be quite profitable, according to the Fuel Ministry.

Much of what the Ministry says is undoubtedly correct. But a closer examination reveals that the gases available from the Gujarat oilfields will not be enough to meet the entire needs of the power stations to which they are being assigned. Consequently, the problem of coal movement to these power stations will remain.

PIPELINES PROPOSED FOR GUJARAT AREA

Pipeline	Distance	Product to be transported	Maximum capacity	Date of completion
1. Ankleshwar - Uttran	30-35 miles	Natural gas from Ankleshwar to Uttran powerhouse	400,000 c.m.d.	February, 1963
2. Cambay - Dhuvaran	12 miles	Natural gas from Cambay to Dhuvaran power house	250,000 c.m.d.	April, 1963
3. Kalol - Ahmedabad	12-15 miles	Natural gas from Kalol to Ahmedabad	350,000 c.m.d.	June, 1963
4. Ankleshwar Koyali	70 miles	Crude oil from Ankleshwar to Koyali refinery	2,000,000 tons/yr.	June, 1963
5. Kalol - Koyali	70 miles	Crude oil from Kalol to Koyali refinery	2,000,000 tons/yr	December, 1963
6. Koyali - Ahmedabad	60 miles	Refined products from Koyali to Ahmedabad	8" to 10" pipeline	September, 1964

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What is more, these power stations will have to make necessary adjustments in their equipment so that they can use either gas or fuel oil or coal.

Another snag is that at some stage, the power stations will find it profitable to use residual fuel oil from the refineries rather than gas. In such an event, a realignment of the pipeline network may become necessary.

AID PROSPECTS

With the return of the Union Finance Minister, Mr. Morarji Desai, from his tour of the West European countries, optimism is growing in official circles here that the shortfall of 220 million dollars in the contribution of the Aid-India Club members other than United States vis-a-vis the U.S. contribution of 500 million dollars for the second year of the Third Plan, will be by and large made up at the next meeting of the Consortium scheduled to be held on July 30. Part of this gap is envisaged to be filled by the World Bank stepping up its assistance by about 50 million dollars.

West Germany, which had been hitherto reluctant to raise its contribution from the level originally intimated by it to the Aid-India Club, is understood to be resiling from this position; some extra assistance from this country is now expected. The United Kingdom also is understood to be willing to step up its contribution. The remaining gap is envisaged to be filled by the entry of Italy, Belgium, the Netherlands and Austria into the Consortium and some more aid being available from Japan and France.

RUPEE RESOURCES FOR THE PLAN

As a sequel to an examination made by the Planning Commission recently of the balance sheets of all the public sector undertakings, it is now feared that an important source of rupee finance for the Third Plan will partly dry up. The examination has shown that on the basis of the performance so far most of the public sector undertakings would be yielding a return of about six per cent on their share capital by 1965-66. But this excludes the State-owned steel plants in which more than half of the total investment of the public sector is locked up. Although all efforts are being made to speed up production at the public sector steel plants, the shortfall that has already resulted in the production of these plants is going to lead to a considerably smaller accrual of resources from the public sector undertakings for financing the Third Plan.

The Planning Commission had envisaged that as much as Rs. 450 crores would be available from surpluses of public sector enterprises, other than the railways, for financing the current Plan.

The Commission, however, feels heartened by the fact that the States are showing promise of raising more resources than was thought early this year. Optimism is growing in the Yojna Bhavan that the States would be able to fulfil their commitments in regard to raising of resources for financing the Third Plan. The only exception appears to be the Jammu and Kashmir State whose resources for the Plan were discussed last week. Kashmir's 1962-63 Plan envisages an outlay of Rs. 16 crores. The State Government's effort to raise about Rs. 1 crore in a full year from fresh taxes is obviously not commensurate with the needs of its Plan. Central assistance amounting to no less than Rs. 14 crores will, thus, have to be provided if the State's current annual Plan is to be seen through.

But even these figures are misleading because they hide one very important fact that during the recent years, Jammu and Kashmir State has defaulted in payment of interest on Central loans. If the arrears of this liability were added to the State's this year's budget, its entire 1962-63 Plan would have to be financed by the Centre. The Planning Commission has generally allowed the State to spread the payment of arrears of interest over a number of years.

RURAL INDUSTRIES PROJECTS

A two-day Conference on Rural Industries Projects held here last week-end endorsed the objectives and approach of the scheme for promoting intensive and integrated development of small industries in rural areas as part of an all-round and well co-ordinated plan of original development.

The scheme envisages progressive extension of small industries to rural areas as a solution to the problem of employment and as one of the means of raising the standard of living.

The Conference approved the launching of 42 rural industries projects in the States and 4 projects in the Union Territories. Additionally, a few projects will be set up in the vicinity of the large industrial projects so as to achieve integrated industrial-rural development. The original scheme envisaged setting up of 40 projects only, but the number was increased owing to pressing demand from States.

A beginning is expected to be made by starting rapid techno-economic surveys of the selected project areas in October next. These surveys are to last not more than 3 months and will be the basis of decisions regarding the content of the area development programme. While in the first year about 46 projects will be initiated, it is expected that as experience is gained more such projects would be set up during the remaining years of the Third Plan.

An organisational structure for planning the programme, providing policy guidance and implementing it at various levels has been designed. The Rural Industries Planning Committee of the Planning Commission will be the top planning body and will be assisted by a Standing Committee. At the State level, advisory committees with Chief Minister or Minister of Industries as chairman are being set up to guide and supervise the implementation of the programme. The main brunt of executing the scheme will fall on the Project Officers who will be assisted by Project Committes. It is intended that non-officials who have already been working in the field of small industries should be closely associated with the project committees and wherever possible should function as project officers also.

Each project would be able to draw funds from the State Plan and the all-India Boards, loans and credits from financial and co-operative institutions and under the State Aid to Industries Acts. Additional funds would also be given to the projects as its own nucleus. To start with an assured minimum provision for each project of Rs. 20 lakhs will be made available to cover the four-year period, 1962-63 to 1965-66, over and above the present allocations under the Third Plan. Besides Rs. 8 crores for 40 projects, there will also be provision for contingent fund of about Rs. 7 crores. For the year 1962-63, a provision of Rs. 1 crore is being made in the first instance.

YEN CREDIT FOR SMALL INDUSTRIES

The Government of India has allocated a sum of Rs. 30 lakhs out of the Second Yen Credit to the National Small Industries Corporation for the import of plant and machinery from Japan for distribution to the small industrialists on hire-purchase basis.

The Japan Small Plant Committee, Tokyo, will assist the National Small Industries Corporation in obtaining reasonable quotations for Japanese plants and machinery of standard quality. The small industrialists of India will be able to choose the machines. The Japan Small Plant Committee will help in consolidation of small contracts by recommending a representative supplier who will obtain the export permits and undertake to fulfil other formalities required in Japan.

An agreement embodying the procedure to be observed in obtaining the quotations and for placing the orders has been signed.

IDA LOAN FOR PURNA PROJECT

The Internatioanl Development Association (IDA), an affiliate of the World Bank, has approved a development credit equivalent to $13 million to India to help complete a project to irrigate about 152,000 acres in the Purna River Valley in Maharashtra, and to provide a 15,000-kilowatt hydro-electric power station in the area. The project will, for the first time, introduce irrigated agriculture in a drought-stricken area in the Deccan Plateau.

This credit is the sixth that IDA has extended to India for irrigation and drainage projects during the past year. IDA credits $56.5 million are now assisting in the development of agriculture in widely scattered areas of India in the States of Punjab, Uttar Pradesh, Bihar, Orissa, Gujarat and Maharashtra.

EXPORT TRADE: QUALITY CONTROL AND PRE-SHIPMENT INSPECTION

An Export Inspection Advisory Council has been constituted by the Government to advise it on all matters relating to quality control and pre-shipment inspection of export goods. The Council, which has been set up after consultation with the Board of Trade, will particularly prepare an operational programme for quality control on export goods with priority for pre-shipment inspection measures.

The Special Secretary (Commerce) in the Ministry of Commerce and Industry will be the Chairman of the Council and Joint Secretary in the same Ministry (Department of International Trade) will be the Deputy Chairman.

The appointment of the Council is in pursuance of a suggestion made by the Ad-Hoc Committee on Quality Control and Pre-Shipment Inspection, which had been set up in November 1960, that the task of improving the quality of export goods would be facilitated if the Union Government had available to it the advice of persons intimately concerned with the day-to-day problems of quality control and with export promotion generally.

A GUIDE FOR COMPANIES

The Department of Company Law Administration has compiled a guide called "Guide for filling forms and making applications" under the Companies Act, 1956. It will be a priced publication and is expected to be put on sale all over the country very soon.

The publication seeks to provide useful information and guidance to those who may be required in course of the day-to-day working of joint stock companies to file returns or making applications under the various provisions of the Companies Act, 1956, and the rules framed thereunder. The experience of the Company Law Department has been that in filling such returns or making such applications, mistakes are often made or necessary information omitted. This entails avoidable correspondence and, hence, delay in the acceptance of the returns by the Registrar or in the disposal of the applications. The 'Guide' takes into account the common defects which have been noticed in the returns filed with the Registrars of Companies and the applications made to the Central Government and give examples to illustrate how the returns and applications prescribed under the Act should be filled in or made. The forms in which the different returns and applications are required to be submitted have been reproduced in full and filled in so that they may serve as models.

STREAMLINING COMPANY LAW ADMINISTRATION

Meanwhile, the Company Law Administration Department is trying to improve the current methods and procedures, adopted in dealing with the individual applications. Some time ago, target dates for the disposal of cases under the different sections of the Act were laid down for the guidance of section and branch officers. In the light of the experience gained during the last two years, the Department has recently reviewed the current procedures and has prescribed revised time targets for the disposal of the applications received by the Central Government under the different sections of the Companies Act. Every effort will be made to adhere to these target dates, provided the applications submitted to Government are complete in all respects and contain full information regarding the various items indicated in the prescribed pro formas and are accompanied by the requisite returns and other relevant documents. According to the revised targets, applications under several sections of the Act are expected to be finally disposed of within four weeks of receipt. In some cases, a period of 12 weeks is fixed.

To impart greater efficiency in its administration and to achieve the above end, the Company Law Department has embarked upon an ambitious scheme of training of its staff.

ECONOMIC UTILIZATION OF IRON ORE FINES

The Government of India is considering measures of economic utilization of iron ore fines, it is learnt here.

Pieces of iron ore of less than ¼" in size are generally known as fines. The fines cannot generally be charged into the blast furnaces. Sintering is the most common process used abroad for the economic utilization of such fines. In India, sintering plants have already been installed in the steel plants at Jamshedpur, Bhadravati and Bhilai. Rourkela will soon have a sintering plant whereas Durgapur and the proposed Bokaro steel plants will also have one each.

With the increasing mechanisation of large iron ore mines, the percentage of fines has increased recently. A special study made last year revealed that mines using mechanical equipment in the Bihar-Orissa area had already accumulated about 6 million tons of fines. Detailed laboratory tests are in progress in the National Metallurgical Laboratory and the Indian Bureau of Mines for assessing the characteristics of the iron ores specially from large mines. The tests will also reveal the economic feasibility of exporting fines, after treatment. At present, except for marginal quantities from Goa, no iron fines are being exported.

FICCI'S CONFERENCE ON NORTHERN REGION PROBLEMS

The Conference of the Federation of Indian Chambers of Commerce and Industry pertaining to the Northern Region, held here last week, spotlighted the problems faced by the industry and trade in this area on account of shortages in respect of transport, coal, power and raw-materials. The region suffers from a serious handicap in that it is situated away from the coal-fields as well as the principal port towns, which results in higher transport charges being incurred on bringing of some of the essential raw materials and for sending of finished products to the consumption centres. This handicap has not only pushed up the cost structure of industries in this region, but also hampered export promotion efforts. The Conference called for a many-sided action to overcome the difficulties emanating from this handicap and suggested that:-

(1) Concerted efforts should be made to improve the rail transport position so that coal can be moved to these areas speedily. Efforts should also be made to encourage the use of alternative fuel that is furnace oil. (The use of furnace oil in greater quantities will be possible only when adequate supplies are made available and the heavy excise duty is appropriately reduced);

(2) Intra-State and inter-State restrictions on road transport should be removed so as to ensure free movement of goods from one State to another;

(3) Railway freight concessions should be extended for movement of raw materials and finished goods from centres of production to those of consumption and/or onward despatch;

(4) Dry ports at two or three conveniently located centres should be set up — alternatively, the programme for setting up inland bonded warehouses should promptly be implemented.

The Federation is holding a conferece here in September to discuss the transport and power problems of the northern region. It was suggested at the last week's meeting that this opportunity should be availed of inter alia for detailed study and discussion on matters relating to power rates and levies thereon, especially those of hydro-electric, the basis thereof, the possibility of reducing these rates to industry which currently are heavily biased against it.

In the interest of export promotion, as much as in the interest of domestic consumers, the Conference felt manufacturers should be assisted to do all that is possible to improve the quality of their manufactures.

To alleviate the distress of small-scale industries which have made considerable progress in this region in the past few years, it was felt that raw material quotas allotted to small industrialists should be firmally adhered to and promptly made available to them.

The Conference was of the unanimous opinion that the lack of uniformity in the working of sales-tax system in different States was causing considerable hardship to the business community. There was multiplicity of procedures and the basis and the rates also differed from State to State. It was noted that the Federation had from time to time suggested to the Government that sales-tax be replaced by Central Excise Duty. In case it was not found feasible to implement the suggestion wholesale, as many items as possible should be freed from sales-tax and brought under excise duty.

Dealing with the premier industry of this region, namely, sugar, the Conference called for a sympathetic cosideration of this industry's problems, especially arising out of the sucrose content of cane, both at the hands of the State Governments as well as the Centre.

In regard to the difficulties faced by the jute manufacturers in this region, the Conference pleaded for the grant of suitable rebate in excise duty to these mills as they have to draw their raw jute supplies from distant places in Bihar, Bengal and Assam, thus incurring extra freight. Freight concessions were also sought on raw jute procured and jute goods despatched for exports.

In respect of shifting of factories from Delhi on account of the Master Plan being implemented, the Conference took the view that factories should be given help by way of subsidies and loans on easy terms to enable them to rehabilitate themselves on the new sites. It was pleaded that power, water supply, sewage and drainage facilities should be arranged by the authorities in an adequate measure for the factories at the new sites.

The Conference also called for greater co-ordination between the Central and the State Governments so as to facilitate implementation of the projects without delay and smoothen the flow of trade without causing undue hardships.

1961 CENSUS: REVISED ESTIMATE

The population of India last year had been undercounted by a little more than three million, according to post-enumeration check of the 1961 census. The provisional total population estimated on March 1, 1961, was around 436 million.

The post-enumeration check has revealed that there were 1,007 persons per every 1,000 counted on that day. If the under-count is taken into account, the population of India on March 1, 1961, stood at 439 million.

The revised population figures, in fact, place India's population on March 1, 1961, at about 442 million. This total is arrived at by adding to the revised census figure of 439 million the population of Goa, Daman, Diu, Dadar, Nagar Haveli and the N.-E.F.A. The population of these areas is estimated at three million.

IN BRIEF ....

The Government of India has announced that the rate of interest on all Post Office Savings Bank Accounts will be increased by ½ per cent with effect from August 1, 1962. Interest on deposits up to Rs. 10,000 in individual accounts (up to Rs. 20,000 in joint accounts) will now be 3 per cent per annum and on balances in excess thereo" as also on public accounts, 2½ per cent per annum as against the existing rates of 2½ per cent and 2 per cent respectively. Other Savings Bank Accounts will also earn a similar increase of ½ per cent ever the rate of interest admissible to them.

*

The Union Government has decided to grant licences for the import of 12 items — dhanicha seeds, chuna khari pearls, eggs and poultry, green spices, fish dry and salted, betelnuts, drugs and medicines including Unani and Ayurvedic, black cumin seeds, mother of pearl shells, betel leaves, guar seeds and gramophone records — from Pakistan within fixed ceilings. These licences will be issued subject to the condition that payment for the goods imported will be made in non-convertible Indian rupees as provided for in Protocol No. I to the Trade Agreement between the Governments of India and Pakistan concluded on March 21, 1960. The agreement has since been extended upto March 21, 1963. This last date for applying for licences is August 31, 1962.

COMPANY AFFAIRS

KESORAM INDUSTRIES & COTTON MILLS LIMITED: ANOTHER GOOD YEAR

The working results of Kesoram Industries and Cotton Mills Ltd. for the year ended March 31, 1962, disclose a gross profit of Rs. 1.81 crores. The Directors have reported that the profits would have been much larger if the circumstances prevailing at the time of last year's report had continued. During the current year the ex-mill prices had not been increased, while the off-take of cloth had slackened. The lean cotton crop and the consequent rise in the price of cotton, and the rising prices of stores, dyes and spare parts etc. increased the expenditure and the bill of wages also rose. These additional burdens cut profits which would otherwise have been much larger; but the results reflect the mill's good management under adverse conditions.

The provisions for depreciation at Rs. 69.43 lakhs, for taxation at Rs. 36.00 lakhs, for Development Rebate Reserve at Rs. 13.38 lakhs and for other charges such as Managing Agents' Commission, Directors' Commission and Investment Reserve total upto Rs. 129.52 lakhs, leaving the net profits at Rs. 51.35 lakhs. Alongwith the carry forward from the last year, the amount available for disposal for the current year is Rs. 53.80 lakhs.

The Directors have recommended that a sum of Rs. 19.52 lakhs should be transferred to general reserve. Cumulative Preference Shares and the Redeemable Cumulative Second Preference Shares would together take away, by way of dividend, a sum of Rs. 9.84 lakhs. For equity capital a rate of 12 per cent gross has been recommended taking the total allocations for dividend distribution to Rs. 33.82 lakhs, including the provision of Rs. 23.97 lakhs for equity capital.

The Directors have reported difficulty regarding the power supply which became acute during April to June 1961 and had an adverse effect on the production of the Company. The coal situation is also causing anxiety because wagons are not available. Coal for the mills is being transported by trucks, enhancing costs still further.

Because of the expanding activity of the mills, the authorised capital was increased to Rs. 5 crores. Ten lakh ordinary shares at Rs. 10 each were issued, taking the issued and paid-up capital to Rs. 3.20 crores. The Directors are hopeful that despite the ups and downs in the economic condition prevailing in the market, the mills will do better in the next year. The new expansion plans and diversification of the Company's activities are expected to yield dividends in the coming year.

COCHIN MALABAR ESTATES

The Cochin Malabar Estates Ltd. has recorded a net profit of Rs. 6.39 lakhs, after providing for all charges including taxes for the year ended February 28, 1962 or Rs. 2.07 lakhs less than in the previous year. With the brought forward amount of Rs. 10,145 and a transfer of Rs. 50,000 from general reserve together with other sundry credits like unclaimed credit balances, Sales Tax Refunds etc. has resulted in a total credit of Rs. 7.03 lakhs. Out of this disposable balance, a sum of Rs. 1.30 lakhs has been appropriated to the Rehabilitation Reserves. The Directors have decided to pay a Final Gross Dividend on ordinary shares at the rate of 11 per cent which together with the Interim Gross Dividend of 9 per cent, makes a total of 20 per cent for the year 1961-62 which is the same as in 1960-61.

The rubber crop harvested during the year was 11,59,898 kgs. as against the estimate of 11,41,396 kgs., indicating in increase of 18,502 kgs. over the estimate. It may be added that this is the second highest crop harvested by the company since its inception—the previous best being in 1960-61 with a yield of 12,64,304 kgs. This is a satisfactory performance taking into account the none-too-favourable weather conditions experienced in 1960-61. It is estimated that a crop of 11,48,970 kgs. will be harvested during 1962-63 at an all-in-cost of 316.35 cents per kilogram. Details of the crop harvested, cost of production, and the average price realised during the past three years is as under:

	1959-60	1960-61	1961-62
Crop ('000 kgs.)	9,78.8	12,64.3	11,59.9
Cost of production (cents per kg.)	257.6	239.8	248.9
All-in-cost (cents per kg.)	292.8	270.2	296.8
Average price realised (cents per kg.)	399.9	392.2	358.3

The interim wage rise to workers following the recommendation of the Wage Board for Rubber Plantation Industry and the enhancement by Rs. 10 per month per staff member obviously account for the increase in the wage bill and the consequent rise in the cost of production. The company is doing everything possible to reduce expenditure so as to be able to give a better performance in the accounting period.

NEW ISSUES

The Controller of Capital Issues has authorised six companies to raise capital aggregating Rs. 1.33 crores. Of these, two companies are issuing 'right' shares, one 'bonus' shares and the other three 'equities'. A Central Government undertaking and a bank figure in the list. The consent of the Controller in all cases is valid for 12 months. The following are the details:

The Aluminium Industries Limited, Kerala State, is raising capital of Rs. 35 lakhs in ordinary shares of Rs. 10 each for cash at a premium of Rs. 3.50 per share to the existing shareholders on right basis. The proceeds will be utilised for the manufacture of PVC cables, covered conductors etc. The company's paid-up capital is Rs. 1 crore, all in equity.

Kumbakonam Bank Limited, Kumbakonam, is issuing further capital of Rs. 64,250 divided into 412 full shares of Rs. 50 each; and 873 ordinary shares of Rs. 50 each. All the shares will be issued for cash at par, to the existing shareholders on rights basis. The proceeds will be utilised for strengthening the bank's capital base.

Malleable Iron & Steel Castings Company Private Limited, Bombay, will issue bonus shares of the value of Rs. 1 lakh on capitalisation of its reserves.

Indian Drugs & Pharmaceuticals Ltd., Delhi, a Government undertaking, having a paid-up capital of Rs. 80 lakhs, is raising further capital of Rs. 50 lakhs divided into 5,000 equity shares of Rs. 1,000 each to be issued for cash at par.

Globe Auto Electricals Limited, Bombay, having a subscribed equity capital of Rs. 20 lakhs, is raising further equity capital of Rs. 25.75 lakhs for cash at par. Out of this, shares of the value of Rs. 15.75 lakhs will be offered for subscription to Messrs. Electric Autolite Company of USA and the remaining Rs. 10 lakhs to the existing shareholders. The proceeds of the issue will be utilised for the manufacture of dynamos (AC and DC) and motor starters.

Fort Gloster Industries Limited, Calcutta, will issue 21,000 equity shares of Rs. 100 each for cash at a premium of Rs. 90 per share. The capital is required for manufacture of V.L.R. cables, trailing cables for mines and railway sigalling cables. The existing capital of the company is Rs. 84 lakhs.

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
April	1961 ..	117.6	112.0	121.5	153.1	136.0	126.1	127.5	126.0
May	" ..	117.2	104.1	121.6	153.2	136.9	125.3	126.9	125.4
June	" ..	120.6	100.1	123.3	143.8	139.7	123.9	126.2	126.2
April	1962 ..	120.5	98.8	122.4	135.1	136.9*	125.2	126.8	124.2
May	" ..	124.2	102.0	122.3	134.9	137.3	125.9	127.5	126.3
June	" ..	125.4	99.7	123.4	136.1	139.5	127.1	128.8	127.4
June 16, 1962	..	124.1	98.7	124.2	135.9	139.7	127.0	128.8	126.8
June 23, 1962	..	125.6	99.5	124.3	136.5	139.3	127.6	128.7	127.6
June 30, 1962	..	127.6	99.1	124.1	137.1	140.3	128.3	130.0	129.1
July 7, 1962	..	126.7	99.1	124.4	137.4	142.1	127.7	128.7	128.6

* 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	—	—	—
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 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*
May	.. ..	—	—	—	167	—	—	—	—	—	—	—	—
June	.. ..	—	—	—	171	—	—	—	—	—	—	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 20-7-1962			13-7-1962			6-7-1962			29-6-1962		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 gram)	126.75	125.50	126.24	127.10	126.15	126.58	126.35	125.50	125.83	125.95	124.90	125.48
Silver (per kilogram)	213.90	212.70	213.36	216.10	213.70	214.98	215.30	213.65	214.07	215.40	214.60	215.03

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										
April 1961 ..	2,017,13	18,88	2,036,01	117,76	118,01	235,77	11,58	121,90	1,678.34	2,036,01
May „ ..	1,989,60	16,63	2,006,23	117,76	113,01	230,77	11.50	118,51	1,656,95	2,006,23
June „ ..	1,958,79	30,43	1,989,22	117,76	108,01	225,77	11.35	118,54	1,644,92	1,989,22
April 1962 ..	2,136,62	23,21	2,159,83	117,76	110,61	292,37	10.57	118,65	1,812 81	2,159,83
May „ ..	2,143,74	24,94	2,168,68	117,76	102,00	219,76	10.13	115,05	1,833,87	2,168,68
June „ ..	2,111,73	33,72	2,145,45	117,76	92,48	210,24	9.80	113,75	1,821,43	2,145,45
Week-Ending										
15-6-1962 ..	2,131,04	30,03	2,161,07	117,76	92,68	210,44	9.73	112,41	1,838,22	2,161,07
22-6-1962 ..	2,097,04	41,07	2,138,11	117,76	92,08	210,44	9.83	114,44	1,,813,23	2,138 11
29-6-1962 ..	2,076,68	43,31	2,119,99	117,76	91,68	209,44	9.88	116,24	1,794,31	2,119,99
6-7-1962 ..	2,094,77	23,77	2,118,54	117,76	91,77	209,53	9.89	114,79	1,794,22	2,118,54
13-7-1962 ..	2,090,32	14,15	2,104,47	117,76	91,09	208,85	9,92	115,61	1,780,01	2,104,47

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	12.23
1960-61 ..	61,73	21,27	97,30	98,76	279,06	100.33	464,39	19,02	28,71	20,74	38,19	132.78	209.56	15.38
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														
April 1961 ..	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
May „ ..	61,60	16,21	78,38	116,50	272,69	144,08	501,78	16,72	41,65	21,40	83,99	125,25	191,55	21,22
June „ ..	64,96	13,55	84,67	123,86	287,04	134,21	506,25	30,47	39,78	14,49	68,97	121,34	208,22	22,97
April 1962 ..	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
May „ ..	50,54	15,77	86,11	150,91	303,30	158,79	547,11	24,96	64,10	5,79	111,26	129,86	174,46	36,65
June „ ..	56,84	11,35	91,78	149,74	309,71	168,06	562,78	33,77	52,34	8,62	98,64	126,68	203,05	39,67
Week-Ending														
15-6-1962 ..	57,43	5,17	87,14	148,86	298,59	166,62	550,21	30,08	56,79	9,02	118,67	124,51	171,92	39,22
22-6-1962 ..	69,77	4,71	98,62	151,27	324,37	174,07	583,44	41,12	52,25	9,66	124,51	122,13	194,03	39 74
29-6-1962 ..	53,36	25,49	98,70	149,65	327,21	175,39	587,60	43,35	44,04	5,64	34,89	134,93	282,27	42,46
6-7-1962 ..	48,16	25,19	109,23	193,42	376,00	120,06	581,06	23,83	58,89	6,78	37,88	133,58	279,04	41,35
13-7-1962 ..	53,27	17,46	90,51	192,22	353,46	119,08	557,55	14,20	74,69	5,37	38,17	133,08	252,29	39,75

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

INDEX NUMBERS OF WHOLESALE PRICES — IMPORTANT COMMODITIES

(Base: 1952-53 =100)

Average of months/ Average of weeks	Rice	Wheat	Jowar	Bajra	Gram	Ground-nut Oil	Mustard Oil	Sugar	Gur	Tea
1955-56 ..	78	72	67	84	49	74	104	94	88	170
1956-57 ..	97	88	123	122	71	104	176	95	100	165
1957-58 .	105	88	114	126	68	105	164	110	107	164
1958-59 ..	105	105	105	126	96	107	148	121	131	169
1959-60 ..	105	96	119	126	75	118	150	124	161	186
1960-61 ..	108	90	122	130	87	138	168	127	136	206
March 1961 ..	101	91	110	128	90	153	179	127	112	208
April „ ..	101	88	110	130	79	154	169	127	114	216
May „ ..	103	86	109	134	76	152	168	127	116	198
June „ ..	106	86	113	141	81	159	169	127	122	206
July „ ..	108	88	118	145	81	160	175	127	121	220
August „ ..	110	89	113	142	82	149	174	127	123	218
September „ ..	110	87	107	128	81	141	173	127	122	190
October „ ..	108	89	110	130	82	129	176	125	118	205
November „ ..	106	92	108	128	86	135	183	125	118	180
December „ ..	102	94	109	126	88	134	187	125	109	164
January 1962 ..	101	98	115	130	91	136	187	122	108	177
February „ ..	102	100	120	131	90	140	186	122	108	181
March „ ..	103	94	120	126	82	136	179	124	118	163
April „ ..	106	92	122	123	81	135	171	131	121	155
May „ ..	109	88	126	125	84	132	176	131	129	166
June „ ..	110	88	131	128	86	132	179	130	144	N.A.
9-6-1962 ..	110	88	129	125	86	132	179	130	137	N.A.
16-6-1962 ..	111	87	132	126	85	132	178	129	138	169
23-6-1962 ..	111	88	132	129	86	133	178	130	146	N.A.
30-6-1962 ..	110	88	133	134	87	133	183	130	164	169

Average of months/ Average of weeks	Spices & Condiments	Tobacco Raw	Coal	Cotton Raw	Jute Raw	Ground nut	Cotton Manufactures	Jute Manufactures	Silk & Rayon Manufactures	Machinery
1956-57 ..	97	80	116	111	126	111	116	95	88	104
1957-58 ..	96	92	128	106	133	108	116	95	86	107
1958-59 ..	127	93	133	99	118	117	112	87	93	109
1959-60 ..	152	98	135	106	125	131	117	91	96	111
1960-61 ..	128	111	141	112	210	146	128	131	104	116
March 1961 ..	122	114	141	111	271	159	127	162	117	117
April „ ..	123	111	141	110	243	162	127	142	117	117
May „ ..	128	101	141	110	245	162	127	137	115	118
June „ ..	151	95	141	110	208	167	126	125	117	118
July „ ..	145	93	141	107	215	171	126	131	119	118
August „ ..	143	95	141	105	180	167	128	121	118	118*
September „ ..	143	95	141	104	155	156	128	114	119	119
October „ ..	145	95	141	107	150	143	128	119	119	119
November „ ..	143	93	141	108	149	143	128	116	121	123
December „ ..	140	89	141	109	145	144	128	118	123	122
January 1962 ..	141	92	143	110	146	145	128	116	122	122
February „ ..	140	94	143	112	148	149	128	113	125	122
March „ ..	140	95	145	113	148	149	128	117	127	122
April „ ..	143	94	145	112	141	149	128	115	129	123
May „ ..	149	95	145	113	139	145	129	113	129	124
June „ ..	152	92	149	113	144	144	130	118	130	124
9-6-1962 ..	151	92	145	113	144	144	130	116	131	124
16-6-1962 ..	151	91	152	113	143	142	130	119	131	124
23-6-1962 ..	152	92	152	113	143	146	130	117	129	124
30-6-1962 ..	152	91	152	113	145	145	130	124	129	124

* Estimated.

BANKING STATISTICS

BUSINESS OF SCHEDULED BANKS IN INDIA : 1955 - 61

(Amount in rupees crores)

Items	Last Friday of 1955	1956	1957	1958	1959	1960	1961
1. Number of reporting banks	89	89	91	93	94	93	82
2. Number of reporting offices*	2,838	2,953	3,263	3,623	3,922	4,142	4,388
3. Paid-up capital**	32.7	33.1	34.5	35.5	36.2	36.8	36.2
4. Reserves	31.3	32.4	36.0	38.3	35.9	36.5	38.3
5. **Deposits**							
(a) Demand deposits	571.8	603.4	658.9	549.8	668.9	721.0	732.6
(b) Time deposits	403.9	449.1	638.7	866.4	1,097.9	1,086.4	1,102.1
(c) Aggregate deposits	975.7	1,052.5	1,297.5	1,516.2	1,766.8	1,807.3	1,834.7
(d) Aggregate liabilities	1,206.2	1,344.5	1,572.3	1,791.6	2,051.6	2,174.6	2,209.2
6. **Bank Credit**							
(a) Loans and advances	508.9	614.3	706.5	736.4	807.7	1,006.8	1,087.9
(b) Bills purchased and discounted	84.7	130.6	113.0	94.3	114.3	123.2	189.1
(c) Total bank credit (a+b)	593.6	744.9	819.5	830.6	921.9	1,130.0	1,277.0
7. (a) Investments in government securities†	382.8	364.2	432.9	637.0	787.4	630.3	577.0
(b) Other investments	30.2	30.6	50.8	54.9	67.6	63.4	74.8
(c) Total investments (a+b)	413.0	394.8	483.7	691.9	855.0	693.7	651.8
8. Cash in hand	39.1	38.6	39.7	43.4	44.4	50.2	54.4
9. Balances with Reserve Bank of India	61.1	51.9	67.9	76.0	69.5	111.7	101.4
10. Cash and balances (8+9)	100.2	90.5	107.6	119.4	113.9	162.0	155.8
11. Ratio of Bank credit to total deposits	60.8	70.8	63.2	54.8	52.2	62.5	69.6
12. Ratio of investments to total deposits	42.3	37.5	37.3	45.6	48.4	38.4	35.5
13. Ratio of cash balances to total deposits	10.3	8.6	8.3	7.9	6.4	9.0	8.5
14. Ratio of paid-up capital and Reserves to total deposits	6.6	6.2	5.4	4.9	4.1	4.1	4.1

BUSINESS OF NON-SCHEDULED BANKS IN INDIA : 1955 - 1961

(Amount in rupees crores)

Items	Last Friday of 1955	1956	1957	1958	1959	1960	1961
1. Number of reporting banks	387	354	318	290	269	258	222
2. Number of reporting offices*	1,247	1,240	1,112	981	925	885	723
3. Paid-up capital**	7.9	7.7	6.4	5.5	5.0	4.8	4.0
4. Reserves	4.2	4.4	3.4	3.4	3.0	2.6	2.4
5. **Deposits**							
(a) Demand deposits	25.2	26.0	15.1	14.2	14.1	12.9	10.1
(b) Time deposits	42.9	46.7	34.0	31.9	34.6	34.3	28.2
(c) Aggregate Deposits	68.1	72.7	49.1	46.0	48.7	47.2	38.3
(d) Aggregate liabilities	85.8	90.9	63.5	59.1	60.9	59.1	50.0
6. **Bank Credit**							
(a) Loans and advances	35.8	39.4	32.2	28.6	29.0	28.6	23.8
(b) Bills purchased and discounted	2.2	3.2	1.8	1.7	1.5	1.0	0.8
(c) Total bank credit (a+b)	38.0	42.6	34.0	30.3	30.6	29.6	24.6
7. (a) Investment in government securities†	24.9	25.5	13.3	11.5	11.1	12.1	9.9
(b) Other investments	5.7	6.6	4.3	4.3	5.2	4.3	3.3
(c) Total investments (a+b)	30.5	32.1	17.6	15.8	16.3	16.5	13.2
8. Cash in hand	6.2	6.0	3.8	3.5	3.6	3.9	3.3
9. Balances with Reserve Bank of India	..	—	—	—	—	—	—
10. Cash and balances (8+9)	6.2	6.0	3.8	3.5	3.6	3.9	3.3
11. Ratio of Bank credit to total deposits	55.8	58.6	69.2	65.8	62.8	62.6	64.2
12. Ratio of investments to total deposits	44.8	44.2	36.3	34.3	33.5	34.8	34.5
13. Ratio of cash and balances to total deposits	9.1	8.3	7.7	7.6	7.4	8.3	8.7
14. Ratio of paid-up capital and Reserves to total deposits	17.8	16.6	20.2	19.3	16.4	15.7	16.7

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

Source: Reserve Bank of India.

BANKING STATISTICS

DISTRIBUTION OF DEPOSITS OF SCHEDULED BANKS : 1951 — 1961

(Amount in Rs. Crores)

End of	Demand Deposits No. of Accounts ('000s)	Demand Deposits Amount	Savings Deposits No. of Accounts ('000s)	Savings Deposits Amount	Time Deposits No. of Accounts ('000s)	Time Deposits Amount	All Deposits No. of Accounts ('000s)	All Deposits Amount
1951 ..	10,17	456.31 (55.5)	19,13	135.35 (16.5)	3,05	229.96 (28.0)	32,34	821.62
1955 ..	10,19	497,03 (50.0)	22,75	162,53 (16.4)	4,25	334.09 (33.6)	37,19	993.66
1956 ..	10,76	522.21 (48.6)	24,65	183,65 (17.1)	4,82	368.95 (34.3)	40,23	1074.81
1957 ..	10,62	566.25 (42.0)	27,39	201.98 (15.0)	5.86	579.38 (43.0)	43,87	1347.61
1958 ..	11,24	550.93 (35.7)	30,27	221.97 (14.4)	7,22	768.43 (49.9)	48.72	1541.33
1959 ..	11,98	566.26 (30.9)	33,24	248.22 (13.6)	8,62	1016.14 (55.5)	53,84	1830.62
1960* ..	12,49	584.20 (31.3)	35,72	266.71 (14.3)	9,56	1013.64 (54.4)	57,77	1864.55
1961** ..	13,29	601.86 (31.4)	40,84	311.80 (16.3)	11,11	1001.75 (52.3)	65,24	1915.41

* As on October 28, 1960. ** As on October 27, 1961.

Note: Figures in brackets are percentages of total deposits.

THE REGIONAL PATTERN OF BANK DEPOSITS

State	Offices (In Number) 1959	1960	1961	Deposits (Rs. Lakhs) 1959	1960	1961	Advances (Rs. Lakhs) 1959	1960	1961	Ratio of Advances to Deposits 1959	1960	1961
Andhra Pradesh	290	315	332	47,83	50,05	58,95	38,24	45,82	48,10	79.9	91.5	81.6
Assam	37	42	45	12,26	15,96	17,70	2,56	4,00	5,02	20.9	25.1	28.4
Bihar	154	160	178	44,06	50,04	56,34	15,13	19,54	24,19	34.3	39.0	42.9
Gujarat)		313	334		120,20	136,01		75,81	79,03		63.1	58.1
)	822			523,02			355,35			67.9		
Maharashtra)		545	584		435,88	477,89		354,64	384,01		81.4	80.4
Kerala	229	231	241	52,58	43 28	51,65	29,29	28,60	30,83	55.7	66.1	59.6
Madhya Pradesh	174	170	185	40,07	43,23	53,80	19,94	26,46	26,25	49.8	61.2	48.7
Madras	538	586	608	114,92	120,55	126,49	88,76	100,22	119,76	77.2	83.1	94.7
Mysore	352	379	426	62,54	64,78	77,59	35,91	43,56	52,93	57.4	67.2	68.2
Orissa	43	47	53	6,69	6,92	7,83	2,40	4,06	5,43	35.9	58.7	69.3
Punjab	311	317	322	86,11	93,92	101,30	27,93	32,23	34,57	32.4	34.3	34.1
Rajasthan	143	165	179	29,16	29,46	33,83	18,79	21,32	15,67	64.4	72.3	46.3
Uttar Pradesh	420	453	460	107 94	119,97	132,69	56,28	73,38	76,04	52.1	61.1	57.3
West Bengal	227	244	257	285,90	285,88	311,79	230,38	283,36	326,25	80.5	99.1	104.6
TOTAL (including Others)	**3,932**	**4,166**	**4,414**	**1838,39**	**1869,54**	**1960,71**	**962,70**	**1167,44**	**1286,11**	**52.4**	**62.4**	**65.6**

THE PATTERN OF SCHEDULED BANKS' ADVANCES : 1950 - 61

(Rs. crores)

Groups	Dec. 1950	Dec. 1955	Dec. 1956	Oct. 1957	Oct. 1958	Oct. 1959	Oct. 1960	Oct. 1961
1. Industry	152.4 (32.0)	221.0 (34.3)	305.5 (38.5)	383.7 (43.6)	398.1 (47.9)	418.5 (44.7)	562.8 (51.2)	666.0 (54.2)
2. Commerce	246.1 (51.7)	323.2 (50.1)	376.8 (47.5)	375.9 (42.7)	312.5 (37.6)	373.6 (39.9)	395.3 (35.9)	413.5 (33.7)
(a) Trade	175.2 (36.8)	261.9 (40.5)	317.9 (40.2)	306.8 (34,9)	253.7 (30.6)	296.1 (31.6)	325.7 (29.6)	350.5 (28.6)
(b) Financial	70.9 (14.9)	61.3 (9.6)	58.9 (7.3)	69.1 (7.8)	58.8 (7.0)	77.4 (8.3)	69.6 (6.3)	63.0 (5.1)
3. Agriculture	11.0 (2.4)	11.3 (1.8)	13.9 (1.7)	24.2 (2.7)	21.6 (2.6)	25.7 (2.7)	6.6 (0.6)	8.4 (0.7)
4. Personal and Professional	42.2 (8.9)	55.4 (8.5)	67.5 (8.5)	61.4 (7.0)	66.3 (8.0)	78.0 (8.4)	96.8 (8.8)	106.2 (8.7)
5. All others	24.0 (5.0)	34.1 (5.3)	29.9 (3.8)	35.5 (4.0)	33.0 (4.0)	40.0 (4.3)	38.6 (3.5)	33.5 (2.7)
Total Advances	475.6 (100.0)	644.9 (100.0)	793.6 (100.0)	880.6 (100.0)	831.5 (100.0)	935.7 (100.0)	1,100.0 (100.0)	1,227.7 (100.0)

NOTE: Figures in brackets indicate percentages to total.

Source: Reserve Bank of India.

PRINCIPAL ASSETS AND LIABILITIES OF BANKING COMPANIES IN 1961

(Classified According to Size of Deposits)

(Rs. crores)

Size of Deposits	No. of reporting banking companies	Paid-up capital & Reserves*	Deposits (including inter-bank) Demand	Time	Total	Cash in hand & Balances with the Reserve Bank of India	Investments in Government securities†	Other Investments	Total advances
			(As on the last Friday of the year)						
Non-Scheduled Banks									
Below Rs. 5 lakhs	96	1.7 (85.0)	0.5 (25.0)	1.5 (75.0)	2.0	0.3 (15.0)	0.5 (25.0)	0.2 (10.0)	2.6 (130.0)
Rs. 5 lakhs to Rs. 10 lakhs	47	0.9 (26.5)	0.7 (20.6)	2.7 (79.4)	3.4	0.3 (8.8)	0.8 (23.5)	0.4 (11.8)	2.4 (70.6)
Rs. 10 lakhs to Rs. 50 lakhs	61	2.6 (19.0)	3.5 (25.5)	10.2 (74.5)	13.7	1.1 (8.0)	3.9 (28.5)	1.3 (9.5)	8.8 (64.2)
Rs. 50 lakhs to Rs. 1 crore	12	0.7 (8.6)	2.0 (24.7)	6.1 (75.3)	8.1	0.7 (8.6)	2.2 (27.2)	0.5 (6.2)	4.6 (56.8)
Rs. 1 crore to Rs. 5 crores	6	0.6 (5.1)	3.6 (30.8)	8.1 (69.2)	11.7	0.9 (7.7)	2.6 (22.2)	0.8 (6.8)	6.3 (53.8)
Total	222	**6.5 (16.7)**	**10.3 (26.5)**	28.6 (73.5)	38.9	3.3 (8.5)	10.0 (25.7)	3.2 (8.2)	24.7 (63.5)
Scheduled Banks									
Below Rs. 5 lakhs	2	0.6	—	—	—	—	—	—	0.4
Rs. 5 lakhs to Rs. 10 lakhs	—	—	—	—	—	—	—	—	—
Rs. 10 lakhs to Rs. 50 lakhs	4	0.5 (55.6)	0.5 (55.6)	0.4 (44.4)	0.9	0.1 (11.1)	0.3 (33.3)	0.3 (33.3)	0.3 (33.3)
Rs. 50 lakhs to Rs. 1 crore	9	1.0 (14.5)	2.4 (34.8)	4.5 (65.2)	6.9	0.8 (11.6)	2.1 (30.4)	0.4 (5.8)	3.9 (56.5)
Rs. 1 crore to Rs. 5 crores	30	5.7 (7.6)	25.0 (33.4)	49.8 (66.5)	74.9	8.4 (11.2)	19.3 (25.8)	3.2 (4.3)	62.2 (83.0)
Rs. 5 crores to Rs. 10 crores	9	5.7 (9.6)	21.1 (35.5)	38.3 (64.5)	59.4	5.1 (8.6)	15.4 (25.9)	1.8 (3.0)	45.3 (76.3)
Rs. 10 crores to Rs. 20 crores	9	8.1 (6.2)	46.2 (35.2)	85.0 (64.8)	131.2	11.8 (9.0)	47.0 (35.8)	9.6 (7.3)	72.0 (54.9)
Rs. 20 crores and above	19	52.9 (3.2)	695.5 (42.3)	947.5 (57.7)	1,643.0	129.6 (7.9)	492.9 (30.0)	59.5 (3.6)	1,092.8 (66.5)
Total	82	**74.5 (3.9)**	**790.7 (41.3)**	1,125.5 (58.7)	1,916.3	155.8 (8.1)	577.0 (30.1)	74.8 (3.9)	1,276.9 (66.6)

Note: **Figures in bracket indicate the percentage of individual items to total deposits of banking companies under each group.**

* Exclude paid-up capital of banking companies incorporated outside India.

† Include Treasury Bills.

Source: Reserve Bank of India.



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THE EASTERN ECONOMIST

AUGUST 3, 1962.

After the Aid-India Consortium Meeting

THE news that the Aid-India Consortium meeting on July 30 voted a total of $1,070 million has created almost as much a confusion amongst the sophisticated as it has amongst laymen who are constantly baffled by the vast array of figures which "aid arithmetic" presents for their admiring gaze. At first sight, a figure of $1070 million looks considerably more than it was anticipated seeing that the figure bandied about in India was $450 million, being the "excess" or "shortfall" required to be under-written in this particular meeting. It now transpires that there is considerable but undefined overlapping. The actual figure required for the second year of the Plan is $1150 million and the current agreed figure is, therefore, $80 million short. Since the United States will match any figure put up by the other members of the Aid-India Club, what seems to be short is, in fact, a petty element of $40 million from the European members of the Club. It would only add to the confusion if one added details of each country's contribution and worked out, very improperly, a balance-sheet of generosity or otherwise on the basis of one year's figures. What is important is a general view not of the finances on the second year of the Third Plan, but what can be deduced from the current view of our friends abroad on the much greater ordeal which we jointly face when the remainder of the Plan is to be underwritten in about six months from now.

With good cause, the addition of certain members to the Club has been noted with optimism. At the infructuous May meeting, Austria and the Netherlands formally joined the Club; at the current meeting Italy and Belgium have joined. Italy's substantial contribution reckoned for this purpose, however, includes only $45 million of the $100 million ENI credit. This in itself is an unexpected blow because if the full credit had been assumed at $108 million ($100 million for the oil industry and $8 million for the Madras Aluminium project) there would have been no shortfall since the United States' matching credit would have more than provided the balance. On the other hand, the complaint at New Delhi that no matching grant has been provided for IDA's additional contribution of $50 million is not justified. The United States undertaking was designed to bring the European members into the consortium in fuller partnership; it was neither the spirit nor the substance of the latter that the United States should match all World Bank contributions.

So far as the current gap of $40 million on European account or $80 million on total account is concerned, one might assume that additional negotiations will bring in this sum without much difficulty. It may be irksome, but it is, nonetheless, necessary for us to pursue actively the lines which the Finance Minister and his officers conducted in discussions prior to the current Consortium meeting. The pattern of international aid is increasingly that of a consortium arrangement, and we must need to develop a new machinery of persuasion and operation suitable to this. It is doubtful if either Mr. K. B. Lall in Europe or Mr. B. K. Nehru in the United States has adequate staff for the detailed preparation of memoranda to fill gaps in information and in persuasion as they arise. It is vital that the Ministry of Finance should send some of its most able officers to Brussels and Washington to continue a process of consultation which has been so well begun during the Finance Minister's visit.

Even if this is done, however, one cannot assume that the foreign exchange required in the Third Plan would be forthcoming in full. Anyone who has been abroad over the last three months will know, for reasons which it is not difficult to see, that India has dropped considerably in the order of priority in both European and in North American Continent. In the North American Continent, both the United States and Canada have their own balance of payments problems which make it difficult for them to commit substantial aid to India for a long term. In Europe there is tremendous internal preoccupation, in view of Britain's proposed entry into the European Common Market, which has created a sense of uncertainty. A very large number of senior Treasury officers, who, in the last analysis, need even more convincing than their Ministers, are wholly absorbed in European affairs. At the same time, and much to our detriment, a very large number of candidates for aid are roaming over Europe in different guises and attires, picturesque for the most part and attractive as newcomers, but wholly unconvincing advocates of the foreign aid philosophy. If foreign aid is to be thrown into every State now seeking it,—and Africa herself counts as Legion—the whole philosophy behind aid will acquire a diversified hue which will do damage to the best interests while not arresting the worst. No one can have any doubts that the Secretaries

of Economic Ministries in the European Continent are tired of ceaseless attempts by countries not prepared to absorb aid, basing their claims on the theory that under-development is its own best argument. There is no doubt whatever that in this process India—a good candidate for aid with a solid record of performance in the last decade—has suffered almost as much as anybody. This will undoubtedly also affect attitudes in the next Aid-India meeting.

It is wholly unjust that this should be so, and that aid should be considered in "overall" terms because of the political factors involved, not least because of the point of maintaining some proportion between India and Pakistan on the one hand, and a proportion between Asia and Africa on the other. We are unduly confident if we assume that because our Plans are well prepared we will be able to surmount these political obstacles without a tremendous campaign of selling such as we have never been prepared to do, partly because of political inhibitions. *The Eastern Economist* holds the view that unless both political and economic forces joined to sell the Indian Plan as an element in world development and the self-interest of various contributing nations are underlined in the process, there will be a large gap left in the Plan which we cannot under any circumstances fill from sources outside the Aid-India Club.

It is these circumstances which require that India should take thought for herself apart from depending, as we have too often done, unduly on foreign aid from our friends whether from the West or from the East. We cannot benefit any longer from our independent dynamic neutrality, nor, indeed, should we wish to do so. It is far more important that we should develop by the intelligent use of the equipment that is already in the country and by wise management, a capacity to reduce our demands rather than a capacity to ask for more. The preparation of a hard core of the Plan should be worked out in self-defence. In the preparation of the hard core it is not the shortfall in our foreign aid, but the shortfall in our own managerial capacity that will be decisive. It is possible for many existing units to save foreign exchange on expansions of the order of 10 to 20 per cent. Even if half this sum were contributed to filling high priority blocks in the economy, we might be better off than if we received additional foreign aid with its great obligations of servicing in foreign exchange and repayment in the period of the Fourth and Fifth Plans.

If our difficulties over the Aid-India meeting have taught us that self-reliance is far more valuable than dependence on that portion of foreign aid which is uncertain, its hard lesson would not have been in vain. India should be grateful to her friends for the generosity which the current meeting has displayed. We should not foolishly present to them a bill over the next six months which, in any way, is in excess of essential requirements, after the most careful scrutiny of our capacity and ability to do for ourselves things which have often been cast upon a foreign friend. Our attitude of mind must now be far more disciplined and economical in the demands for additional foreign funds with the burdens which the economy in the years to come may be unable to bear.

The Delhi Power Crisis

FOR many years there has been a superstition in this Capital city of India that it was protected so far as power supply was concerned, by two great buffers; first, the unlimited capacity of the Central Government to pay any price for rush equipment, and secondly, because management was kept on its toes by the fear of the Prime Minister's visible displeasure. This week has shattered both illusions. The sudden failure of the electricity supply has exposed not so much the collapse of one transformer reducing power from Nangal, as many unsavoury details of the manner in which another transformer has been left unrepaired for months as well as other indications of absence of any planning in dealing with Delhi's rising power needs. The shock has been so complete that it has overflowed everywhere, but particularly into politics. The New Delhi Municipal Committee is up in arms against the Delhi Corporation; the Delhi Corporation is up in arms against the Chairman and management of the Delhi Electric Supply Undertaking. The Delhi Electric Supply Undertaking is shifting the blame, wherever it can, on to the Punjab Government State Electricity Board. The Punjab Government State Electricity Board, not to be undone, keeps pointing to applications for import licences, one of which, having been delayed for months, was sanctioned on the day when the transformer was burnt out. In the month of August in sweltering heat which is sometimes unbearable, cuts of power for four hours per day have been ordained and every organisation and every household has to bear the brunt of this corporate mismanagement. Truly can it be said that democracy has been fulfilled in this city in the sense that universal hardship has been bestowed almost equally on all.

So far as individuals are concerned, it is not proper at this stage to come to a judgment. The Government of India has ordered an inquiry to be presided over by Mr. Dharma Vira, Secretary of the Ministry of Works, Housing and Supply, who commands high respect. It is generally believed that a fair and impartial inquiry with no attempt to whitewash those responsible is now under way. The Committee is to report within a fortnight, and it would be wholly wrong to anticipate its findings in any way. It is a fact, however, that the inquiry is not concerned with the problem of planning technical efficiency so that we do not have recurrence of power failures which have become frequent as units, both new and old, keep failing for reasons of which the public is largely unaware. Undoubtedly, weaknesses in management are responsible. One of the greatest weaknesses is leadership in management leading to absence of discipline and a high sense of responsibility in those entrusted with a continuous utility service of the highest national importance.

The warning has come late; it is hoped not too late. The nation has lapsed over the last two years badly in terms of efficiency in the operation of public sector undertakings, notably power units and the Railways. The discipline of these organisations has sunk so low at this time that one may wonder whether or not the disease does not require drastic surgery in some places. Basically, the maintenance of existing units cannot be beyond the capacity of trained engineers and of workers who have to do no more than routine checking of details from time to time so that adequate intimation is given to those responsible for new planning. This duty is not being done in a very large number of public sector enterprises and conceivably in many private sector ones. There needs to be a comprehensive review of the use of power in the country as a whole. It would not be inappropriate if Mr. T. T. Krishnamachari, Minister without Portfolio, who is undertaking co-ordination of important elements in the Plan, should conduct at the highest level a thorough enquiry into the power supply situation and submit a report to the Cabinet which will compel all those responsible to perform their duties adequately or resign. A drastic overhaul of the administrative machinery is required in respect of every public utility service if the country is to be stopped from the rot which Delhi's crisis has shown lies very near the heart of the Central Government.

The Cairo Conference

THE original doubts expressed about the advisability of convening the conference of the thirty-five under-developed nations at Cairo and the hesitation with which some of them consented to participate eventually proved to be completely misplaced. Also, the scepticism with which the propriety and the utility of the Conference were looked upon by the industrialised countries turned to be miscalculated. There was a certain element of surprise in the course which the deliberations took when the proceedings got off to a start. Speaker after speaker gave increasing reassurance that this assambly of new nations really meant business. If any lapses in anti-colonial slogans and accusations were evidenced, they had no more significance than stray utterances.

The declaration issued after the conclusion of the Conference gives further corroboration of the realistic approach of the delegates to the problems of the economic development of the backward nations. The fact that these problems were distinctly divided in their internal and external aspects was convincing proof that the delegates were fully aware how responsibility for the development effort rested essentially, and in the first instance, on their own shoulders. External factors have their vital impact on the pace of the growth of the economies of the under-developed countries. But in the order of priority of mobilisation of resources, they come next after the internal factors. This is not to say that the interaction of the two was ignored, but the emphasis was on the principle of self-help before external help could be invoked.

If the goal of all economic development is the raising of the standards of living all around, the Conference laid stress not only on the rate of increase in the national income but more significantly in the per capita income. The significance of this emphasis was highlighted in unambiguous terms. At the root of the disparity in the growth rates of the national income and the per capita income lies the high incidence of population growth and the point was powerfully brought home that prior attention should be given to population control. Other more important problems stressed by the delegates were the urgency of agrarian reform which could brook no delay, diversification of the economy to redress the current imbalances and fiscal reform in order to tap resources at the right points. In the domain of internal problems was included the wider issue of co-operation between the developing countries for mutual assistance. The example of the Colombo Plan has inspired confidence in this type of co-operation and a more intensified effort in the spheres of research, technical aid, expansion of trade, transport and communications was prescribed as one of the effective ways in which the lack of domestic resources could partially be removed.

Contrary to the widely entertained apprehension, the Conference studiously refrained from indulging in any denunciation of regional economic grouping and in particular of the formation of the European Economic Community. It is not as if this attitude emerged all too suddenly. There existed sharp differences as shown by the speeches of delegates from certain countries. Ghana, for example, made an outright condemnation of the association of the former African colonies with the EEC as neo-colonialism with a vengeance. Such ventilation of emotion, however, was allowed to pass without any fuss. By and large, the consensus was that regionalism was turning to be a very effective technique to promote economic expansion and expansion of trade in particular. To this, however, one fundamental reservation was made. The economic integration of the advanced countries was welcomed subject to the proviso that it was not allowed to degenerate into an instrument of restrictive policies at the cost of the countries outside.

A proposal was moved at the Conference to organise a counter economic bloc of the under-developed countries. But wiser counsels prevailed and the isolationist consequences of such a course of action were realised promptly. This question cropped up again in another form, when at a session, held *in camera*, a motion was discussed for setting up a permanent secretariat for the Conference. This proposal was also opposed — India was one of the chief opponents—primarily on the ground that the secretariat would inevitably turn out to be an embryo of the projected bloc. The very compulsions of inter-dependence in trade between the developing and developed countries underlined the shortsightedness of the formation of a bloc as a counter move, apart from the inherent structural weaknesses of such a bloc.

Aid and trade were bound to figure as important problems for consideration. External aid was indispensable to fill the wide gaps in domestic resources and here the emphasis was on soft loans. In the absence of soft loans, sooner or later the developing countries, it was cogently argued, would find themselves confronted with a further aggravation of their balance of payments deficits. But a positive angle from which the problem of balance of payments needs to be attacked as a normal phenomenon is the restoration of the export trade of the developing countries to a stabilised basis. A conspicuous fact of great relevance was that their terms of trade were getting more adverse. This was the outcome of the widening disparity between the international prices of the primary commodities and the prices of capital goods and other manufactures. It was urged that resolute measures ought to be taken to stabilise the international markets for primary commodities both in the short-term and long-term context. In the process of stabilisation due attention was demanded for the role of price

parity between primary commodities and manufactures. Stabilisation is by no means a novel proposal and attention was drawn to the declaration made in November 1961, by the Ministerial Council of GATT to devise ways and means to promote the external trade of the underdeveloped countries. Faith in GATT as an instrument for securing development of trade on a basis of non-discrimination has been fortified as indicated by the tenor of the speeches.

The Cairo Conference made it abundantly clear that the under-developed countries are definitely evincing a state of maturity in their thinking on questions of international economic co-operation. Their insistence on self-help as a condition precedent to external aid as well as an enlightened outlook on the new emergence of regional economic integration, as embodied in the EEC, now invite a responsive gesture from the industrialised countries.

Raising Cotton and Oilseeds Output

WITH some success achieved in the last three years on the food front, it was natural that the Ministry of Agriculture in New Delhi should have bestowed more and more thought on raising the output of the major cash crops which are essential not only for feeding the expanding industrial sector of the Indian economy, but also from the point of view of earning valuable foreign exchange. The calling of the last week's two-day Conference of Agricultural Experts was, thus, a step in the right direction, though it came a bit late in the day taking into consideration the acute situation that has developed on the cotton front after partial failure of the last year's crop. The Conference dished out some very eminent measures, both short-range and long-range, for stepping up cotton and oilseeds production. Raising of cotton output is primarily intended to reduce the drain on foreign exchange earnings, while augmenting the production of oilseeds has a two-fold objective—ensuring of adequate supplies for the domestic industries, and also earning foreign exchange.

The production of cotton and oilseeds, which has been trailing behind the stipulated targets, can be raised in the short-term only through measures such as plant-protection and increased use of fertilizers and improved seeds. There is little scope for extension of area under these crops (unless through substituting them for other crops) and whatever further area can be made available for their cultivation in the vast tracts to which canal irrigation is being extended, especially Rajasthan, can come over a number of years. Similarly, provision of additional irrigational facilities in the cotton and oilseeds growing areas, even through minor irrigation works, is a time-consuming process. The Agricultural Experts' Conference, therefore, rightly laid great faith in the efficacy of the former measures for stepping up cotton and oilseeds production in the next one or two years. Extension of the package programme for groundnuts to 24 blocks, instead of 8 as envisaged hitherto, in a period of three years and institution of similar programmes for some cotton growing areas should be welcomed in view of the success achieved through this process on the food front. But this ambitious plan obviously requires great efforts on the part of the State Governments. While the introduction of the package programme in selected areas pinpoints the energies of the authorities over small tracts, it involves a large co-ordinative effort which is by no means an easy task.

From the long-range point of view, the experts have recommended earmarking of all the area brought under irrigation in Rajasthan for growing cotton, debarring of raising of competitive crops on lands particularly suitable for the production of cotton in some other regions, making available liberal and easy supply of credit, strengthening of co-operatives etc. For raising the output of groundnuts they have recommended that the Saurashtra and Andhra Pradesh practice of mixed cropping of groundnuts in cotton areas should be popularised wherever practicable. While much can be achieved through these measures, one important prerequisite for all this appears to have been overlooked and that is the assurance to the agriculturists that if they are able to produce more cotton and oilseeds, their returns in financial terms would not go down with the fall in prices of these commodities. In the immediate future, as long as the country is short of adequate supplies of cotton and oilseeds, fixation of support prices for them is of only academic interest. But the psychological effect of this measure on the farmer can be considerable and needs to be taken advantage of even in the initial stages. For cotton there are already fixed support and ceiling prices, but their recent upward revision has not been adequate. As experience is gained, it is hoped this important aspect of the issue will be looked into again.

Another crucial matter that should be given attention to, while fostering the use of chemical fertilizers in the cotton and oilseeds growing areas having assured rainfall, is the introduction of crop insurance. This is necessary in view of the fact that howsoever assured of rainfall an agricultural tract may be, it is subject to "extreme" vagaries of weather which have not been uncommon in the recent past. In the absence of assured irrigational facilities through canals, tanks, tubewells etc. there is always an inhibition on the part of the agriculturist to go in for chemical fertilizers which may do a considerable damage to his crop if rains fail. Inclusion of crop insurance in all package programmes, thus, is urgently required. The financial burden of this measure obviously cannot be great because the areas to be covered by package programmes are always carefully selected.

If the growth in our agricultural economy is to be fostered judiciously and without augmenting the output of one crop at the expense of another, there is apparently a case for greater specialisation in Indian agriculture as between different regions of this country. This is evident from the fact that yields of various crops vary widely from one State to another. But this specialisation should be effected through properly educating the agriculturists rather than through legislative sanctions. If the experience of the Communist countries is any guide, the adoption of the latter course would be suicidal. Broadly, the areas to produce particular crops, as is envisaged in the case of cotton, may be earmarked on the basis of scientific experiments, but the ultimate decision of producing a particular crop on an acre of land has to be left to the judgment of the agriculturist, tempered, of course, by educating him through a massive demonstration programme.

THE WEEK'S NOTES

Algeria

END OF INTERNAL STRIFE ?

THE STRUGGLE for power in Algeria seems to have been finished with the entry of the guerilla officers who took control of Algiers on July 29. The rapid decline in the support for Mr. Ben Khedda was quite apparent when, on Wednesday last week, his army guards refused to continue their security duties for the safety of his person and he hastened to recognise Mr. Ben Bella's Political Bureau which he describes as the internal government of the country. The units of the Central Algerian Military Zone (Wilayya IV) took possession of the capital city and virtually completed the struggle. The Vice-Premier, Belkacem Krim had already left for Kabyli the night before to join the other Vice-Premier Mr. Mohammed Boudiaf. It will be recalled that these two Ministers offered armed resistance to Mr. Ben Bella after his forces captured Constantine and Bone. Some more resistance to Mr. Ben Bella's power at the centre from them may not be ruled out. But its chances are slight.

Mr. Ben Bella has announced that for him the struggle is over. Latest reports of Mr. Mohommed Khider's mission in Paris and Algiers indicate that it has been a success. The stage is thus set for parleys for a compromise between Mr. Ben Bella and Mr. Ben Khedda. What now lies ahead is the task of establishment of complete peace, proceeding with the elections and getting down to the challenge of the civil administration. Actually law and order have practically been at the lowest ebb since the vacuum, created by the departure of the French officials, has not been filled. The differences between Mr. Ben Khedda and Mr. Ben Bella came to a head immediately as a consequence of Mr. Ben Khedda's precipitate action in dismissing Colonel Boumedienne and two other army officers. It was these officers who mustered support in an overwhelming measure for Mr. Ben Bella. Mr. Ben Bella has all along been protesting that the army will have no control over the Government of free Algeria. If his confidence, or rather his hope, turns to be true it will certainly be to the good of the future growth of democracy in Algeria. But it will be difficult to be blind to the potentiality of the army emerging as the real and continuing sanction behind the administration. It will be a supreme task before the united leadership to keep a jealous watch on the army and to allow no opportunity to it to get the upper hand in controlling the internal situation.

Rajasthan

REPHASING THE PLAN

POLITICAL PRESSURES easily constitute one of the important factors in the imbalance between the reasonable estimates of capacity to raise resources for the Plans and the targets fixed for raising them. The Third Plan is a glaring instance of how a distortion may be caused in its structure. It is in this Plan that the unique duality of the financial targets and the physical targets, the latter being higher than the former, has been created. The responsibility for this queer defect in planning must be placed squarely on the shoulders of the National Development Council. And in the NDC it is the pulls exerted by the Chief Ministers of the States which count for not a little. The ambition of the State Ministers to plan on a big scale is understandable to the extent that it demonstrates their desire to raise the levels of the economies of their States. But these ambitions would be meaningless if they are not matched by the capacity of the economies and the determination of the Ministers to raise the requisite resources.

Rajasthan has emerged as an unhappy illustration of planning in haste on a grand scale and repenting not at leisure but rather early in the Third Plan period. The Third Plan for the State has been drawn up at an estimated outlay of Rs. 236 crores. One of the basic commitments made by the State Ministry was that about Rs. 80 crores would be raised internally by the State. The contributions from the Centre were naturally made in relation to this promise. In the very second year of the Plan the State Ministry has made an agonising reappraisal of its capacity to find the resources to which it stands committed. It is not difficult to find why the need for making this reappraisal was felt at this juncture. The Party in office is shaken to its foundations by internal strife. While similar strifes have been set at rest somehow in some other States, every nerve is being strained to find a formula of compromise between the two warring groups in the Rajasthan Congress Party. This is for the very simple reason that the Congress Government in Rajasthan is precariously poised on the support of a slender majority and, if any defections occur, its fate will be seriously jeopardised.

Whatever the immediate cause of the reappraisal of the State's own resources for the Plan, it is good that the Plan is being pruned at this stage, so that high hopes may not be kept dangling before the public for a long time to bring disillusionment in the end. On the present estimate, the Rajasthan Government feels that it can raise not more than Rs. 50 crores by way of its contribution to the resources. This represents a shortfall of Rs. 30 crores below the original commitment. But strangely enough, the State Government has asked the Planning Commission to cut down the financial outlay for the State Plan by Rs. 51 crores, revising it downwards from Rs. 236 crores to Rs. 185 crores. This is intriguing. Does it imply deeper apprehensions of a further shortfall in the State's own resources and therefore in Central contributions? Care has been taken to give to the public the assurance that, while an all-round revision of the expansion programmes in the different sectors of State's economy will be essential, the target of power production will be maintained at the original figure. If the State Government is able to keep up to this assurance, it will have earned the gratitude of the public for adhering to the right priorities. But one cannot be too sure about it.

Road Transport

A WRONG APPROACH

THE BITTER reality of the transport situation has been producing at long last some realistic thinking on the readjustment in the transport policy adopted by the Government for three decades now. The physical

limitations on the capacity of the railways to carry even the priority categories of traffic at the right time and in the right directions have changed the outlook of the Government on the policy for road transport. Last week the Planning Commission and the Central Transport Ministry had a very important discussion on the question of augmenting the transport capacity of the economy. This discussion, of course, related to all the modes of transport, but as the prime reliever to the railways it was naturally concentrated on road transport.

The importance of the occasion can be gauged from the fact that four Ministers, Mr. Gulzari Lal Nanda, Mr. V. K. Krishna Menon, Mr. Jagjivan Ram and Mr. T. T. Krishnamachari attended this discussion and made their own contributions to the solution. The meeting seems to have come to the conclusion that the road programme prescribed in the Third Plan should be accelerated by a special effort. If this was its only view, it falls far too short of the present requirements. The road transport programme has been drawn up on a very grudging scale and financial stringency has been pleaded for the inability to include a larger plan consistent with the increase in demand that would be created for transport capacity. A definite step forward would have been taken if the Commission had given an indication to advance the completion of the programme and to make allocation for a larger programme in the remaining period of the Plan.

Mr. Krishna Menon's fad of the ordnance factories being capable of manufacturing anything under the sun for civilian requirements was in evidence again on this occasion. It is reported that the Planning Commission in its discussion gave the pride of place to the manufacture of heavy trucks and Mr. Krishna Menon was quick in coming forward with his categorical assurance that the ordnance factories would produce trucks with a pay-load varying between 60 tons and 90 tons. To that end he insisted upon a rapid survey to assess the mechanical, economic and financial problems involved in the manufacture of heavy trucks. At a time when the Himalayan border situation threatens to be prolonged and different types of equipment, not excluding trucks, can be fruitfully manufactured by the ordnance factories for defence requirements, it is utter misdirection of their capacity to divert them to the production of heavy trucks for civilian freight transport. Are the factories in the private sector not equal to the task of manufacturing heavy trucks, given the necessary resources? On what hypothesis is it assumed that they will be found wanting if they are entrusted with this extra programme?

Equally erroneous is the line on which the Commission is thinking in making a decisive change in road transport operations. The consensus of view at the meeting was that the State should enter the field of truck transport on a major scale to provide the necessary road service capacity. It is surprising that in spite of the shortcomings of the public sector practically on every single front on which it has been tried in the Plans, so much blind faith should be put in its ability to undertake new ventures. Truck transport stands in a category quite distinct from railway freight transport, since a considerable volume of personal service and attention is involved in the former. Moreover, the points of commencement of traffic are far-flung. It is not as if the State has not tried this experiment. In the former Bombay State it was tried on a limited scale, on a selective basis which was quite favourable to the government operated services; but it had to be abandoned as a dead-weight loss. It is astonishing that a facile assumption should now be made that the State will somehow acquire the technical skills required to run truck transport services on a nation-wide scale.

The proper thing to do would be to liberalise the present restrictions on transport licensing on proof of capacity to run longer hauls. Already there is ample evidence about this capacity set out in the Neogy Committee's preliminary report. Large-scale manufacture of heavy trucks will be a costly and time-consuming problem. If road capacity is to be used to the optimum, one sure way in which this object can be achieved is to allow truck-trailer services on appropriate roads and on roads which can be improved to facilitate their operation.

The Congo

THE FEDERAL SOLUTION

HITHERTO ALL the solutions to the recurring crises in the Congo were based on what was considered to be the fundamental and unalterable principle of a unitary type of Government for a well-knit State of Congo. But the wide tribal differences and the extreme disparities in the distribution of natural resources with their concentration in certain provinces like Katanga, have made a sense of unity, however eminently desirable, difficult to achieve in practice.

Mr. Cyrille Adoula has now requested the UN jurists to draft a federal constitution for the Congo. The basic principle on which the federal constitution is to be drawn up is to define and restrict the jurisdiction of the Federal Government to a limited number of subjects, leaving the residuary jurisdiction to the provinces or the federal units. In view of the coverage and potential importance of the residuary subjects, the federation is likely to acquire a loose rather than a strong and well-knit structure. Foreign affairs, defence, customs, currency, foreign trade, communications and immigration are being mentioned as the federal subjects. Two important considerations arise here. If the revenue from the mineral wealth is left to the federal units, the Centre would be left in a very weak position. This would totally upset the balance between the economic strength of the Centre and the units. Easily Katanga would emerge as the strongest force in the federation.

Such a position, however, may be untenable and it would even not be acceptable to the Congo at large. Belgium and the Big Three Western nations, having important stakes in the Union Miniere, are preparing a draft scheme for the allocation of the mining revenue between Katanga and the Federal Centre for the consideration of the UN. If agreement on this important issue is reached, the structure of the Federation will have acquired the vitality it would so badly require. Although defence is to be a federal subject, it cannot be presumed that complete integration or cohesion of the army, drawn from the different tribes and regions, will be easy of achievement. Besides, the problem of disbanding the irregulars in the provinces may also pose some difficulty. But obviously a firm beginning will have to be made to build up the armed forces with a sense of national unity and this is what the constitution would contemplate.

The World Abroad

INFLATION AND WAGE RISES

By

ODYSSEUS

WHEN COLLECTIVE BARGAINING leads to wage increases greater than the forces of supply and demand alone would have yielded, and at the same time greater than the increase in labour productivity in the economy, it is an independent factor contributing to inflation.

In surveying Europe during the period 1953-1960, the OECD Report on the Problem of Rising Prices found that wage increases had not been excessive in Austria, Belgium, Italy, and Switzerland, nor, except for 1956-57, in Germany. France was a border-line case, since excessive demand in 1956-58 created a situation in which wages chased up behind prices, but collective bargaining, as such, had no significant effects in the private sector. On the other hand, excessive wage increases did constitute important independent inflationary forces in the U.K., the U.S.A., the Netherlands, Denmark, Sweden, and Norway. Wage inflation was more important in the U.K., the U.S.A., and Denmark because the pressure of total demand was relatively smaller in these countries than elsewhere.

In Switzerland, unemployment was low but pressure of demand on the labour force was controlled by allowing foreign workers to enter freely — a decision which would have been impossible without the co-operation of the unions and which reflects how alive Swiss public opinion is to the evils of inflation.

Historically, one important cause of excessive wage increases in the West has been that during the booms (a) of post-war reconstruction and (b) of the Korean war, unions became accustomed to large increases in money wages, and with the return to more normal conditions they continued to expect such increases, even though the gain in real income was inevitably offset by higher prices, particularly in the U.K. and in the U.S.A. To the extent that these wage demands reflected a desire to increase the share of national income going to labour, they were unsuccessful. The share of labour has remained remarkably constant in all countries since 1950. This was because, with high employment, business was largely able to pass on price increases to consumers. But since the OECD Report was published, the active government policies in so many countries to curb excess demand, and to enforce competition, have led many observers to fear that the unions will continue to force wage increases at the expense of profits. This could well raise the percentage going to labour but it must slow down the rate of growth, so that labour faces the choice either (a) of accepting a smaller percentage of a more rapidly expanding national income with a corresponding greater absolute share or (b) of insisting on a large percentage of a national income that is stagnant, or rising negligibly, so that labour will obtain an absolutely lesser share.

We need not elaborate the statistical evidence which shows that excessive wage increases have been inflationary forces in the countries sited. Instead, let us ask what can be done about it. Four of the distinguished internationally known economists, who drafted the Report, advocate the adoption of a Wages Policy. Two argue against this. The majority argue that restraint of demand by monetary and fiscal measures alone, without a Wages policy, will, if persisted in long enough, stabilise prices at the expense of full employment and of growth.

What is a Wages policy? It is not (a) exhortations to labour to exercise restraint, (b) informal understandings with labour for a wage pause, (c) arbitration by itself, nor (d) centralised national wage negotiations by themselves.

FOR A WAGES POLICY

The government's first task should be to create a climate favourable to the working of a Wages policy by educating public opinion in the dangers of inflation, and thus creating a political will to prevent it. Recognition of the problem of wage-push inflation by the national leaders in politics, industry, and labour, and the enunciation of a Wages policy would be a big step forward and would add a new dimension to the thinking of workers and employers before negotiating, and the hope is that this would make it difficult for the public interest thereafter to be ignored. A clear lead from the government could have a marked effect on public opinion, if the nation's leaders have previously kept explaining how the wage system has contributed to the continuous erosion in the value of the money in the citizen's pocket. The establishment of a norm should, the majority argue, mean that the burden of proof would be upon any group of workers or employers who wanted to depart from it.

As the aim of a Wages policy is to set a norm for wage increases there must be a public authority (such as the Dutch Social and Economic Council, the French Planning Commission, or the newly fledged National Economic Development Council in the U.K.) charged with the job of assessing what it should be. The function of such a governmental body should not be that of a mediator. Mediation has often helped to pave the road to inflation. The government's job is to ascertain and assert the public interest.

GOVERNMENTS AS EMPLOYERS

Since in all countries today the government is by far the biggest single employer of labour, it is vital that the government should have a Wages policy for its own employees. Hitherto, governments have usually fixed the wages of their employees as if for all eternity. Time passes and a day of shocked surprise comes when it is found that school teachers, civil servants, doctors, nurses, or railway men, have fallen far behind the scales achieved by workers in private enterprise. The result is a wage adjustment of a size wholly incompatible with any stabilisation policy, which is bad in itself and as an example. Governments should recognise that wages do rise and that a planned slow rise is better than large abrupt jumps.

In the private sectors of the West, there is an astonishing diversity of legal provisions, institutions, and practices, governing collective bargaining. Many are still conditioned by pre-war experience, when lack of security and fears of depression justified the protection of sectional interests and the neglect of wider views of the national welfare. Changes are needed to adapt

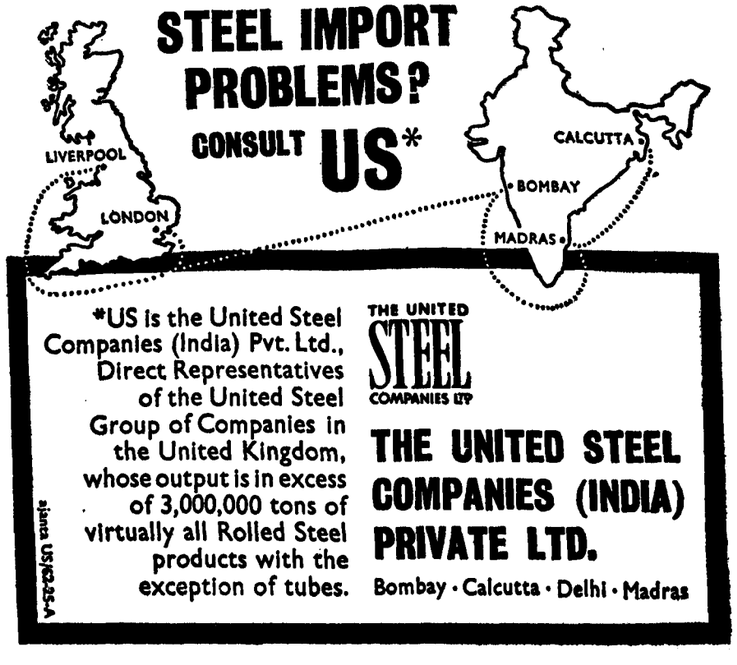
these systems to the wholly different circumstances of the post-war West, in which the basic problem is to secure a steady and equitable rise in real incomes without inflation.

AGAINST A WAGES POLICY

Professor W. Fellner of Yale and Professor F. Lutz of Zurish, who constitute the minority on the OECD Committee, agree with the majority in holding that (1) inflation can only be avoided if the average rate of money wage increases stays within the limits of the average increase in output per man-hour; that (2) it should be possible to calculate rough estimates of the probable average rate of increase of output per man-hour for some years ahead; that (3) those in charge of arbitration services should be informed of the tolerable average rate of increase in many wages; and that (4) the government should adopt a consistent policy towards its own employees.

The minority, however, doubt that the publication of guiding "norms" would solve much. They believe governments would have to intervene in the economy in much greater detail to enforce a Wages policy. They point out that wage negotiations do not relate to average wage rates but to wages and prices is specific industries. They therefore believe that governments would have to become involved in extensive regulations covering individual wages and prices. In such circumstances, political considerations and group pressures would influence the wage and price structure and also the general wage and price level. What the minority have in mind, I presume, is the tremendous bargaining power and political influence of, for example, such trade unions in the U.K. as the railway men and the dock workers, a strike by either of whom could inflict losses on the national income running into hundreds of millions of pounds, endangering the balance of payments itself.

The minority say that the majority assumes that without a Wages policy it is impossible to prevent inflation at acceptable levels of employment and indeed that inflation could develop even at high levels of unemployment, but the minority think that this is too pessimistic. They believe that union leaders will learn from the experience of self-defeating wage rounds and from the subsequent adjustments which have in fact reduced the inflationay momentum. They concede that, given the present bargaining attitudes, the prevention of wage-push inflation would require unreasonably low levels of employment. But rather than fall back on government regulations, they would rely on the education of public opinion by making it clear that wage bargaining between powerful groups had become incompatible with a reasonable employment policy. If a sufficiently high level of employment were assured by monetary and fiscal policy, the trend in the general level of real wages, would in any event correspond to productivity trends. In other words, if full employment could be approximated without inflation, collective bargaining for wages by large unions would not be needed to protect labour's interests. At the same time, wage bargaining between powerful groups makes it difficult for monetary and fiscal policy to function without inflation. This leads Professors Fellner and Lutz to assert that on neither side of the labour market should the permissible size and functions of organisations be regarded as immutable. Bargaining arrangements and attitudes required to protect labour in eras of unemployment may prevent the attainment of full employment in the present era in which modern monetary and fiscal policies could ensure it without inflation. This is the nub of the matter. Wherever bargaining attitudes threaten to conflict with the aims of policy, the organisation on both sides of the bargaining table should be modified in the light of contemporary needs. The conflict cannot be solved by measures which imply that the stabilisation authorities have (a) the independence of pressure groups and (b) the knowledge needed to appraise market forces and to settle the wage structure. A recent article in the Manchester "Guardian", which argued that to secure an acceptable Wages policy, the National Economic Development Council will have to engage in thousands of job evaluations in order to arrive at a "fair" wage structure, suggests that Professor Fellner and Lutz have taken a more realistic view than their colleagues of the difficulties of enforcing a Wages policy.



The European Scene

SCANDINAVIA AND THE COMMON MARKET

From Our Special West European Correspondent

PARIS, July 30, 1962.

MR. GAITSKELL went back from the Brussels meeting of West European socialist parties last week saying that he had been seriously dismayed to find that his Continental friends in the Common Market parties were quite indifferent to the fate of the European neutrals whom Britain roped into her EFTA escapade but who risk being excluded from the enlarged Common Market. His dismay is well founded, for this indifference is common both to the governing parties and the opposition in the Six States. Britain's official concern for them (it is Switzerland, Austria, Sweden and Finland that are involved) is interpreted here as an expression of guilt for having misled them into thinking that EFTA could ever be an effective reply to the Common Market. The pre-condition set by London, that these countries be accommodated fairly, is, if not largely ignored, taken much less seriously than the other stipulations about safeguards for the Commonwealth and for British agriculture. Not that any European who stops to think is literally indifferent to what happens to these four democracies that are economically tied to West Europe but politically incapable of accepting the terms of the Rome Treaty. But there is a general belief that the enlarged Common Market can continue being as "neat around the edges" as the six-nation association has been since 1958. That is to say European nations will either be in or be out, and if they suffer inconvenience by being out, that's too bad.

Hard-heartedness is not the reason for this attitude (although many Continentals are apt to get a little steely when the prosperous and canny Swiss complain of possible trade losses). Common political objectives and, eventually, joint military responsibilities are part of their plan for unification, and its sense would be radically altered if they admitted nations that accepted neither. The economic boundaries of their union will have to be drawn somewhere, in the shape of a common external tariff which, preferably, should be equal for all outsiders saving unobjectionable dispensations in favour of developing countries from Greece to Africa. It is hard to see—juridically, politically or economically—how certain prosperous neutrals could, or should, be granted extraordinary favours. A limited exception might well be made in the case of Austria, whose situation is unique; this could take the form of a generous commercial treaty signed between Vienna and the enlarged Common Market. No special treatment is, to date, envisaged for Switzerland; the other Europeans are not inclined to it and the Americans are positively hostile.

There remains the case of the Scandinavian countries, and here, it seems, Britain is correct in insisting that the enlarged association can never hope to be as neat around the edges as the six-nation union was. For Scandinavia poses apparently insoluble problems and, whatever the theory of European integration may demand, one cannot conceive how Scandinavia can be either in or out; there will have to be a gradation of association from Denmark to Finland, ranging from complete membership to privileged connection. Scandinavia will be the ragged edge of the Common Market. At the present moment, the position is that Denmark and Norway have applied for simple admission to united Europe, posing no special conditions except that Britain join. Sweden and Finland, on the other hand, have applied for a complicated relation of association. There are those in Brussels who rapidly conclude that the solution is easy: Norway and Denmark are in, and Sweden and Finland are out. This happens to be almost impossible, for the four Nordic countries constitute an entity which, in many ways, is more closely knit than the other Europeans can hope to become in two generations of common markets, Euratoms and the rest. The Nordic Union exists and has in fact just this year been reinforced; it is based on long tradition and a community of interests, although not expressed in any military alliance (Norway and Denmark are in NATO, Sweden is a well-armed neutral). If it were excluded as a whole from European unification, its economic viability would be gravely jeopardised, to an extent that other Western nations would soon regret, if only because two of its members are also members of NATO and because all of them live in Russia's ominous shadow. Yet if two of its members were admitted to Europe and the rest shut out, the Nordic Union would be undone and this is unacceptable to Scandinavian opinion; it will seem unacceptable to other Europeans too when they have thought about it as seriously as Britain, connected to Scandinavia by older ties than EFTA, has done.

The four Nordic countries found membership of EFTA congenial, for it was principally an exercise in tariff disarmament and they are inclined to free trade, not only with Britain but with all the world. On the other hand, EFTA aimed at no common economic policy and did not institute a unified market for labour and capital; this suited the four Nordic States who, though they have harmonised these affairs as between themselves, are suspicious and restrictive when it come to intervention from outside the region. Above all, EFTA had no political flavour and this not only accorded with Swedish neutrality but allowed Finland, which remains under Russia's thumb, to enter the European trade arena and benefit from trade liberalisation. The Common Market is in every respect a more difficult commitment for them, and if they have applied for admission or association, as the case may be, it is with considerable apprehension and because they feel they are forced by circumstances.

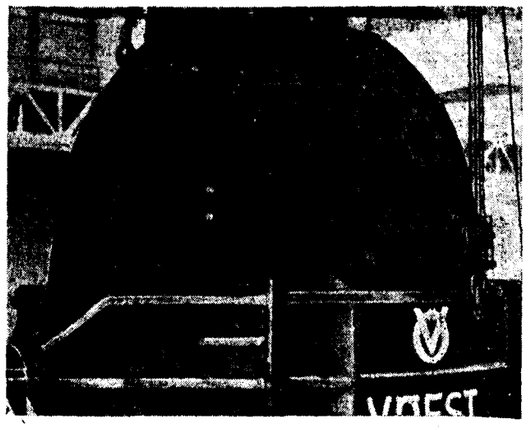
Summarily, their problem is that they have to stay intimately connected with at least one or other of their two principal clients, West Germany and Britain. If both those clients are members of the one association, as they will be when Britain joins the Common Market, they cannot afford to be excluded from it. Denmark, the only one of the four that has an efficient and competitive agriculture and the one that is nearest in every sense to Continental Europe, could best afford to take the plunge into the Common Market—and could least afford to stay out of it, because Holland, whose production is very similar, would quickly exploit the least tariff advantage to take over Danish custom in Britain and Germany. Yet no Danish government could take the responsibility of disrupting the Nordic Union. Norway, like Sweden and Finland, has a precarious agriculture because of the inclement northern climate and the poor soil, and would be hard put to meet the conditions of the Common Market's joint farm programme; but, at a pinch, she could hold her own in the European Economic unit, from which moreover she is not excluded by military considerations. Yet Oslo could not envisage being isolated by the common external tariff from Sewden, with whom

Norway has 1,000 miles of common frontier. Sweden in turn is no more inclined to compromise her neutrality than Switzerland, and could never abandon Finland which already has enough trouble maintaining her autonomy in regard to Russia.

Far from envisaging the break-up of their Union, the Nordic countries are strengthening it, precisely at the time they are applying for different forms of connection with the Common Market. This is not illogicality but optimism; they believe that when their southern neighbours take the measure of Scandinavian realities, they will be able to devise a network of economic relations that preserves the Nordic Union while giving its members varying status in regard to the Common Market. To date, there is no sign of this comprehension in Brussels, but the Scandinavian parliaments this summer are, each in turn, ratifying the new convention signed in Helsinki in March of this year. This convention codifies and extends the co-operation that began with founding of the Nordic Council in 1952. (Just to be complete, I should recall that Iceland is the fifth member of this organisation; that remote and tiny community—its population is 150,000—will probably seek association with the Common Market on the same terms as Sweden.)

The Nordic Council, which meets to discuss all questions of common interest, can only frame recommendations but it has been the promoter of a number of measures reinforcing Scandinavian co-operation. For example, a common market in labour was introduced in 1954: nationals of each country can move freely about Scandinavia without passports, work where they wish and everywhere enjoy identical social welfare benefits. Later, joint Scandinavian institutions were set up for education and scientific research. The document drawn up in Helsinki in March codifies the forms of collaboration so far practised and opens the prospect of further progress in unification of legislation, social and economic policies, cultural activities, etc. It can be seen that Scandinavians have already achieved a degree of genuine unity and practical fraternity that remains an objective for the peoples of the Common Market, and an objective that may well recede when the insular British bring their particularism into an enterprise that was hitherto, in theory at least, aimed at building a European nation. Naturally, then, Scandinavians would be reluctant to disrupt this creditable achievement for the hypothetical benefits of the Common Market.

However, and here's the rub, commercial necessity forces them to consider the possibility of doing so. For their unity and fraternity are expressed in business by the fact that they all do mostly the same things and are thus competitive. That is why, for all their collaboration, they had never managed to form a customs union until Britain, a major industrial power that supplied the necessary element of complementarity, invented the Free Trade Association. With that Association on the rocks, they find themselves competitors again at the gates of the big European market for their wood, paper, shipping and electro-chemical and electro-metallurgical exports. They, or some of them, are thus tempted to seek commercial advantage over their neighbours. If the Common Market powers prove to be insufficiently understanding of the need to preserve the Nordic Union, the problem will be whether commercial competition will be stronger than the common traditions, history and religion on which that Union is founded.



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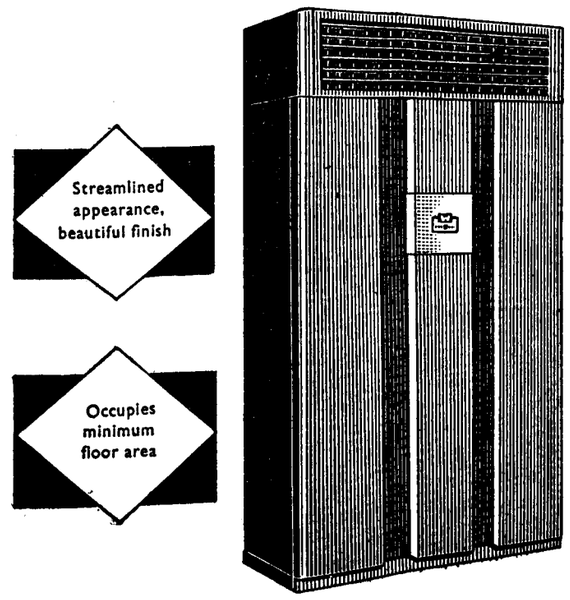
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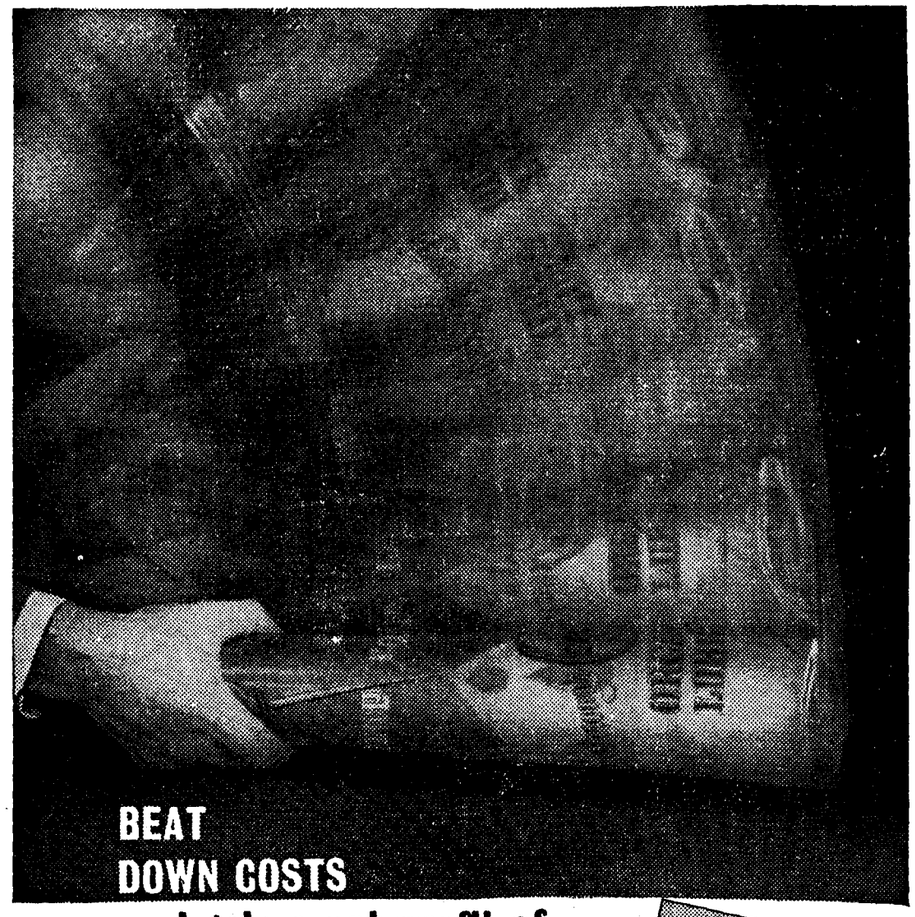
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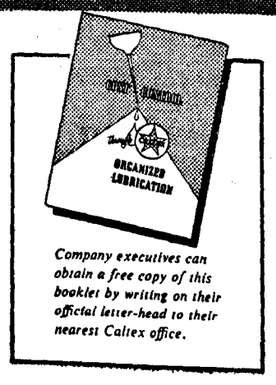
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Economic Report from the U.S.

DOLLAR NOT TO BE DEVALUED

By

GUY SIMS FITCH

WASHINGTON, July 24.

THE United States has made it clear, repeatedly and emphatically, that it will maintain the international value of the dollar. President Kennedy's latest statement to this effect, at his news conference here this week, ranks among the most forceful he has yet made on this subject. Even the most cynical and determined of speculators and gamblers in gold should be convinced by now of the U.S. Government's intentions. The dollar will not be devalued, and no change is contemplated in the U.S. Treasury's standing offer to sell gold at the fixed price of $35 an ounce.

The policy of the U.S. Government on this matter is based on an abiding confidence in the U.S. position, and on the conviction that dollar devaluation is not only needless, but could create a whole spate of new international problems. This also is the stated view of responsible world experts, including Mr. Per Jacobsson, respected head of the International Monetary Fund. The world, after all, is heavily dependent on the dollar as a reserve currency. An increase in the U.S. Treasury's selling price for gold, would not only reduce the dollar's value in relation to that precious metal, but would seriously affect the value of the dollars many countries keep as part of their financial reserves. These dollar reserves could be rendered all but valueless if the United States were to withdraw its pledge to exchange gold for dollars. With international trade and other transactions closely linked to the U.S. dollar, moreover, any U.S. devaluation might only set off a whole series of similar currency devaluations around the world. Any significant change in U.S. policy, therefore, in all likelihood would serve no useful purpose, and could constitute, in Mr. Kennedy's words, "the most backward step" since World War II. U.S. readiness to sell gold abroad at a fixed price has contributed in no small measure to the economic and financial health of many countries, notably those in Western Europe, throughout the post-war period, and hence has been a bulwark of international strength and stability.

Confidence in the U.S. position and in U.S. policies is further augmented by the noteworthy improvement in the nation's international accounts, or balance of payments. In keeping with its self-imposed international responsibilities, the United States throughout the post-war period has spent more abroad than it has received, as its large surplus of exports over imports has been more than offset by capital outflows for such purposes as foreign economic aid, overseas defence costs and private investment. As other countries, the beneficiaries of this outflow of U.S. capital, have built up their reserves of gold and dollars, it has been possible for the United States to look to its own balance of payments position. The deficit, which exceeded $3,500 million a year in the 1958-60 period, was reduced to $2,500 million in 1961. Today, President Kennedy pointed out at his news conference, the deficit is running only one-half of what it was last year, which would bring it down to about $1,200 million for 1962. And the President reaffirmed his off-stated intention to eliminate the deficit entirely by the end of 1963.

Of course, as the President also noted, the United States could bring its payment into balance any time it wants, merely by withdrawing support for foreign aid and defence programmes. But this is not the path being taken by the United States, particularly as Western European nations, with their resurgent economies and improved gold and dollar holdings, show a readiness to share increasingly in the effort to promote the free world's economic progress and security. Instead, the U.S. Government has been following other and more constructive approaches, such as further expanding its trade, curtailing non-essential foreign spending, improving its domestic economy, and co-operating with other countries on the stabilization of international currency flows. In all this, there is no evidence of hasty or ill-conceived moves. The policies the United States is pursuing have been carefully and deliberately formulated, they are born of the confidence that international problems can be met within the framework of responsible action, and that an investment in the U.S. dollar is "as good as gold," as Mr. Kennedy has so aptly phrased it.

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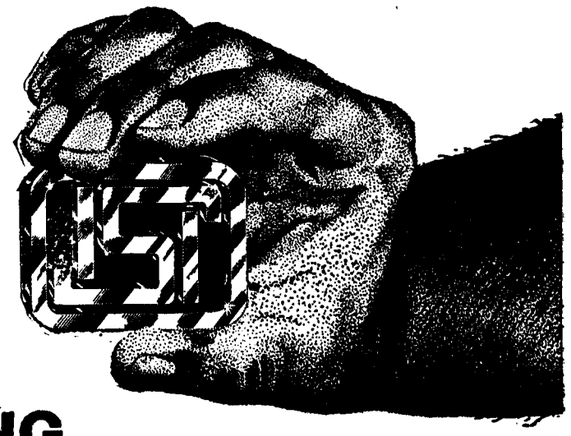
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Special Article

THE RISING TREND IN PRICES: 1955-62

GREAT anxiety has been expressed recently in regard to the rise in prices which has imposed considerable pressure, as always, upon those least able to bear it. The Congress Parliamentary Party Executive Committee set up, a month ago, a special sub-committee to study the whole problem of prices so as to suggest ways and means for curbing another steep rise. It is the object of this special article to analyse the available statistical evidence so as to highlight the commodities where the pressure has been the heaviest and also to measure the rate of rise in prices since the beginning of the Second Five-Year Plan. Earlier, in "The Eastern Economist", both the Economic Adviser's index of wholesale prices and the All India Working Class Cost of Living Index have been subjected to scrutiny. The Economic Adviser's index was the subject of a special article in "The Eastern Economist" dated March 25, 1960 and the All India Working Class Cost of Living Index in a special article in "The Eastern Economist" dated April 8, 1960. It is now proposed to extend the series analysed in these two articles so as to measure the new pressures during the last two years particularly.

The All India Working Class Cost of Living Index which represents the average of working-class indices of 27 industrial centres all over the country shows that upward pressures are usually generated in the second half of the year, i.e. from July to December. In 1960, the rise in prices in the second half over the first half was of the order of 2.5 per cent. Similarly, in 1961, the rise was of the order of 3.2 per cent. It is believed that this will be repeated in 1962 as well.

The behaviour of the index since 1956 shows a remarkably uniform pattern wherein the average index in the first half of a year turns out to be the same as the average in the second half of the preceding year. This fact is brought out by Table I below. On this analogy the index for the second half of 1962 will certainly cross the limit of 130 (Base: 1949=100) — an all time peak. The conclusion which emerges from a scrutiny of this index is that the secular trend in prices is up, and there seems to be no prospect of the consumer prices either stabilising or declining in the short run.

The same technique of measuring the rate of rise in the wholesale prices in the second half of the year

TABLE I.

ALL INDIA COST OF LIVING INDEX: 1956 - 62 (Base: 1949=100)

Month	1956	1957	1958	1959	1960	1961	1962
January	97	107	111	117	122	123	127
February	97	107	110	118	122	123	127
March	100	107	110	117	121	124	127*
April	103	108	111	117	122	124	127*
May	104	110	113	119	123	124	128*
June	106	112	116	122	124	125	..
Six month's average	101	109	112	118	122	124	
July	107	112	119	124	126	127	
August	109	113	120	125	126	128	
September	108	114	121	124	125	128	
October	109	113	123	126	125	128	
November	110	114	122	126	124	128	
December	109	113	119	122	124	128	
Six month's average	109	113	121	125	125	128	
Percentage change of second half over first half	+7.9	+3.7	+8.0	+5.9	+2.5	+3.2	

* Provisional.

TABLE II.

INDEX NUMBERS OF WHOLESALE PRICES OF ALL COMMODITIES: 1955 - 62 (Base: 1952-53=100)
(Averages)

Month	1955	1956	1957	1958	1959	1960	1961	1962
January	93.9	95.3	107.3	105.9	112.4	118.8	125.6	123.3
February	93.2	95.3	106.9	104.7	113.3	119.5	126.8	124.3
March	90.8	98.1	105.6	105.4	112.4	118.9	127.5	123.6
April	88.9	100.0	106.5	107.4	112.0	120.4	126.0	124.2
May	89.4	100.9	109.0	108.2	114.0	122.8	125.4	126.3
June	89.7	102.1	110.7	111.7	115.6	123.0	126.2	127.4
Six month's average	91.0	98.6	107.7	107.2	113.3	120.6	126.3	124.9
July	92.9	103.5	111.9	114.7	116.8	124.8	128.8	129.1†
August	92.5	106.5	112.0	115.9	117.1	125.0	127.5	
September	90.6	106.9	109.5	116.5	117.2	125.3	124.6	
October	90.6	106.7	108.9	116.1	119.3	126.2	124.4	
November	92.5	108.7	109.3	114.0	118.3	125.9	124.3	
December	93.5	108.1	107.1	111.4	117.9	124.6	122.9	
Six month's average	92.1	106.7	109.8	114.8	117.8	125.3	125.4	
Percentage change of first half over second half	+1.2	+8.2	+1.9	+7.1	+4.0	+3.9	—0.7	

†Average of two weeks.

as compared to the first half reveals an interesting pattern (see Table II), though not conforming exactly to the behaviour of the All India Working Class Cost of Living Index. Except for 1961, the average of the index of wholesale prices for the second half has been always higher than the average of the first half since 1955. A steep fall in jute prices last year which affected both raw jute and jute manufactures kept the index subdued with the result that 1961 did not follow the pattern exhibited in the earlier years. But this is certain that the prices have been steadily rising from year to year whatever the manner of comparison. Whether the figures are looked at month to month or year to year, the trend has been upwards. The wholesale price index did show a slight downturn from August 1961 onwards but this was a temporary phase, as already explained, caused by the crashing jute prices. Prices have started looking up once over again and the index is now struggling to beat the all time peak recorded in July, 1961 at 128.8 (Base: 1952-53 = 100). The average of the index for the first two weeks of July, 1962 has already attained an all time high at 129.1.

Table III sets out the indices of wholesale prices of selected commodities for the months of June from 1955 to 1962. There is no commodity which has shown any tendency to drop. Pulses had kept a stable level for the last four years, but here also the index has shown a rise of 12 points in one year. At the top of the list in the spiral of rising prices stand "other food articles" which include tea, coffee, spices, salt and betelnuts. Metal products stand next followed by oil-cakes, oil-seeds, edible oils, fruits and vegetables, fish, eggs and meat and woollen textiles. It provides some relief to note that cereals have been pegged down by the import of PL 480 wheat. But the prices of other quality foods such as fish, eggs, meat, edible oils, fruits and vegetables and sugar have been allowed to continue their upward trend. With increasing incomes, the demand for quality food is rising and the thesis that restraining prices of cereals alone will keep inflationary pressures in check does not hold any longer.

However useful these indices may be in measuring inflationary pressure in the Indian economy, they do leave out certain essential elements such as expenditure on education, transport, housing etc. which are imposing increasing burdens on the urban population particularly. No index gives due weight to these pressures. The wholesale price index has no provision for measuring the changes in rents except for recording the prices of cement, steel, bricks etc. The rise in prices of these components fails to measure accurately the staggering increase in house rents. The consumer price indices assume a constant rent because of the application of Rent Control Acts in most of the urban centres. In fact urbanisation in this country has progressed very fast in recent years and families migrating to urban areas find it very hard to get accommodation at reasonable rates. That is why the slum areas are growing in all urban centres. No index evolved so far in this country takes care of these additional pressures.

TABLE III.

INDEX NUMBERS OF WHOLESALE PRICES OF SELECTED COMMODITIES: 1955 - 62

(Averages) **(Base: 1952-53=100)**

Group & Sub-Group	Weight	June 1955	June 1956	June 1957	June 1958	June 1959	June 1960	June 1961	June 1962
I. **Food Articles (50.4)** ..	100.0	84	99	109	113	119	120	121	125
Cereals	38.2	69	93	104	106	102	107	102	105
Pulses	8.4	50	75	86	91	96	90	91	103
Fruits & Vegetables ..	4.5	105	107	127	112	135	122	126	142
Milk and Ghee ..	16.7	91	102	109	111	116	120	114	127
Edible oils	9.3	77	120	129	123	132	140	163	152
Fish, eggs and meat ..	3.4	96	95	95	107	111	120	128	141
Sugar and Gur ..	9.5	84	94	110	125	149	138	124	139
Other food articles ..	10.0	148	119	131	149	161	161	181	170
II. **Liquor & Tobacco (2.1)**	100.0	82	81	92	92	98	110	100	100
Tobacco	94.1	81	79	91	90	96	108	97	96
III. **Fuel, Power, Light & Lubricants (3.0)** ..		95	99	112	116	116	119	123	123
IV. **Industrial Raw Materials (15.5)**	100.0	93	113	121	115	120	140	149	136
Fibres	39.3	104	112	126	110	110	143	151	127
Oilseeds	38.8	74	116	125	124	135	144	161	152
Minerals	1.4	83	98	110	107	100	98	95	94
Other industrial raw materials	20.5	110	110	106	111	113	128	127	127
V. **Manufactures (29.0)** ..	100.0	98	104	109	108	109	120	126	129
(a) **Intermediate Products**	14.1	98	110	109	110	108	127	140	140
(b) **Finished Goods** ..	85.9	98	103	109	108	109	119	124	127
(i) Textiles ..	50.6	101	104	109	104	105	120	126	127
Cotton ..	31.3	105	113	116	113	113	126	127	129
Jute ..	12.6	95	89	100	86	.87	113	125	118
Woollen ..	1.2	99	96	103	106	104	110	124	141
Silk and Rayon ..	5.5	91	89	86	91	94	103	117	129
(ii) Metal products ..	4.1	110	129	141	143	143	148	152	160
(iii) Chemicals ..	7.0	93	92	98	104	107	105	109	114
(iv) Oil cakes ..	3.3	73	97	110	129	144	132	143	155
(v) Machinery and other equipment ..	10.6	98	97	101	103	106	111	113	118
(vi) Other finished products . ..	10.3	96	98	109	114	113	115	120	124
VI. **All Commodities**		90	102	111	112	116	123	126	127

Note: Figures shown in brackets against the major groups indicate the weights assigned in combining the groups into a single all commodities index.

THE BUSINESS WORLD

Public Interest Concept in Company Law

By CROESUS

IN all the discussions that Mr. D. L. Mazumdar, Secretary of the Company Law Administration, had with commercial bodies and various other associations in Bombay, early this week, one noticed, he stressed what he described as the "public interest" concept, and this, he claimed, has come to be accepted in the administration of Company Law or Mercantile Law as a whole since the last two decades. One can appreciate this only when one is sure of what "public interest" precisely means. Unfortunately, the term is as vague as it is comprehensive and, for this reason, is liable to be interpreted variously. But, I must say, a measure of definiteness was sought to be provided by Mr. Mazumdar when he distinguished between the emphasis on property and proprietory rights under Mercantile Law all along and the public interest concept as enshrined in our new Company Law now. He maintained that, under the new law, a joint-stock company was no longer allowed to be treated as the exclusive concern of either the management or the shareholders alone; the company too enjoyed a status of its own; it was a seperate legal entity. In view of this, according to him, although the management and the shareholders may approve of something as being in their interest, the Government can still step in, if it feels the decision in question to be opposed to "public interest". Now, a really ticklish question is whether any representative of the Government who will decide this can be allowed such vast discretion, or whether it should be left to the discretion of an experienced judge. Since it is coming to be accepted that our courts are not merely courts of law, as they were hitherto, but courts of justice, as they ought to be under ideal conditions, it follows that the courts are, in fact, the most competent to determine whether a particular decision of a joint-stock company militates against "public interest".

Although no one can question the thesis that the safeguarding of "public interest" should be an important aspect of company management, one should not overlook the complexity of the problem and the impossibility, at all times, of securing an impartial decision, especially when there is a conflict among the concerned interests. For example, when a company is not making profits and an industrial Tribune awards an increase in wages and other emoluments, maybe in the interest of industrial peace, will it not conflict with the interests of the shareholders? Again, when the State compels a company to export at a loss, maybe in the interests of the country's balance of payments position, will it not affect the profits of the company? Similarly, when the management persists in experimenting on a given product to achieve the best results and give the consumer the finest product, the expenditure incurred may turn out to be out of all proportions to the concerned company's financial position at the time, although, in the long run, the effort may prove worthwhile; and, in such a case, if the shareholders and even some directors were to object to the expenditure, would the authorities consider the action of the management to be in "public interest" and overrule the opposition of shareholders and directors? In other words, by reason of the existence of different interests that constitute a joint-stock company, the determination of what is in "public interest" will not be easy; to hold the scales even as between the different conflicting interests of the parties concerned will by no means be a simple task. The problem may perhaps present itself as a choice between what is in "public interest" and what is in "the larger public interest".

While on this point, Mr. Mazumdar was asked about the time taken by the countries of the West to import the concept of "public interest" into their respective joint-stock company management. The C.L.A. Secretary replied that the concept had become known in the Western countries by about the twenties. In this context, he recalled the suggestion made by the late Mr. Hargreaves Parkinson of "The Financial Times", London, that the British Government should own one share each in every joint-stock company of the land and watch the progress of each company by virtue of its right as a shareholder. Incidentally, this is so characteristic of Mr. Parkinson, a friend of revered memory, who could not reconcile himself to too much of State intervention in anything. Be that as it may, the great social awakening that has come upon the world is bound to manifest itself in the sphere of joint-stock company management also, even as in other spheres. Perhaps it is this consideration, as much as the difficulty of judging the degree of offence involved in any contravention of Company Law in different circumstances that prompted Mr. Mazumdar to rule out the suggestions for minimum penalties in the case of all convictions for offences under Company Law.. He disclosed that this proposal had, in fact, been examined, but the difficulty about implementing it was, he said, that circumstances varied so much in two different cases of the same type of contravention that it would not be correct to lay down any minimum penalties.

Another idea that claimed Mr. Mazumdar's prominent attention in many of his discussions was the future of joint-stock company management. He was quite hopeful that the future working of joint-stock companies in India would be on sound and healthy lines not only because of the deterrents to mismanagement under the new Company Law but because of the emergence of a new enterprising and imaginative managerial class. In this connection, he welcomed the advent into the field of the younger generation of business men with good educational equipment and foreign training, and wished that more and more of them would come forward to take on the responsibility of company management. Like Mr. G. D. Birla on a number of occasions in recent months, he felt that the future of the country, as well as of good company management, lay with the younger generation.

Referring to the recommendations on Company Law reform made by the Jenkin's Committee in the United Kingdom, Mr. Mazumdar, who would not give his considered reactions, felt that some of the recommendations of the Jenkin's Committee came very near the Indian

Companies Act as amended in 1956. Although his department was still studying the Jenkin's Committee report to be able to commit himself yet, to the extent of suggesting any reforms on these lines in our Company Law, he said he was particularly struck by two recommendations: (1) that the final responsibility of directors in respect of company affairs should be prescribed in the Law itself and (2) that a person who "habitually" violated Company Law should be debarred from holding any directorship. When, in the light of these reactions a question was put to him as to whether there was any more in the offing to amend the Indian Companies Act again so as to bring it in conformity with the further reforms in the British Law as suggested by the Jenkin's Committee, Mr. Mazumdar said that it was too early to say anything on the subject. All the same, he said, these reforms, the experience of working the present Indian Company Law, and the Vivian Bose Tribunal Report would all be considered at the time of the next amendment. According to him, Company Law needed to be reviewed every five or ten years in order to adapt it to the changing requirements of a dynamic society.

Finally, a notable remark was made by Mr. Mazumdar in regard to the advisability of the Life Insurance Corporation claiming underwriting commission in respect of a bloc of shares whenever it agreed to take it on firm allotment. As the Law stands and as the current practice goes, he said, this might be all right, but, personally, he did not regard it as a sound practice. He would like a public sector undertaking like the LIC, he said, to conform to model practices. It now remains to be seen what the reaction of the LIC would be to this friendly suggestion.

Britain's Entry into Common Market: Impact on India and Australia

By DON WALKER

[Britain's application for membership of the European Economic Community seems destined to mark a further stage in the loosening of the Commonwealth political and economic ties. It is already apparent from the course of negotiations between Britain and the six members of the Common Market that her entry is unlikely to be on terms which would completely satisfy Commonwealth trading interests. Some aspects of the effects on the trading interests of Australia and India are discussed in this article.]

OFFICIAL AUSTRALIAN and Indian reactions, an amalgam of fear, suspicion and impotence, reflect the importance attached by the two countries to their respective exports markets in the United Kingdom. The perambulations of Mr. Menzies and the Australian Minister for Trade, Mr. McEwen, plus the coming and going of a small army of Australian officials across Britain, Europe and the United States, are now so well documented as not to require elaboration here. The vociferous approach of Australia, New Zealand and Canada contrasts strangely with the more restrained Indian attitude. Two reasons for Australia's reactions and their contrast with India's might be mentioned.

The first is political. Despite a slightly reduced majority in the Lok Sabha after the recent general elections, Mr. Nehru still retains the confidence of the large mass of Indian voters. Mr. Menzies, with a working majority of one in the House of Representatives, knows that anything less than an all-out effort to safeguard Australian export markets in the United Kingdom would be to commit virtual political suicide.

The second and more important reason springs from the fact that certain Australian products, for example, wheat, butter, cheese and meat, would suffer immediate and severe competition from European production if Britain entered the European Common Market unconditionally. In these circumstances, Australia would lose not only its preferences against non-Commonwealth countries afforded by the Ottawa Agreements—that is, the difference between a zero or low tariff and the United Kingdom's General Tariff—but be faced in addition with the full common external tariff.

Conversely, it is argued that India's exports to the United Kingdom will not be so severely affected, particularly in the short-term, because of the relative inelasticity of demand for tea and jute products. Against this, it is conceded that unbleached cotton cloth from Japan and China could make large inroads into Indian sales on the United Kingdom's market. Increased competition from within an enlarged Common Market could come, in the longer term, from substitutes; for example, paper packaging and synthetics. India's main competitor in the production of raw jute—Pakistan—would face similar problems, but is in a somewhat more favourable position because of cheaper raw material and the current emphasis on plant modernisation.

TABLE I
INDO-AUSTRALIAN TRADE WITH UNITED KINGDOM

(Percentage ad valorem)

Principal Indo-Australian exports to the United Kingdom	U.K. General Tariff	Proposed Common External Tariff
Butter	15s. per cwt.	24% and C.A.P. measures.
Beef and veal, boned or boneless	20%	
chilled	¾d. per lb.	20% and C.A.P. measures.
frozen	2/3d. per lb.	
Cheese	10% — 15%	23% and C.A.P. measures.
Cotton, raw and waste	Free	Free
manufactures	17½% — 25%	15% — 17%
Flour	10%	C.A.P. measures
Hides and skins, raw	Free	Free
tanned	10% — 20%	6% — 9%
Jute, manufactures	10% — 20%	10% — 23%
Mutton and lamb	Free	20%
Sugar	2s. 0.2/3d. to 6s. 10.8d. per cwt.	80% and C.A.P. measures.
Tea	2d per lb.	18% — 23%
Wheat	Free	C.A.P. measures
Wool	Free to 10%	Free

Note: All the Indian and Australian products listed above, except sugar, enter the United Kingdom duty-free under Commonwealth Preference. C.A.P. (Common Agricultural Policy)

To date, Britain and the Six have reached a measure of agreement on a "package deal" for Commonwealth manufactures whereby the common external tariff would be applied to these items in three stages: 30 per cent when the United Kingdom enters the Common Market; 30 per cent in 1967; and the balance in 1970. There are also provisions for consultations in 1965 and 1967 between the enlarged Community and Commonwealth countries on the effect of the measures.

Britain's demands for "comparable outlets" for temperate foodstuff exports from the Commonwealth met head-on opposition from the Six. Both sides now agree that there should be transitional arrangements for the Commonwealth countries until 1970 and negotiation of world-wide commodity agreements during this period. The lack of a firm assurance from the Six on the protection of Commonwealth interests after 1970 should these negotiations fail is an issue on which Britain must press for further clarification. Another point of difference is the Six's proposal that the quantity of foodstuffs from the Commonwealth for which access is to be guaranteed (the form of guarantee is not specified) should diminish during the transitional period.

The future of exports from India, Pakistan, Ceylon, and Hong Kong—the so-called Category I countries—is to be determined in another "package deal" between the United Kingdom and the Six. India has already expressed concern at the proposal to apply gradually the common external tariff to a large range of Indian manufactures on the grounds that a reduction in exports (mainly of cotton textiles) would aggravate further the country's tenuous balance of payments position before the guaranteed remedial action could be taken.

While a reduction in imports would afford some relief from loss of export earnings in the United Kingdom, a prolonged use of this method of making trading ends meet is precluded in economies bent on rapid economic expansion. Demands from both public and private sectors set a relatively high lower limit to the level of imports; in this situation, exports must not only be maintained but, wherever possible, expanded.

The most satisfactory arrangement from India's point of view, according to Mr. K. Lall, head of the Indian Mission to the European Communities, would be the abolition of the common external tariff on those products now enjoying free entry to the United Kingdom.

With the idea of associate status on the lines of Morocco and Tunisia being unacceptable to the Six, there remains the possibility of tariff-free quotas and/or special concessions for products of particular interest to India.

What then are the prospects for future Indian and Australian exports? Surely not as bad as depicted by Eyre in the "Sydney Morning Herald" of May 15 this year. His cartoon shows Mr. McEwen, a weatherbeaten salesman, turning back into the rain from two street doors labelled "US Market" and "Common Market". A final piquancy is added by his blown-out umbrella marked "Preferences" and the plaintive cry "You'd think SOMEONE would let me in!"

Two broad lines of approach may be taken in answer to this question: a further look at the possible effect of the common external tariff and world developments designed to promote freer international trade.

There are many misapprehensions as to the true object of the common external tariff. This is not, and was never meant to be, an absolute barrier against imports from the rest of the world. Dr. H. F. Bell, economist to the Australian Mutual Provident Society, said recently that poor harvests in Europe and rising living standards would necessitate some flexibility in the common external tariff.

The move to align the six member countries' tariffs—according to the Treaty of Rome, by 1970 the common external tariff will be the arithmetical average of rates ruling on January 1, 1957, in the national tariffs—enhances the possibility of offsetting some of the loss of sales to former low tariff countries by increases to former high tariff countries.

These would not compensate, however, for reduced Australian export earnings from the United Kingdom (see Table II). It is estimated that approximately £A165,000,000 or 70 per cent of exports to Britain will be affected. Here, Australian producers must treat whatever transitional arrangements may emanate from the Brussels negotiations as a breathing space in which to find new markets.

TABLE II

INDO-AUSTRALIAN EXPORTS

(Lakh of Rupee)

	1958-59	1959-60	1960-61
Exports from India to:			
U.K. ..	1,64,23	1,78,85	1,72,61
E.E.C. ..	39,20	49,97	51,77
Other ..	3,65,54	4,10,83	4,18,41
TOTAL ..	5,68,97	6,39,65	6,42,79
Exports from Australia to:**			
U.K. ..	2,72,84	2,50,54	2,12,32
E.E.C. ..	1,48,62	1,85,79	1,63,49
Other ..	4,36,33	5,48,86	6,10,44
TOTAL ..	8,57,79	9,85,19	9,86,25

* Excludes gold.
** Period from July-June.

Implementation of the common agricultural policy by the Six poses the main threat to Australian producers. For instance, if the Common Market Commission sets a "target price" for wheat above the present French level, an increase in output would be expected from French and other low-cost producers and, theoretically, production could be stimulated to such an extent that lower prices in the Common Market would exclude all Australian wheat.

The changing international climate of opinion on freer world trade may be traced directly to the Treaty of Rome. Critics, who in the Common Market's formative stages viewed the process as the erection of yet another barrier to the flow of international trade, did not make sufficient allowance for the possibility of similar action being taken by other countries.

As a direct consequence of the Six's decision to eliminate all tariff and trade restrictions between themselves and establish a common external tariff, the European Free Trade Association was formed, and

countries in Latin America and the Communist bloc opted for a lowering of internal barriers to the movement of trade, capital and labour.

Earlier this year, the Six negotiated tariff cuts with the United Kingdom and the United States and recently similar reciprocal concessions to Canada and Australia were announced. More significantly, perhaps, the Kennedy Administration has firmly grasped the nettle of free trade. Under the Trade Expansion Bill, President Kennedy may negotiate for (a) the elimination of tariffs on those products where trade between the United States and the European Economic Community, plus Britain, accounts for four-fifths or more of world trade and on tropical raw materials and, (b) tariff cuts of up to 50 per cent on imports other than from the EEC.

While India and Australia may derive some benefit from these measures — shipments to the United States from the two countries account for roughly 15 per cent and 8 per cent of total exports at present — it will, nevertheless, be necessary to intensify the search for other markets.

Business Notes

Textiles

TARIFF PROBE INTO FAIR PRICES

THE COMPREHENSIVE inquiry into the fixation of fair ex-mill prices of cotton yarn and cloth by the Tariff Commission has begun. Since the enquiry made by Mr. G. L. Mehta years ago, the working of the Indian Cotton Mill Industry has not been subjected to such close scrutiny. Explaining the circumstances leading to the present enquiry, Mr. K. R. P. Aiyangar, Chairman of the Tariff Commission, observed that the highest price spiral in cotton textiles witnessed in recent years, caused mainly by the short supply in cotton during the year 1959 and also by the implementation of the recommendations of the Central Wage Board, had necessitated the inquiry. In this connection, he complemented the Indian Cotton Mills' Federation, which voluntarily undertook (more out of deference to the Government's wishes) to bring down prices to the pre-October 1959 levels. Although this and the other steps taken by the Government had achieved a measure of success, Mr. Aiyangar noted, the price rise was not without its adverse effect on the consumers, as also on the persons employed in the handloom sector.

The industry, as at the beginning of 1961, comprised 287 composite and 192 spinning mills Among the composite mills, while 89 are located in Gujarat, 80 are situated in Maharashtra. Of the remaining 118 mills, 25 mills are located in Madras State, 19 mills in West Bengal, 17 mills each in Uttar Pradesh and Madhya Pradesh, and the rest in other States. The total number of spindles and looms as at the beginning of January, 1961 is placed at 13.66 millions and 1.99 lakhs, respectively.

On the spinning side, Madras has a majority of the mills, i.e. 109 out of 192, Gujarat and West Bengal having 14 mills and Maharashtra only 12 mills. The Madras State has thus a greater concentration of spinning units; in fact, it has more than 56 per cent of the total spinning units in the country, though it has accounted for only 23 per cent of the total spinning capacity.

The total production of yarn during 1948, 1956 and 1961 was 1,448, 1,671 and 1,900 million lbs., respectively, while that of cloth was 4,319, 5,307 and 5,139 millions yards, in that order. Out of the total cloth production, the percentage of medium cloth remained as much as 75 per cent, while that of fine and superfine cloth showed a definite decline, and Mr. Aiyangar suggested that the impact of high excise duties might have influenced this adverse trend.

As regards the utilisation of capacity, the Tariff Commission Chairman pointed out that two shifts were being run on the optimum level, but the non-utilisation of the third shift was due, he said, to (i) deterioration in quality of fine and superfine fabrics, (ii) higher unit labour cost (iii) contingency of more retrenchment compensation to workers discharged in case the third shift was stopped and (iv) unfavourable attitude of labour generally towards third shift working.

Referring to demand, Mr. Aiyangar pointed out that, according to the figures made available by the Textile Commissioner, the consumption of cotton yarn in 1961 was of the order of 1,900 million lbs., while that of cloth (on the basis of production of the mill sector and the decentralised sector and imports and exports) was of the order of 7,080 million yards. As against this, at the end of the Third Plan, the Planning Commission placed the figure of domestic consumption at 8,450 million yards and that of exports at 850 million yards, and had accordingly fixed the target of output at 9,300 million yards. The figure for domestic consumption, it was pointed out, provided for an increase of about 20 per cent over the estimated level of demand in 1961, or allowed for an annual increase of two per cent in population and per capita consumption alike.

In view of its important role as much in the country's internal economy as in its external economy thus, Mr. Aiyangar urged the industry to go ahead with its "ceaseless efforts to step up output and bring down costs."

Ferro-manganese

THE LOT OF AN EXPORT-ORIENTED INDUSTRY!

THERE IS so much talk all over the country about measures to promote exports. Could it be that, because we are still so pre-occupied with determining the measures to promote exports, we fail to take, or relegate to a secondary phase, steps that could effectively increase our exports almost straightaway? Take, for example, the case of ferro-manganese. Every one knows—and it is heartening to draw attention to it here —that, out of the total production during the year 1961 of 16,359 metric tonnes, as much as 10,409 tonnes were delivered to the State Trading Corporation, against the India-US ferro-manganese versus wheat barter deal. And, according to Sir Ramaswami Mudaliar, Chairman, Khandelwal Ferro-Alloys Ltd., there have been further moves afoot with other foreign countries for barter arrangements so as to maintain continuous export of ferro-manganese. He also declared: "The industry is, and, for sometime to come—not indefinitely, though—must continue to be, in a large measure, an export oriented industry". For this purpose, he not only favoured more barter deals but also seemed reconciled to the idea of letting the STC play an important role. He was also satisfied with the new Department of International Trade of the Government of India and the alacrity with which the Board had held discussions with the industry and become "fully seized with the serious export problems facing the industry". But, then, he was not satisfied with the Government's policy in regard to supply of power to this industry. Not only was the power supplied (in the case of this particular unit of the industry, by the Maharashtra Government) inadequate, but there were avoidable discriminations in the rates charged, depending upon the source of supply, he complained.

Dwelling at length on this and other problems, at the fourth annual general meeting of Khandelwal Ferro-Alloys Limited, Sir Ramaswami Mudaliar observed that, as against the total requirements of 16 M.W. the Company had been able to obtain only 7.5 M.W. on a firm basis and 3.5 M.W. on a "contingent basis". In the result, the Company was able to utilise production capacity to the extent of only 11/16ths of its total capacity. And this state of affairs, it was pointed out, would continue till the completion of the 30 M.W. Thermal Power Plant now under construction at Bhusaval. While the under-utilisation of the capacity thus had resulted in excessive costs per ton as it was, Sir Ramaswami pointed out, the very high rates of electricity charges that the industry was called upon to pay by the Maharashtra State Electricity Board, had further aggravated the already high cost of production. In fact, the Company had been charged 6 to 7 nP. per unit while the ferro-manganese units in other areas have been paying 3 to 4 nP. per unit. And even the latter, according to the Khandelwal Ferro-Alloys Chairman, is much higher than what foreign concerns engaged in the production of ferro-manganese have been paying, namely about 1½ to 2 nP. per unit. And, to make matters worse, as he added, the Maharashtra Government has abolished, with effect from April 1, 1962, the lowest slab applicable to about 70 per cent of power consumption, and this, again, had brought about a substantial addition to the cost of production. Sir Ramaswami, therefore, urged that, unless electricity rates were brought down, there could be no prospect of the Company being able to effect any substantial reduction in the cost of production.

Making out a case for the introduction of a uniform tariff irrespective of source of supply, the K.F.A. Chairman explained how anomalous the existence of different electricity tariffs depending on the source of power supply, i.e. thermal or hydro-electric, in Maharashtra State would seem, when practically all the power stations and power projects were under State control. In order to remove this anomaly, he suggested that the generation and distribution expenses of all power stations under the direct administrative control of the State Electricity Board should be pooled so that a uniform basis of charge could be formulated and consumers could be given equality of treatment. While on this question, he also referred to different rates charged for different industries, and wondered how, when the Aluminimum Industry in the country, also an electro-metullurgical industry like the ferro-alloys industry, was being charged a comparatively low rate, the ferro-alloy industry should be denied a similar concession. Entering a plea with the Ferro-Manganese Enquiry Committee that this industry also should be treated on a par with the aluminium industry, he made it clear that such would not conflict with the principle suggested by him, inasmuch as it would apply to the electro-metallurgical industry as a whole and not to any individual consumer, depending on the locale of the consumer.

Foreign Trade

TRADE WITH LATIN AMERICA

IT NEED hardly be emphasised that more trade will not come our way unless we seek it. The realisation of this fact is no doubt there, but it is a pity that much has not been done to explore the markets of the developing countries. The report of the Engineering Export Promotion Council's Trade Delegation to Latin America and to the U.S.A. is an eye-opener in this direction. The Report mentions various facts as to why much trade has not been possible with Latin America and also makes recommendations that could mend matters to a certain degree. Although the recommendations of the Delegation are of a very broad nature, they, however, have been made after assessing the situation in each of the Latin American countries very carefully.

Of the handicaps mentioned by the Delegation are the high freight rates, absence of trade agreements and lack of credit facilities. These in fact are the main reasons why countries in the region are reluctant to import goods from India. So it is in fitness with things that the Delegation has reiterated that an Indian Trade Commissioner be located somewhere in the region, preferably in Buenos Aires, and a network of market intelligence be established. The matters could be facilitated further if the exporters of engineering goods were enabled to offer credits to buyers in South America and for this purpose it was essential that ERIC should do something in this matter. The establishment of branches in Latin America of one or two Indian banks and insurance companies and utilisation of warehouses in either London or in New York for forward shipment of goods to Latin American destinations in view of the absence of large shipping facilities, perhaps, could also go a long way in bringing more trade from this region. The Delegation seems to be convinced that personal contact is very essential at every stage. After-sales service is, of course, very important if the hold over the markets is to be established. Publicity and propaganda with a full zest is a must for without it Indian products will not be able to compete with the goods of other advanced countries.

The demand for many of our goods in these countries is tremendous and it is for the Government and our traders to see that this developing market is tapped fully. So far we have been devoting our attention only to trade with industrialised nations of the West and have not cared much for the developing countries like Latin America and South-East Asia. An effective change in our policy is now the need of the hour and it is to be hoped that full attention will be devoted to it. Of the many goods that could have a ready market in Latin America may be mentioned the railway rolling stock, track and signalling materials, locomotives, rails and railway track materials. In the U.S. could be sold casting, steel mill products, electric and machinery apparatus, steel pipes, barbed wire and wire nails, small tools, bicycles and accessories and railway stores. The Delegation is of the view that in the crucial period ahead, U.S.A. will offer a more solid footing for Indian manufactures and semi-manufactured products. We have, therefore, to see that our activities are geared up to meet the challenge offered by the American market.

Transport

INCREASE IN MOTOR VEHICLES TAX

A COMMITTEE constituted to voice the grievances of bus and lorry operators in the Madras State has submitted a memorandum to the Madras Government against the steep increase in the Motor Vehicles Tax and T.P.G. proposed in the budget for 1962-63. The committee is of the opinion that this increase in taxation will drive the marginal operator out of business and will discourage truck and bus owners in operating on uneconomical routes and poineering new routes. It will also discour-

age the opening up of new village routes and will prevent the small income group from entering the business. The reasoning behind the memorandum is quite sound. What to talk of small operators, cost even in the case of bigger companies and well organised units have gone up a good deal. Administrative expenses have also increased as a consequence of the Motor Transport Workers' Act, the implementation of the Provident Fund Act and the introduction of ESI scheme to the transport workers throughout the State.

There are two propositions in the budget — an increase of approximately 50 per cent in the existing levels of taxation in category A, 110 cwts. — 150 cwts, 150 cwts — 180 cwts and a new slab of tax on vehicles coming under category over 180 cwts. Since the Ministry of Transport and Communications, Government of India permitting a 25 per cent extra load on the gross vehicle weight has been implemented by almost all the States of India, the Committee feels that this new slab virtually would mean doubling the tax on lorries which they cannot bear. It is with this idea in mind that they have submitted to the Government not to introduce the category of over 9 tons. Besides it is impossible to gauge in advance the mileage that will be done by the spare buses and therefore it is difficult to fit in the spare buses into the category of mileage slab. Keeping all these points in view it has been strongly urged that this change in the method of taxation be completely withdrawn and the practice followed in the past be continued. Since the truck and bus operators have rendered comfortable service to the public and have tried at short intervals to improve the efficiency, it seems fair and logical that their interests be protected.

Economy

POWER AND TRANSPORT CRISIS

HIGH TAXATION, fiscal policy, restrictions and controls which interfere with the day-to-day affairs of productive enterprises were the main subject of criticism in the speech of Mr. S. T. Sadasivan, delivered at the first quarterly general meeting of the Indian Chamber of Commerce. While it is true that taxation and controls have hindered the progress of many productive enterprises, it is the power and transport crisis that is in forefront now. Of late this crisis has taken a serious turn and it is being felt that until and unless it is successfully tackled soon, the progress of the economy may be affected adversely. To remedy the situation, Mr. Sadasivan has urged that the country be made self-sufficient in power generating capacity and in the manufacture of power generating equipment, as soon as possible. He is also of the belief that it is necessary to implement all the power projects in the first two years of the Third Plan rather than in the last year.

Adverting to transport difficulty presently being experienced, Mr. Sadasivan regretted that no effective solution for the transport of coal has yet been found. Since the railways were unable to cope with the problem of coal transportation, Mr. Sadasivan urged that transport of coal by road should be encouraged and all possible avenues of river transport should be explored. While the suggestions may not be new, the pity is that nothing much has been done to solve the transport crisis. It is high time that the planners should concentrate more on the problem of transport and power for in it lies the effective answer of gearing the wheels of progress.

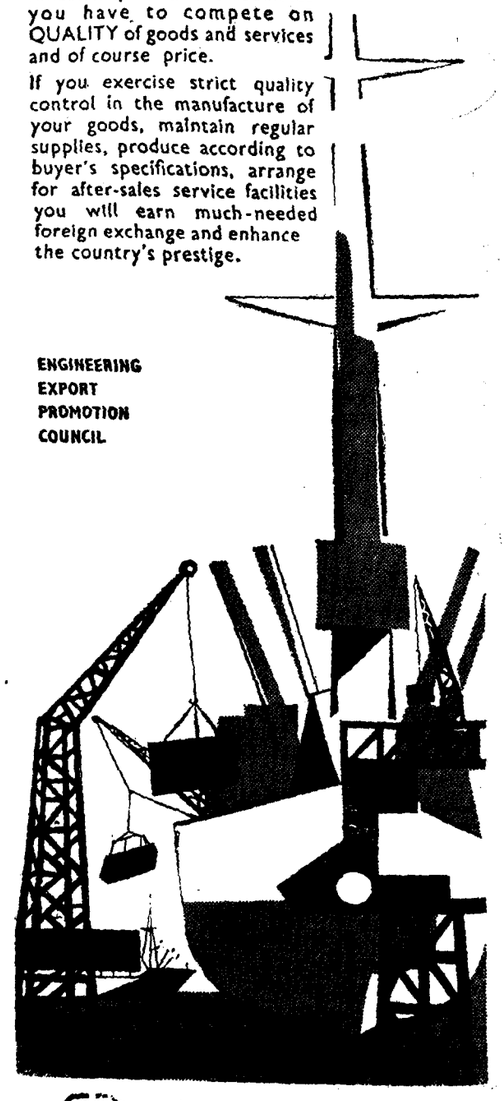
INTEREST ON LIC MORTGAGE LOANS RAISED

The Life Insurance Corporation of India announced on July 30th, 1962 that, with effect from July 18, 1962, it had fixed the rate of interest under its scheme for grant of loans on mortgage of immovable properties at three per cent above the Bank Rate, subject to a minimum of eight per cent per annum, payable half-yearly, with a rebate of one per cent per annum, for punctual payment of principal and interest instalments. Anyone would have objected to this, as it means giving retrospective effect of nearly two weeks to a later decision, but, anticipating such reaction, apparently, the LIC has added specifically that interest under loans already disbursed, or sanction whereof has already been communicated to the applicants, will remain unaltered at seven per cent per annum with a rebate of half a per cent per annum for punctual payment.

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FROM THE CAPITAL'S CORRIDORS

ASSISTANCE FROM THE AID-INDIA CLUB

THE $220 million gap in the matching contribution of non-US members of the Aid-India Consortium, left unfilled at the Consortium's meeting in May last, has been filled up to the tune of only $155 million at its this week's Washington meeting. The United States has given a matching contribution of $435 million. Thus, the total aid that has been promised by the Aid-India Club for the second year of India's Third Plan amounts to $870 million, as against the expectation and requirements of $1,000 million from this source.

The following is the break-up of this assistance :

(Million dollars)

Country	Amount
United States	435
Britain	84
West Germany	139
France	45
Japan	55
Canada	33
Italy	53
Belgium	10
Austria	5
Netherlands	11
TOTAL	870

Simultaneously, the International Development Association, an affiliate of the World Bank has announced a fresh assistance to the tune of $50 million which brings the total assistance promised by the World Bank and its affiliate IDA for the current financial year to $200 million. If IDA's this contribution is taken into consideration, the total assistance available from the World Bank and the Aid-India Consortium comes to $1,070 million. This falls short of the total requirements from these two sources (of $1,150 million) by only $80 million.

The assistance promised by the Aid-India Club has not come as a surprise to this country since it is understood an indication of this had been given to the Union Finance Minister, Mr. Morarji Desai, during his recent tour of Western Europe. Contrary to expectations, however, West Germany has not stepped up its contribution from the level it had indicated at the May-end meeting of the Consortium. Britain has stepped up its contribution by $16 million, France by $30 million, Japan by $25 million and Canada by $5 million from the levels these countries had indicated earlier.

The Aid-India Club's offer has been received in official circles here with mixed feelings. It is considered good so far as it goes, but obviously it has to go further. Particular significance in this context is attached to the fact that the US offer to extend assistance to the extent of $500 million for the current year of our Third Plan still remains open, provided the existing members of the Consortium or any new members who may join it hereafter make up the balance of $65 million in their quota. The curtain over this affair has, thus, not yet been drawn finally and there is every prospect of another meeting of the Club being held sometime later to explore the possibilities of bridging the $65 million gap that remains in the matching contribution of the non-US members. If the non-US members of the Consortium are able to raise another $65 million, the US assistance would be raised to the full level indicated by it, that is $500 million. In that case India's requirements of foreign assistance from the Aid-India Club and the World Bank should be more than fulfilled since IDA's contribution will be additional.

How much of the assistance promised by the Aid-India Club can be utilised for maintenance imports is not yet clear. The World Bank and IDA loans, of course, would be tied credits meant for utilisation on specific projects. The aid from Italy consists of the $45 million ENI credit and the $8 million credit for the aluminium project. India will have to negotiate with the other members for part of their contribution to be made available to her in the form of untied loans. This question will be taken up when the bilateral agreements with the individual members of the Consortium are negotiated.

FOREIGN TRAVEL: RESTRICTIONS TO STAY

With the Aid-India Club's meeting now over, it is certain that there is to be no relaxation in the rigorous restrictions on foreign travel and those on imports. Indeed, it would not be surprising if some of these are made stricter. Mr. T. T. Krishnamachari's recent suggestion that maintenance imports should be pegged to exports minus the repayment liabilities during the year is reported to have received widespread support during recent official discussions. A beginning with the implementation of this idea is likely to be made soon.

It is recognized that an abrupt reduction in imports, which have already been cut to the bone, may cause hardships and social problems such as unemployment and rising prices. The idea, therefore, is to arrange the cuts in a way that their adverse effects are minimized.

An important proposal that is now being discussed in this connection is that the scheme for slashing imports in order to bring them down to the level of exports should be linked to a carefully formulated plan for "import substitution". The idea is that the Planning Commission and the relevant Ministries should appoint a number of technical panels to recommend, commodity by commodity, how imported materials can be replaced by indigenous goods.

THE MIG AFFAIR

With the report of Air Vice-Marshal Harjinder Singh, Air Vice-Marshal Ranjan Dutt and other experts of the Indian Air Force, who were in the United Kingdom recently to study the suitability of the UK-made Lightnings as an alternative to the Russian-built supersonic aircraft MIG, going against the former and the decision taken by the Union Cabinet's Defence Committee to send a high-level mission, including test pilots, to Moscow, there remains now little doubt that India would soon purchase MIG Aircraft from the Soviet Union and subsequently manufacture them in this country with Soviet help.

The timing of the decision to send the high-level mission to the Soviet Union to negotiate purchase initially and manufacture in India ultimately of Soviet MIG's barely a week or so before the meeting of the

Aid-India Club in Washington this week, was particularly significant in that it put the Western aid-giving countries to test. The outcome of the Aid-India Consortium's meeting in the face of the last week's developments in regard to the MIG deal was envisaged to reveal the real intention of the Western nations, whether they wanted to extend economic assistance to this country with or without political strings. Now that the Aid-India Club has assured massive assistance, the inference should be obvious.

The proposed MIG deal is also envisaged to play an important role in the diplomatic manoeuvres in connection with India's dispute with China, which is assuming serious proportions. Despite wide differences between the USSR and China on the ideological plane, it would be absurd to expect the Russians to be against China in any armed conflict. But they can very well be neuralised and that presumably is one of the reasons why the MIG deal may come through. By buying the Soviet aircraft, India, many argue, would also be buying Russia's neutrality which, at times, especially like the present one, could be as valuable as active support from it.

THE CAIRO CONFERENCE

The Cairo Conference of non-aligned developing nations of Asia, Africa and Latin America was in a manner of speaking related to Mr. Morarji Desai's mission to Europe, where it was his main pre-occupation to persuade the policy-makers of the Six that India's trade interest must not be jeopardized in the event of Britain's entry into the European Common Market.

The Conference was called to consider the impact of the ECM and other regional economic groupings on the economies of the developing countries of the world. Some of the sponsors, especially Yugoslavia, the UAR and Ghana, were known to have strong views on the subject. There was every possibility, therefore, of the Conference developing into a kind of an agitation against the European Community. Such a state of affairs would have been prejudicial to Mr. Morarji Desai's persuasive efforts in the European capital.

On the other hand, any attempt by India to soft-pedal the proceedings at Cairo could have led to serious misunderstandings with her friends in Asia and Africa, and might even have put ideas into the heads of the Europeans.

Happily, both extremes were avoided, and the Cairo Conference turned out to be eminently fruitful. Without becoming intemperate, the Conference succeeded in focussing attention on the paradox that the developed countries, while eliminating tariff barriers among themselves, are raising towering tariff walls against the economically weaker nations of the world. The fact that a World Economic Conference, under the auspices of the UN, is now a certainty is a source of satisfaction to those who organized the Cairo Conference.

An incidental advantage of the Conference was that the Indian delegation, headed by Mr. Manubhai Shah, was able to do a good deal of trade promotion on its side. An agreement was reached in principle with the UAR for doubling the Indo-UAR trade over the next three years from the current level of Rs. 22 crores annually.

Details of the agreement will be negotiated in Cairo in September by an Indian official delegation, and the agreement may be signed in New Delhi at Ministerial level. Other countries of the Middle East and Persian Gulf have also shown interest in expanding trade with India, and an early opportunity is likely to be taken to capitalize on this sentiment.

MR. MIKOYAN'S VISIT

Mr. Mikoyan stayed here for a short while last week on his way back to Moscow from Indonesia. Though a chance visit, his brief stay here has had results that must be described as important and beneficial. First of all, the problems posed by the delay in the supply of Soviet power equipment, which was causing great concern, has been nearly solved. The period of delivery of the generating units for the Korba, Neyveli, Singarauli and Pathratu power stations has been cut down. The USSR will make available the requisite equipment for these stations well in time to enable them to be commissioned during the Third Plan period. Indian technicians will go to Moscow for training in the proper operation of the power plants.

During Mr. Mikoyan's talks with the Prime Minister and Mr. T. T. Krishnamachari, the acceleration of the supply of power equipment was discussed in principle. Details were settled later between Indian officials and Mr. V. A. Sergeev, Deputy Vice-Chairman of the State Committee for Foreign Economic Relations. Before being appointed to this post, Mr. Sergeev was Economic Counsellor at the Soviet Embassy in New Delhi.

While no specific request for additional Soviet aid was made during the talks with Mr. Mikoyan, there was general understanding that if and when need arose for starting more projects with Russian aid, there will be little difficulty in securing it. In broad terms, however, some mention was made of the fields in which the Soviet Union may conveniently expand its contribution. Interesting enough, steel was included in this list. It is learnt that there is a tentative proposal further to expand the Bhilai steel plant to 3.5 million tons, while the present expansion programme—for which a firm commitment has been made by the Soviet Union—envisages an increase in the plant's capacity from 1 million tons to 2.5 million tons.

STEPPING UP STEEL OUTPUT

With a view to speed up the execution of the Third Plan projects, the Planning Commission has recently completed crucial discussions with the Union Ministries of Steel and Heavy Industries and Transport and Communications.

The basic problem facing the planners in respect of steel is that the demand for it during the current Plan period is going to outstrip the supply by a much larger margin than had been anticipated so far. On the one hand, the estimates of demand, even after disregarding some known shortages, have gone up. On the other, actual production is lagging behind even the revised estimates which were lower than the original ones.

The full picture of the requirements and production of steel as it has now emerged is as follows:

(Figures in million tons)

Year	Requirements	Production	Gap
1961-62 ..	4.3	2.90	1.4
1962-63 ..	5.0	4.0	1.0
1963-64 ..	5.8	4.4	1.4
1964-65 ..	6.6	5.0	1.6
1965-66 ..	7.2	5.8	1.4
TOTAL ..	28.9	22.1	6.8

The overall position, therefore, is that there will be a shortfall of 6.8 million tons over the five-year period

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In 1961-62, nearly a million tons of steel were imported at a cost of approximately Rs. 78 crores. If the entire shortfall in subsequent years is to be met, imports over the Plan period would exceed Rs. 600 crores, whereas the planners had hopefully thought that steel imports during the Third Plan would cost no more than Rs. 110 crores.

The matter does not end there. Two other factors aggravate the drain on foreign exchange on account of steel. Firstly, the Third Plan anticipated that India would be able to export steel worth Rs. 90 crores over the Third Plan period. Actually, the exports will at best fetch Rs. 15 crores. Secondly, the supply of special and alloy steels is likely to be even more unsatisfactory than that of ordinary finished steel. Against a targeted capacity of 375,000 tons at the end of the Third Plan, the existing capacity is no more than 19,278 tons. Nobody has any illusion about the licenced capacity materializing before the last year of the Plan. Consequently, the entire demand for special steels during the Third Plan will have to be met from imports. This will mean a further addition of Rs. 100 crores to the foreign exchange burden.

Faced with this formidable problem, the planners and the Steel Ministry have decided that the steel imports must not exceed the present level of a million tons a year, and that the anticipated shortfall must be made up by increasing indigenous production and better distribution and utilisation of available steel. Three measures are being taken to step up production:

(a) TISCO, Durgapur and Rourkela plants will be brought into full production, ahead of the present schedule, in 1963-64. This will give an increased production of 200,000 tons.

(b) The expansion of the Bhilai steel plant will be so organized as to set up a blast furnace there by the end of 1963. This will be utilized along with the use of basic rules and at Durgapur to augment the steel supply from there by 500,000 tons.

(c) Orders for the erection of new plants will be phased in such a way as to get maximum results in the minimum time.

The steel imports will be divided into three categories and licensed accordingly; (i) essential; (ii) of secondary importance; and (iii) of low priority.

PUBLIC SECTOR TO ENTER LONG-DISTANCE ROAD HAULAGE BUSINESS

Of the series of decisions taken in the field of transport and communications, the most important perhaps is that the State should enter the business of long-distance haulage by road. The proposal is now being examined by the Union Transport Ministry which will submit to Planning Commission a scheme to set up an organization or a series of organisations to take up this business.

Simultaneously, the Government intends to launch on a programme to manufacture heavy trucks with a pay-load ranging from 10 tons to 90 tons. Mr. Krishna Menon has said that the Defence Production Organization can cope with the task of manufacturing heavy trucks, but the question of selecting a production agency is still an open one. A number of engineering and economic details have to be dealt with before the production can be started. These are now being studied. The Orissa Government intends to move iron ore to Paradip port by means of 25-ton trucks and the proposal is being commended.

In the programme for road building, which is being carried out with the help of IDA loans, priority will be given to the construction of feeder roads and improving national highways in the Bengal-Bihar coal belt. A provision of Rs. 16.8 crores is likely to be made for this purpose.

Some time ago the Shipping Board had suggested that the shipping target should be raised from 12.75 lakh GRT to more than 14 lakhs GRT. But the Planning Commission has ruled that whatever additional shipping has to be obtained, it must be acquired within the present Plan allocation, of which Rs. 14 crores are still left unspent. No free foreign exchange will be provided for the purchase of any ships. Even the first instalment for the ships must be paid from out of their net earnings.

STEPPING UP COTTON, OILSEEDS OUTPUT

With a view to step up output of cotton and oilseeds through improvements in their yields per acre, the two-day conference of the country's leading agricultural experts, held here last week, has recommended a major extension of plant protection measures "to the maximum extent and with the utmost speed" in respect of these two important cash crops. This step alone, it was felt, could make a significant and immediate impression on the output of these two vital crops.

The State Governments have been urged to mobilise plant protection measures on a mass scale through sprayers and dusters for intensifying work on the ground. Aerial spraying might also be arranged for compact areas whenever possible. The agricultural experts were unanimous in their opinion about tackling of the inter-connected aspects through concerted action by means of a "package programme" aiming at simultaneous provision of scientific know-how, adequate and timely supply of pesticides, implements etc., liberal and easy supply of credit, marketing, strengthening of co-operatives and other institutions and organisations, as also adequate incentives and legislative measures wherever necessary.

They approved the proposal for the introduction of "package programme" for cotton in several areas in the States of Punjab, Rajasthan, Uttar Pradesh, Gujerat, Madhya Pradesh, Maharashtra, Mysore, Andhra Pradesh and Madras. Some of these areas are Ferozepur and Hissar in Punjab, Ganganagar and Mewar in Rajasthan, Bundelkhand, Allahabad and Rohelkhand in Uttar Pradesh, Rajkot in Gujarat, Marathawada and Vidarbha in Maharashtra, Belgaum and Gadag in Mysere and Krishna-Guntur in Andhra Pradesh.

For groundnuts, the experts recommended that considering the acreage under this commodity and the potentialities for encouraging its production, the number of package programme units for groundnut production should be raised from the existing eight to 24 in the States of Gujarat, Maharashtra, Mysore, Andhra Pradesh, Madras, Madhya Pradesh, Uttar Pradesh, Rajasthan and Punjab.

It was also recommended that even the existing programme should be accelerated by covering the entire area under groundnut in three years instead of four. It was also felt that the scheme which was originally sanctioned for irrigated areas only should also include areas with adequate rainfall. It was recommended that areas should be separately demarcated for growing cotton and sugarcane. No sugar factory should be allowed in the cotton areas.

With regard to the extension of cotton to new areas, it was suggested that having regard to the increasing irrigation facilities as a result of the Rajasthan Canal Project and excellent climatic conditions, maximum area should be earmarked for growing long-staple cotton in Rajasthan. Possibility of setting up large-scale State farms for cotton, mechanised if possible, in the irrigated areas of Rajasthan should be examined.

It was suggested that additional technically qualified agricultural staff should be provided which should be fully integrated with the normal agricultural staff.

Another recommendation related to the arrangements for buffer stock storage of fertilizers before the commencement of the season. The Ministry of Food and Agriculture was understood to have agreed to bear interest and storage charges of such stocks. It was felt that fertiliser loans should be given only in kind as that would check its misuse for other purposes and would increase fertiliser consumption.

With regard to seeds, the experts recommended that suitable arrangements should be made for providing improved seeds on adequate scale and efforts made to saturate 95 per cent of the area under cotton with improved seeds. Steps should also be taken for setting up a seed testing laboratory in each State.

The practice of mixed cropping, i.e., groundnut in cotton crop as prevalent in Saurashtra and Andhra Pradesh, should be popularised wherever practicable. It would not only ensure maximum utilisation of land, manurial and irrigation resources and afford greater income to the farmer but also production of two crops so much needed by the country.

STC SIGNS TRADE PACT WITH JORDAN

The State Trading Corporation has renewed its agreement with the Jordan Phosphate Mines Company for importing 1,50,000 metric tons of rock phosphate. Against this import, India will export to Jordan tea, coffee, spices, footwear, leathergoods, shellac, textiles, engineering goods, cotton yarn, chemicals and pharmaceuticals etc. The agreement is valid upto December 30, 1962.

To facilitate Indian exporters to get their payments under this agreement, all contracts/orders entered into by Indian exporters with Jordanian importers will have to be registered with the STC. Payment to Indian exporters will be made from the rupee account of the Jordan Phosphate Mines Company maintained with the State Bank of India.

DUTY DRAWBACK ON EXPORTS

As a measure of export promotion, the Government of India has decided to allow drawback of customs and/or Central Excise duty on export of some more items. They are: tarboilers, duplicators, detonators, machine tools, pistons, Gudgeon pins, cylinder liners, piston rings, centrifugal castings, hydraulic brake fluid (not otherwise specified), fountain pen nibs, switchgears and control gears and components, capacitors, cocoa powder, chocolate, cocoa butter, stainless steel, copra cake, deoiled copra cakes, storage batteries and steel barbed wire.

Some changes have also been made in items relating to textile machinery, steel products, glassware, mill machinery, radio receivers, noil yarn, paints, chemicals and pharmaceuticals and plastic goods.

Further details and advice regarding the procedure for obtaining these concessions are available at the at the Custom Houses at the ports from which the goods are to be exported.

ENROLMENT OF EXPORTERS UNDER PROMOTION SCHEMES ABOLISHED

Several amendments have been made in the export promotion schemes with a view to simplifying the procedure.

The scheme for enrolment of exporters has been abolished. No enrolment certificate will hereafter be asked for from any exporter in connection with his application for registration or for incentive licences under any export promotion scheme.

An exporter will hereafter have only to register himself with an Export Promotion Council, a Commodity Board or the Export Promotion Officer at the port (as the case may be) in order to avail himself of the benefits of an export promotion scheme.

An exporter once registered will not have to apply for registration every year. The present procedure of exporters having to re-register themselves annually has been discontinued.

In order to expedite the issue of incentive licences against exports, the Export Promotion Councils have been authorised to recommend direct to the licensing authorities imports of such raw materials, components and spares as an exporter is permitted to import as per his latest actual user licence.

Government is also considering the strengthening of the organisation and staff of the Export Promotion Councils. These sanctions are expected to issue shortly.

ETHER EXPORTS TO EGYPT

Messrs. Hyderlabad Chemicals and Pharmaceuticals Works Limited have been able to export three tons of ether sulphuric to Egypt. This is the first time that this commodity has been exported from India.

The negotiations for this deal were started in 1958 and the final order from the Egyptian importers was secured in June, 1961. The shipment could not be effected earlier as the port authorities objected to the entry of ether sulphuric into the dock area because of its highly inflammable property. It was only recently that this difficulty could be overcome.

The company is hopeful of securing further orders for export of ether sulphuric to Egypt. Recently, it has also negotiated a deal with the Ceylon Government for exporting to that country ether worth Rs. 33,000.

IN BRIEF...

The man-days lost due to industrial disputes in 1961 are provisionally estimated at 42 lakh as against 78 lakh in 1958. The decline is attributed to the success achieved—though not in full measure in other respects—by the Code of Discipline introduced four years ago to smoothen labour-management relations.

*

The French Government has allowed special quotas for the import of the following Indian goods into France during the current calendar year: jute manufactures, woollen carpets, coir mats, woollen hosiery, miscellaneous textile articles, hand-made silk fabrics, handicrafts like ivory goods, eathern ware, jewellery etc., sewing machines, sports goods, dried mushrooms, frog legs and canned fruits. The quotas are valid upto December 31, 1962.

*

Messrs. Goodyear Tyres have a $2.5 million plan for expanding the company's research and development facilities at its headquarters in Akron. The plan is said to have been launched to keep the company in the forefront in the rubber industry.

*

According to a press release from IMF, the International Monetary Fund has been advised by the Government of Japan of its formal adherence to the Fund's general arrangements to borrow. Japan has a maximum commitment equivalent to $250 million and becomes the third of ten participating industrial countries formally to announce its adherence. The United Kingdom ($1,000 million) and Italy ($550 million) announced their formal adherence May 8 and March 28, 1962, respectively.

COMPANY AFFAIRS

THE INDIA CEMENTS

The working results of the India Cements Ltd., for the year ended March 31, 1962 disclosed a profit of Rs. 51.29 lakhs after meeting all expenses and providing for Bonus and Depreciation. With the brought forward amount of Rs. 1.19 lakhs and a transfer of Rs. 5 lakhs from General Reserve together with refunds add upto Rs. 58.15 lakhs. Allocations, out of this disposable balance, include Rs. 23.50 lakhs for taxation, Rs. 2.07 lakhs for Rehabilitation, and Development Reserve, Rs. 0.87 lakhs for Development Rebate and Rs. 14.58 lakhs for payment of interim dividend, leaving a balance of Rs. 15.96 lakhs. The Directors have decided to pay a final dividend of Rs. 0.30 per share on equity shares, absorbing Rs. 13.47 lakhs. A balance of Rs. 1.39 lakhs has been carried forward to the next year's account.

The Directors report that the Vizag Scheme has been deferred owing to the delay in the proposed railway line connecting the Borra Cave Region to Vizag port which would be completed only 1966. In the meantime the company has received the necessary sanction to utilise the licence originally obtained for the Vizag factory for setting up a large sized cement factory at Salem. The factory will be put in commission by the middle of 1963.

The Directors are exploring the possibilities of setting up a two-lakh ton cement factory in Andhra Pradesh at Ramagundam, if the geological survey now in progress confirms adequate deposits of lime stone in the area.

HOWRAH MILLS

Howrah Mills has reported results which are far from encouraging for the year ended March 31, 1962, reflecting the exceptionally difficult conditions experienced by the jute industry in general and the Howrah Mills in particular. The shortage of raw jute in the first half of the year, disparities between the manufacturing costs and the selling price and the resistance from overseas buyers account, by and large, for the unsatisfactory results. Sales have suffered a set-back, declining from Rs. 4.60 crores to Rs. 4.11 crores. A loss of Rs. 14.59 lakhs, after providing Rs. 8.75 lakhs for depreciation, has been reported for the year. No allocations have been made for the general reserve (against Rs. 1.50 lakhs), Development Rebate Reserve (against Rs. 17,494), Debenture Stock Sinking Fund (Rs. 1 lakh) and taxation (against Rs. 5.05 lakhs). The dividend for the year, for obvious reasons, has been skipped.

The Directors, however, take a fairly encouraging view about the prospects for the current year, considering the comfortable position in the supply of raw jute and the steady overseas demand for jute goods. The power shortage and effects of the lock out declared in May 1962 are, however, causing anxiety.

INDIAN OVERSEAS BANK

The Indian Overseas Bank has reported encouraging results during the half-year ended June 30, 1962. The net profit, including the sum of Rs. 2.23 lakhs brought forward from last year's account, amounts to Rs. 22,06 lakhs as against Rs. 19.97 lakhs in the corresponding period of the preceding year. Deposits and advances have recorded appreciable increases during the period under review. As on June 30, 1962, deposits and advances are over Rs. 35 crores and Rs. 23 crores respectively as against Rs. 31 crores and Rs. 20 crores as at December 31, 1961.

NEW ISSUES

Eight companies have been authorised to issue capital totalling Rs. 5.94 crores. Of these, three companies will issue 'bonus' shares, four 'equities' and one 'debentures'. One is a new company. The consent of the Controller of Capital Issues in all cases is valid for 12 months. Following are the details:

1. **Suhrid Geigy Limited, Ahmedabad,** will issue Rs. 25 lakhs bonus capital to the existing shareholders of the company on capitalisation of the General Reserve of the company to a like extent.

2. **Geoffrey Manners & Company Limited, Bombay,** will issue bonus shares of the value of Rs. 24 lakhs. Out of this, shares worth Rs. 10.80 lakhs will be issued to the existing non-resident shareholders, M|s. American Home Products Corporation, U.S.A.

3. **The Associated Rubber Industries Limited, Maharashtra,** will issue bonus shares of the value of Rs. 1.00 lakh.

4. **The Fertilizer Corporation of India Limited, Delhi,** a Central Government Undertaking, is issuing further capital of Rs. 4 crores divided into 40,000 equity shares of Rs. 1,000 each, for cash at par. It is engaged in the manufacture and production of fertilizers and has a paid-up capital of Rs. 39.63 crores.

5. **The U.P. State Industrial Corporation Limited,** a State Government Undertaking, having a paid-up capital of Rs. 45 lakhs, is issuing additional capital of Rs. 30 lakhs divided into equity shares of Rs. 100 each, for cash at par to be subscribed by the State Government entirely.

6. **Permali Wallace Limited, Bhopal,** a new company, is raising capital of Rs. 17,25,000 for cash at par. Out of this, shares of the value of Rs. 5,75,000 are to be offered to M|s. Permali Limited, Gloucester, England, and their associates. The proceeds of the issue will be utilised for the manufacture of densified wood, impregnated and laminated wood.

7. **Giovanola-Binny Limited, Madras,** is raising further equity capital of Rs. 5 lakhs for cash at par. The proceeds together with that of the earlier issue of Rs. 35 lakhs will be utilised for the manufacture of penstocks in collaboration with M|s. Giovanola Freres S.A. Mouthey, Switzerland.

8. **Ahmedabad Manufacturing & Calico Printing Co. Ltd., Ahmedabad,** is issuing debenture stock of the value of Rs. 92 lakhs in debentures of Rs. 1,000 each carrying interest not exceeding 6½ per cent and redeemable after 10 years from the date of issue. The debentures will be pledged with scheduled bank/banks as security for raising loans. The debentures shall be payable to registered holders only.



BOOK REVIEWS

NILOKHERI : BIRTHPLACE OF A MOVEMENT

Nilokheri: By S. K. Dey: Asia Publishing House, Bombay: Price Rs. 10.50.

NILOKHERI is a romantic place, the vision, and even passion, of one man, the seed of a revolutionarv idea, possibly of a great national movement. It is impossible without reading this little book of just over 100 pages to decide which of the elements in this picture is the dominant note of the story that it tells. It is likely that every reader will place the emphasis differently. But here at least is a story quietly, yet effectively, told of something which Indians have done for themselves under the throes of crisis, but nevertheless, out of their own qualities of self-reliance and human fellowship, if one does not use Mr. S. K. Dey's word of 'love'. It is possible to exaggerate the element of 'love' and underestimate the element of self-interest, but these are only the fringes of the philosophy behind the movement which Nilokheri represents. The time will come when scholars in universities will be analysing profoundly the motivation of this particular performance. This is the time for a description of its factual, or historical, context; the thing itself is of abiding interest.

One thing at least can be stated; but for another crisis in the life of Mr. S. K. Dey this book may never have been written. It was a heart attack in 1959 and the knowledge that similar attacks had laid low two great friends — Mr. Feroze Gandhi and Pandit Govind Ballabh Pant — that persuaded Mr. Dey that the record must be written. "I felt convinced", he says, "Nilokheri had a lesson for India. In any case, I had no exclusive title to its lessons. So the story is here for what it is worth."

In the main, the story is one of S. K. Dey's own vision. The period during which he was on trial, including carrying conviction in Delhi both to the Ministry of Rehabilitation and to the Prime Minister, provides interesting comment on how enthusiasm can surmount giant obstacles, even those set by Indian red tape at its height. This was no ordinary proposal. It was to start in the middle of swampland in the Kurukshetra Refugee Camp in the Punjab a great self-reliant community, with a training centre for industries, a township, and an agricultural and industrial complex, small but, by no means, the less complicated on that account. The men who were to work were as unknown and in many cases untrained as the 40 original workers with S. K. Dey in this new movement. Quite by chance a strange advertisement.

"Wanted men who can love."

"Invited men who can build men."

Brought in an engineer, B. D. Nanda, who became the architect of the new township, and thus a substantial partner. But those who assume that the enterprise consisted only of the factories and the houses that were built, will miss the spirit of Nilokheri and the lessons that it presents. The lesson is that, out of the human raw material of India, there can be built under Indian leadership powerful communities, well-knit, capable of sustaining themselves both spiritually and materially for a considerable period. One is not satisfied, that once the leadership is withdrawn the experiment can always be a success. That is the large question-mark to Mr. Dey's forceful answer.

If one looks upon the work of Nilokheri as an urban effort and links it, as Mr. Dey would have us do, with Albert Mayer's work at Etawah, one can say he has built here a prototype of Community Development, Panchayati Raj and that tremendous transfer of power to the Indian village which is the most dramatic element in the changing pattern of the Indian Revolution. Whether or not it is this changing pattern which has brought about an improvement in agricultural production will always be a matter of debate. The current estimates are somewhat to the contrary. But that a new India is being born, with the character of revolutionary change in the village, it will not be in doubt. Power is being dispersed and with it responsibility. Nilokheri might be described as an experiment in the decentralisation of power and in the decentralisation of responsibility.

It is appropriate because it presents the prototype of political decentralisation, that the book should carry an epilogue, "Community Development Through Panchayati Raj". This is a summary, in a sense, of the basic ideas which Mr. Dey himself, more than anyone in the country has, set in the Indian political, economic and social system. The story is not yet ended, and perhaps the best comments on it are those with which the book concludes on its 100th page: "The pilgrimage is young. There is a long road ahead. The direction is right. A giant is on the move. The speed of the journey will be determined by the push from behind and the pull from ahead. Short-cuts are but the pranks of the devil."

Whether or not this tremendous experiment will be worth all that is expected of it only the future can tell. But it is quite certain that history will record that Nilokheri was a tremendous failure, if its fruit should fail to endure. And undoubtedly this book will stimulate and provoke thought as well as great hope and faith that men under strain can raise themselves largely by their own boot-straps.

THE MOHINI LECTURES 1961

Lessons of Indian History: Professor Humayun Kabir: Department of Publications; University of Gauhati; Price Rs. 3.

Department of Publications, University of Gauhati, is to be congratulated on having published, even though somewhat belatedly, the Mohini Lectures delivered by Professor Humayun Kabir last year. The theme, "Lessons of Indian History" is one of perennial interest, but it is not often that lecturers on this theme can be found who can be frank and critical as well as scholarly and profound. In the two original lectures, one on "Toleration and co-existence" and the other on "Authoritarianism and Restriction of Knowledge", one obtains directly, as well as between the lines, some very uncomfortable reminders of defects in Indian character which today as well as over the past have tarnished our character no less than our history. Two illustrations well illustrated by Professor Kabir will suffice.

He narrates (on page 22) the old story of Ekalavya, the rival of Arjuna in archery, who, because of class and caste considerations, was prevented from exercising his skill and was commanded by his teacher Dronacharyya to cut off his thumb and thereby deny both himself and society the skills which he had developed on his own.

The destruction of the individual is less important than the weakness thus induced in society. Indian society is still full of instances where ineffective leadership, by denying opportunities to others, inflicts severe damage on society. Professor Kakir points to the sharp contrasts of Indian practice to restrict knowledge within groups with the advances made by Arabs and later by Europeans. Amongst others injured was the privileged class itself. Because fighting was the prerogative of a special class, and new technologies were restricted because of absence of knowledge, the defeat of a single group meant the defeat of the country as a whole. The privileged group never seemed to see its interest in protection by building a powerful society as a whole. Thus leadership of single individuals has been a disastrous pattern for Indian history. Can it be said that we have escaped this tyranny of monolithic leadership at the present time?

Second instance of national weakness, depending in part on the personality cult, is referred to by Professor Kabir as the "supine inactivity before evil". Courageously, — because he was speaking before an Assam audience — Professor Kabir referred to the disturbances there. He said: "In the unfortunate disturbances which have occurred in different parts of India in the last twenty years — and the incidents in Assam last year or at Jabalpur only recently are a cruel reminder of the continuance of the evil — the miscreants have hardly ever been more than a small fraction, perhaps at most 5 per cent of the population. The vast majority of the people have disliked their action and disapproved of it but rarely taken action to stop them."

The Third lecture of the series, "The Lesson of 1957" was not delivered as a Mohini Lecture, but it is good that it is now included, because here we can feel a little more satisfaction. India, according to Professor Kabir, has become the prime inheritor of the links of the cultures of East and West. "She may well serve as a meeting ground where clashes of political ideologies and institutions and social and economic organisations may be peacefully resolved for the benefit of the whole world". Every one will hope with him that our natural destiny will be grasped and fulfilled. But who will argue that the stars are all in our favour?

This little book is a remarkably effective reminder to the Indian people that both their theory and their practice are urgently in need of reform. Will they, as an adult suffrage democracy, bring about the reforms which authoritarian society based on a powerful class prejudice has down the years made difficult to the verge of impossibility?

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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
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
April 1961 ..	117.6	112.0	121.5	153.1	136.0	126.1	127.5	126.0
May „ ..	117.2	104.1	121.6	153.2	136.9	125.3	126.9	125.4
June „ ..	120.6	100.1	123.3	148.8	139.7	123.9	126.2	126.2
April 1962 ..	120.5	98.8	122.4	135.1	136.9*	125.2	126.8	124.2
May „ ..	124.2	102.0	122.3	134.9	137.3	125.9	127.5	126.3
June „ ..	125.4	99.7	123.4	136.1	139.5	127.1	128.8	127.4
June 16, 1962 ..	124.1	98.7	124.2	135.9	139.7	127.0	128.8	126.8
June 23, 1962 ..	125.6	99.5	124.3	136.5	139.3	127.6	128.7	127.6
June 30, 1962 ..	127.6	99.1	124.1	137.1	140.3	128.3	130.0	129.1
July 7, 1962 ..	126.6	99.1	124.2	137.4	142.1	127.7	129.8	128.6
July 14, 1962 ..	128.4	99.1	124.3	138.5	142.9	127.3	129.5	129.5

* 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	168	478	173	170	173
1961 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	295	170	399	513	495	178	482	177	174	175
February ..	419	438	295	170	399	513	492	—	480	177	177*	175
March ..	420	439	300	170	403	503	493	—	480	179	175*	175*
April ..	420	439	300	170	410	491	—	—	480*	182	175*	175*
May ..	—	—	—	167	—	491	—	—	480*	180	177*	177*
June ..	—	—	—	171	—	505	—	—	484	—	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 27-7-1962			20-7-1962			13-7-1962			6-7-1962		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 gram)	126.35	125.10	125.83	126.75	125.50	126.24	127.10	126.15	126.58	126.35	125.50	125.83
Silver (per kilogram)	214.05	212.45	213.38	213.90	212.70	213.36	216.10	213.70	214.98	215.30	213.65	214.07

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										
April 1961 ..	2,017,13	18,88	2,036,01	117,76	118,01	235,77	11,58	121,90	1,678,34	2,036,01
May „ ..	1,989,60	16,63	2,006,23	117,76	113,01	230,77	11.50	118,51	1,656,95	2,006,23
June „ ..	1,958,79	30,43	1,989,22	117,76	108,01	225,77	11.35	118,54	1,644,92	1,989,22
April 1962 ..	2,136,62	23,21	2,159,83	117,76	110,61	292,37	10.57	118,65	1,812 81	2,159,83
May „ ..	2,143,74	24,94	2,168,68	117,76	102,00	219,76	10.13	115,05	1,833,87	2,168,68
June „ ..	2,111,73	33,72	2,145,45	117,76	92,48	210,24	9.80	113,75	1,821,43	2,145,45
Week-Ending										
22-6-1962 ..	2,097,04	41,07	2,138,11	117,76	92,08	210,44	9.83	114,44	1,,813,23	2,138,11
29-6-1962 ..	2,076,68	43,31	2,119,99	117,76	91,68	209,44	9.88	116,24	1,794,31	2,119,99
6-7-1962 ..	2,094,77	23,77	2,118,54	117,76	91,77	209,53	9.89	114,79	1,794,22	2,118,54
13-7-1962 ..	2,090,32	14,15	2,104,47	117,76	91,09	208,85	9.92	115,61	1,780,01	2,104,47
20-7-1962 ..	2,060,76	16,31	2,077,07	117,76	89,34	207,10	9.97	118,13	1,751,83	2,077,07

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
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														
April 1961 ..	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
May „ ..	61,60	16,21	78,38	116,50	272,69	144,08	501,78	16,72	41,65	21,40	83,99	125,25	191,55	21,22
June „ ..	64,96	13,55	84,67	123,86	287,04	134,21	506,25	30,47	39,78	14,49	68,97	121,34	208,22	22,97
April 1962 ..	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
May „ ..	50,54	15,77	86,11	150,91	303,30	158,79	547,11	24,96	64,10	5,79	111,26	129,86	174,46	36,65
June „ ..	56,84	11,35	91,78	149,74	309,71	168,06	562,78	33,77	52,34	8,62	98,64	126,68	203,05	39,67
Week-Ending														
22-6-1962 ..	69,77	4,71	98,62	151,27	324,37	174,07	583,44	41,12	52,25	9,66	124,51	122,13	194,03	39,74
29-6-1962 ..	53,36	25,49	98,70	149,65	327,21	175,39	587,60	43,35	44,04	5,64	34,89	134,93	282,27	42,46
6-7-1692 ..	48,16	25,19	109,23	193,42	376,00	120,06	581,06	23,83	58,89	6,78	37,88	133,58	279,04	41,35
13-7-1962 ..	53,27	17,46	90,51	192,22	353,46	119,08	557,55	14,20	74,69	5,37	38,17	133,08	252,29	39,75
20-7-1962 ..	49,33	14,28	108,60	193,64	365,85	121,86	572,71	16,36	67,45	4,51	41,73	128,69	278,46	35,51

* 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.

PROFIT ALLOCATION RATIOS, (INDUSTRY - WISE)

(Based on 1001 Selected Public Limited Companies)

Industry	No. of Companies	Tax Provision as % of profits before tax		Dividends as % of profits before tax		Retained profits as % of profits before tax		Dividends as % of profits after tax		Retained profits as % of profits after tax	
		1959	1960	1959	1960	1959	1960	1959	1960	1959	1960
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1. Tea Plantations	136	43.0	47.0	37.8	40.9	19.2	12.1	66.3	77.2	33.7	22.8
2. Coffee Plantations	10	40.6	40.7	65.8	40.4	—6.4	18.9	110.8	68.1	—10.8	31.9
3. Rubber Plantations	23	53.8	51.3	45.3	39.0	0.9	9.7	98.0	80.1	2.0	19.9
4. Coal	44	50.2	43.9	44.5	36.2	5.3	19.9	89.4	64.6	10.6	35.4
5. Edible, vegetable & hydrogenated oils	13	38.5	39.8	28.1	35.1	33.4	25.2	45.6	58.2	54.4	41.8
6. Sugar	75	41.2	41.9	39.1	38.5	19.8	19.6	66.4	66.2	33.6	33.7
7. Cotton textiles	211	41.3	35.1	47.8	32.2	10.9	32.7	81.4	49.7	18.6	50.3
8. Jute Textiles	49	28.3	38.1	40.2	42.5	31.5	19.4	56.1	68.6	43.9	31.4
9. Silk & woollen textiles	12	24.2	22.4	34.5	27.4	41.3	50.2	45.5	35.4	54.5	64.7
10. Iron & Steel	2	4.3	12.8	38.4	52.8	57.3	34.3	40.1	60.6	59.9	39.4
11. Transport equipment	15	42.0	39.9	44.2	38.1	13.8	22.0	76.2	63.5	23.8	36.5
12. Electrical machinery, apparatus, appliances, etc.	21	45.9	43.1	33.5	33.2	20.6	23.7	61.9	58.4	38.1	41.6
13. Machinery (other than transport & electrical)	52	45.8	44.1	31.7	30.2	22.5	25.6	58.5	54.1	41.5	45.9
14. Non-ferrous metals	3	38.8	42.9	25.0	15.2	36.2	41.9	40.8	26.6	59.2	73.4
15. Basic industrial chemicals	13	30.9	29.6	41.5	31.9	27.6	38.4	60.1	45.4	39.9	54.6
16. Medicines and pharmaceutical preparation	19	42.9	41.8	38.8	39.4	18.2	18.9	68.1	67.6	31.9	32.4
17. Other chemical products	19	41.1	43.5	30.4	27.3	28.5	29.2	51.6	48.4	48.4	51.6
18. Matches	3	45.1	48.3	37.7	38.7	17.2	13.0	68.7	74.9	31.3	25.1
19. Mineral oils	2	36.1	48.2	31.4	40.5	32.5	11.3	49.1	78.2	50.9	21.8
20. Cement	12	25.5	32.2	63.8	63.6	10.7	4.1	85.7	93.9	14.3	6.1
22. Electricity generation and supply	30	20.5	10.7	54.3	54.2	25.3	35.1	68.2	60.7	31.8	39.3
23. Trading	42	44.7	48.3	38.7	46.6	16.6	5.1	69.9	90.2	30.1	9.8
24. Shipping	10	36.6	..	185.1	..	—121.8	..	292.0	..	—192.0	..
25. Total (including others)	1001	36.6	38.4	39.5	38.0	24.0	23.7	62.2	61.6	37.8	38.4

Source: Reserve Bank of India.

PROFITABILITY RATIOS (INDUSTRY-WISE)

(Based on 1001 Selected Public Limited Companies)

Industry	No. of companies	Gross profits as % of Sales		Gross profits as % of Total capital employed		Profits after tax as % of Net Worth		Dividends as % of Net Worth		Dividends as % of paid-up Capital	
		1959	1960	1959	1960	1959	1960	1959	1960	1959	1960
1. Tea plantations	136	20.6	20.0	13.3	12.0	10.5	8.8	6.9	6.8	14.0	13.6
2. Coffee plantations	10	20.0	28.4	8.7	13.0	7.1	10.6	7.9	7.2	13.5	12.7
3. Rubber plantations	23	30.1	34.0	13.9	17.2	7.8	10.4	7.6	8.4	10.3	11.6
4. Coal	44	8.2	9.8	7.4	9.0	6.0	8.6	5.4	5.6	9.4	10.1
5. Edible, vegetable and hydrogenated oils	13	4.3	3.1	10.3	7.5	16.1	10.7	7.4	6.2	8.3	7.5
6. Sugar	75	8.9	9.8	10.3	9.0	11.9	11.5	7.9	7.6	14.4	14.8
7. Cotton textiles	211	6.2	9.2	8.3	11.8	7.1	13.3	5.8	6.6	10.5	12.9
8. Jute textiles	49	8.9	5.3	11.1	7.7	12.3	7.4	6.9	5.0	11.6	8.7
9. Silk and woollen textiles	12	22.8	22.4	19.6	18.8	22.6	21.9	10.3	7.7	14.0	12.2
10. Iron and steel	2	15.6	12.9	8.0	7.0	14.1	10.5	5.6	6.4	10.7	12.6
11. Transport equipment	15	8.1	8.7	9.6	10.7	9.8	12.8	7.4	8.1	9.1	10.4
12. Electrical machinery, apparatus appliances, etc	21	13.7	14.0	13.4	14.0	14.3	15.6	8.9	9.1	14.6	16.1
13. Machinery (other than transport and electrical)	52	11.4	11.9	10.8	10.3	12.2	11.8	7.2	6.4	11.6	11.4
14. Non-ferrous metals	3	10.6	14.8	13.7	17.1	17.6	19.0	7.2	5.1	8.3	6.7
15. Basic industrial chemicals	13	17.1	19.2	8.4	11.3	10.0	13.4	6.0	6.1	7.3	8.0
16. Medicines and pharmaceutical preparations	13	10.2	10.3	10.4	10.1	9.4	9.7	6.4	6.6	10.0	10.5
17. Other chemical products	19	13.3	13.6	15.6	14.8	15.0	14.2	7.7	6.9	10.2	9.9
18. Matches	3	7.5	7.0	18.4	17.8	14.8	13.1	10.2	9.8	15.8	15.8
19. Mineral oils	2	20.8	18.0	14.8	14.0	15.5	11.3	7.6	8.8	15.0	18.3
20. Cement	12	11.5	10.7	7.9	8.4	8.1	7.9	7.0	7.5	9.6	10.3
21. Paper and paper products	18	14.6	12.5	12.1	9.5	12.4	9.4	6.8	5.9	12.6	10.6
22. Electricity generation and supply	30	24.6	22.7	7.7	7.4	8.4	8.8	5.7	5.4	8.0	8.0
23. Trading	42	4.6	4.2	8.2	7.5	10.6	9.2	7.4	8.3	10.4	12.0
24. Shipping	10	4.2	0.5	1.7	0.2	0.8	—3.1	2.2	1.5	4.5	3.0
TOTAL (including others)	**1001**	**10.0**	**10.2**	**9.8**	**10.1**	**10.5**	**10.8**	**6.5**	**6.7**	**10.9**	**11.6**

INCOME AND EXPENDITURE OF 1001 SELECTED PUBLIC LIMITED COMPANIES: 1955-60

(Lakhs of Rupees)

	1955	1956	1957	1958	1959	1960
Expenditure and Appropriations						
1. Opening stock of finished goods and work-in-progress	193,07	205,95	259,42	284,26	275,43	262,41
2. Raw materials consumer and other manufacturing expenses	861,51	986,00	1,058,29	1,041,96	1,110,38	1,310,68
3. Salaries and wages	236,35	262,62	280,94	293,58	318,16	348,33
4. Employees' welfare expenses	18,02	22,57	24,64	26,81	29,45	32,15
5. Bad debts	64	95	33	69	38	39
6. Excise duty	68,12	85,80	122,46	151,87	161,97	180,72
7. Interest	13,34	16,58	24,03	28,13	30,39	32,82
8. Managing Agents' remuneration	14,81	11,93	8,47	8,98	11,10	11,09
9. Other expenses	102,49	127,39	138,06	151,26	171,81	185,21
10. Depreciation provision	43,24	47,50	53,46	57,49	66,44	85,00
11. Profit before tax	118,52	131,31	108,70	122,60	163,41	187,66
12. Less tax provision*	50,38	58,83	51,82	56,56	59,72	71,98
13. Profits after tax*	68,14	72,48	56,88	66,04	103,69	115,68
(a) Dividend*	39,17	42,68	42,79	47,20	64,54	71,21
(b) Profits retained	28,97	29,80	14,09	18,84	39,15	44,47
14. TOTAL	1,670,10	1,898,60	2,078,80	2,167,63	2,338,90	2,636,46
Income						
15. Sales	1,451,76	1,623,79	1,773,98	1,869,59	2,046,92	2,273,21
16. Other income	14,71	17,42	20,47	22,52	28,03	30,52
17. Closing stock of finished goods and work-in-progress	203,63	257,39	284,35	275,52	263,95	332,73
18. TOTAL	1,670,10	1,898,60	2,078,80	2,167,63	2,338,90	2,636,46

* Tax cut at source on dividend income of shareholders is included in 'Dividends' and not in 'Tax provision' in respect of companies which closed their accounts subsequent to 31st March, 1959.

Source: Reserve Bank of India.

SOURCES AND USES OF FUNDS OF 1001 SELECTED PUBLIC LIMITED COMPANIES 1956—1960

(Lakhs of Rupees)

	1956	1957	1958	1959	1960	Total
SOURCES OF FUNDS						
1. Paid-up capital (excluding capitalised reserves)	23,66	28,86	20,88	27,24	19,53	120,17
Borrowings	99,42	103,65	43,88	5,17	68,35	320,47
2. From banks	68,03	47,26	11,32	—3,86	58,42	181,17
3. From industrial finance corporations	3,34	4,05	74	1,04	—52	8,65
4. Other mortgages	22,76	45,14	23,18	7,65	—2,72	96,01
5. Debentures	—1,37	—64	4,22	2,53	1,14	5,88
6. Others	6,66	7,84	4,42	—2,19	12,03	28,76
7. **Depreciation Provision**	37,04	46,70	51,68	56,98	78,93	271,33
8. **Taxation Provision**	12,95	82	5,60	4,03	15,51	38,91
9. **Capital Reserve**	6,88	2,05	6	—1,19†	10,43‡	18,23
10. **General and Other Reserves**	41,13	19,87	23,79	38,92	52,26	175,97
11. **Trade Dues & Other Current Liabilities**	45,09	42,06	20,73	25,42	33,49	166,79
12. **Miscellaneous Non-current Liabilities**	2,11	73	1,33	67	—34	4,50
13. Grand Total	268,28	244,74	167,95	157,24	278,16	1,116,37
USES OF FUNDS						
Gross Fixed Assets	138,74	178,71	149,01	105,91†	122,60‡	694,97
14. Land	2,61	2,23	2,40	91	54	8,69
15. Buildings	20,93	20,52	18,48	16,94	18,53	95,40
16. Plant and machinery	103,85	146,57	113,71	80,02	92,71	536,86
17. Others	11,35	9,39	14,42	8,04	10,82	54,02
Inventory	93,87	52,12	5,21	15,12	101,03	267,35
18. Raw materials	17,72	3,12	2,78	19,23	23,25	66,10
19. Finished goods and work-in-progress	53,50	27,00	—8,87	—11,54	68,97	129,06
20. Others	22,65	22,00	11,30	7,43	8,81	72,19
Receivables	42,92	21,11	10,83	11,81	30,40	117,14
21. Loans and advances	15,59	9,28	7,28	1,69	—17,65	16,19
22. Book debts and other debtor balances	27,40	11,83	3,55	10,12	48,05	100,95
Investments	57	12	2,13	6,60	7,33	16,75
23. Government securities	—2,15	—3,46	—1,81	—50	—66	—8,58
24. Semi-Government securities	9	—12	4	1	—3	—1
25. Industrial securities	29	3,25	1,98	86	4,51	10,89
26. Shares of subsidiary companies	2,34	45	1,92	6,23	3,51	14,45
27. **Advances of Income-Tax**	15	2,65	—1,35	2,53	5,11	9,29
28. **Miscellaneous Assets**	1,08	—1,48	—37	6	3,42	2,71
Cash and Bank Balances	—9,12	—8,69	2,49	15,21	8,27	8,16
29. Fixed deposits with banks	—7,16	—7,16	5,73	—79	17,42	8,04
30. Other bank balances	—2,11	—1,68	—3,05	14,77	—10,60	—2,67
31. Cash in hand	15	15	—19	1,23	1,45	2,79
Grand Total	268,28	244,74	167,95	157,24	278,16	1116,37

† Not adjusted for downward revaluation of fixed assets by Rs. 2,37 lakhs.

‡ Not adjusted for upward revaluation of fixed assets by Rs. 8 lakhs.

Source: Reserve Bank of India.



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THE EASTERN ECONOMIST

AUGUST 10, 1962

Appeasement

THE revelation on the opening day of the new session of Parliament last Monday that the Ministry of External Affairs had actually suggested discussions on the Ladakh border between India and China without the withdrawal of the Chinese forces beyond "the 1956 line" created a storm of anger which has far from subsided. The Prime Minister's explanation, as well as a previous discussion with certain Members of Parliament has done nothing to detract from the feeling that, while the Government's official declarations, particularly during the elections, were to the effect that there would be no appeasement, its whole policy is now directed to a settlement short of recovering India's territory as described in Indian maps or in the schedules of the Constitution. In effect, therefore, much brave talk about maintaining the territorial integrity of India has been undermined by a nagging belief that the Government is privately convinced that the recovery of this territory is impossible and a settlement somewhere in between is desirable. The Prime Minister has claimed that he has the right, in so doing, to negotiate with the foreign countries without the sanction of Parliament. He implied, though he did not say so, that the remedy was for Parliament by a vote of censure, if it were so minded, to deny ratification of his action. The suggestion that Parliament should be consulted before such a serious step were taken was to him unacceptable.

There is no doubt that, in ordinary routine negotiations, the Executive should be free to act as the Prime Minister suggested. It would be impossible for any Executive Government to act with speed and the necessary promptitude if every letter had to be couched in terms which were in accordance with directions from Parliament. But the present case is surely singular in that Parliament is known to be highly incensed in regard to the possibility of a compromise on Indian territory which subsequent negotiations may be powerless to reduce. In effect, therefore, if the point were accepted that the Chinese could stay in possession of territory which we have always claimed as our own without our declaring that this is aggression — and not a border dispute — we may be building up a semi-legal case on the basis of which much of the enthusiasm for the defence of our territory might melt away. There is a widespread belief that the Minister of External Affairs and the Minister of Defence, by implying that conversations should take place on the basis of a line well inside Indian territory, are sounding a defeatist note in that the vacation of aggression has given place to much milder phrases such as the settlement of a border dispute. The evil word 'adjustment' has also been given currency. It is doubtful, whatever the prestige of the Prime Minister and however difficult the military situation, whether the country is psychologically prepared for a settlement on the lines proposed. It is, therefore, right and proper, instead of taking risks of non-ratification by Parliament under circumstances which cannot be anticipated, if a mandate is sought from Parliament in regard to the precise area on which negotiations are to be undertaken. The report of the officials on which there has been substantial comment previously in *The Eastern Economist* is a good enough basis for further discussions. The 1956 line as a cease-fire line is not, however, a good basis, because it involves India's vacating outposts which we did not hold on that date. A great deal of hard military work will thus be lost and, in the event of there being no agreement in the discussions, China, already better situated for an advance, would then be even in a stronger position to entrench herself.

Apart from the military issue as to whether or not withdrawals on both sides will not be in favour of the Chinese, we are faced with the constitutional issue as to whether or not the Prime Minister of India can act with freedom on an issue on which he has no mandate from the Indian people. Indeed, if anything the mandate was very much to the contrary. The Congress Party affirmed solemnly before the General Elections that China must vacate her aggression on Indian soil. There was never talk of a compromise. This was used to win votes not only for the Congress Party, but, in particular, for the Defence Minister in Bombay. It would be a sad betrayal if, because the military situation has become adverse, the Prime Minister should conclude that the mandate given to his Chinese policy at the time of the elections applies also to a policy in substance substantially different from what was then described. It is right that the people of India should rise up against the suggestion that because we are weak we must surrender to the invader in wrongful possession of our territory. It is vital that the country, through Parliament, should leave the Prime Minister in no uncertain mind in regard to the extent of feeling against the dangerous trends in his current thinking and policy. He will never, notwithstanding his tremendous popularity, acquire the right on his own to barter Indian territory for a settlement unacceptable to the country. We desire peace ardently: but we will embrace it only if it can be had with honour. The country is far from sure that what the Prime Minister proposes will secure both peace and honour.

The EEC, Britain and India

THERE can be no denying the fact that negotiations between the Six and Britain at the Ministerial session of August 1-4, progressing so well for days, have made the subsequent deadlock look unexpected. The bargaining was hard and strenuous for both the sides or else the meetings would not have been long and the final session would not have assumed the marathon dimension it did — only to end inconclusively. The agenda was not only heavily loaded but it touched the crucial sector of trade — imports of foodstuffs into the enlarged community from the temperate zone Commonwealth countries of Canada, Australia and New Zealand. The tariff policy on these imports is of profound importance to Britain and the Six from their respective angles. Nil to low tariffs on these imports have a vital bearing on Britain's wage and export cost structure, but the Six can see no logic in adding a new complication to the complex and intractable problem of the Community's agricultural policy. This is a subject in which there is a wide diversity in the interests of the individual members of the EEC and it was no easy exercise for the Six to evolve a broad-based formula for a farm policy which would do justice to the diametrically opposite claims of West Germany and France, for instance. Britain has acquitted herself well of the role of

the honest broker on behalf of the Commonwealth countries, but she has to negotiate the safeguards within the framework of the Treaty of Rome which she is to sign.

Whatever progress was made in the negotiations over the temperate foodstuffs could not be expected to meet the Commonwealth case for the terms of the Treaty of Rome are supreme and they must be respected by every signatory. The Six on their part could not easily resile from the position that a satisfactory solution ought to be found after the transition in the commodity agreements in the larger context of world trade wherever they did not exist. New Zealand presented a special case in view of her extraordinarily lopsided dependence on the export of farm products, particularly butter, and the Six made a gesture which would suggest either contemporaneous arrangements for her or a protocol on the import of butter to be added to the Treaty of Rome.

The deadlock does not by any stretch of reasoning mean a breakdown of the negotiations. But it marks a crisis and Britain seeking accession to the Community will be called upon to take a radical stock of the situation. The issues have been transmitted to the deputies for further exhaustive examination and the Ministers will reassemble, according to the present reckoning, early in October. This development deprives the Commonwealth Prime Ministers, due to meet on September 10, of the anticipated availability of the outline of the agreement on Britain's accession to the Community as a concrete basis for discussion. But here also the limits of the potential contribution which the Premiers' discussion can make to the issue ought to be appreciated.

This crisis in the negotiations has apparently led to an agonising reappraisal of the problem of Britain's accession to the Community. The tools of attack of the Labour and other opponents of entry have been sharpened at the moment. For a time it may seem as though the chances of Britain's choice to join are now getting weaker. But this is a superficial impression. The debate in Britain to join or not to join will go on raging until her Government is formally committed to the Treaty. There can be no iota of doubt, however, that the British Government has taken calculated steps towards accession and there is no rational justification for her to retrace them. The sooner the Commonwealth countries appreciate the reality that their trading pattern will need to be adjusted to the Treaty of Rome after Britain joins it, the more convenient it will be to agree upon the urgent transitional concessions. Not in vain have the Six repeatedly stressed that Britain ought to assimilate the spirit of the Treaty of Rome. They urge that Britain must become European which is another way of stating that her zealous advocacy of the Commonwealth is hardly consistent with the role of a prospective (now sure) signatory to the Treaty of Rome.

It would be less than fair to charge the Six with inflexibility in their attitude. They themselves are committed to the Treaty whose sanctity must be upheld as inviolable. Within the permissible margin they have shown a spirit of accommodation to the Commonwealth countries. The future, too, holds an assurance of fair treatment. They sincerely mean what they say when they proclaim that the EEC will resist any trends towards inward-looking policies and will be positively forward-looking, operating as a powerful engine for the speedy liberalisation of world trade. Britain has placed full trust in this solemn profession. It is for the rest of the trading partners of the enlarged Community to evince a similar faith. The Common Market is bound to emerge as a powerful and dynamic force in world trade and with its outward-looking attitudes, it will throw open its outlets to the developing export trade of third countries. International trade cannot flourish unless it is a two-way flow conducted on the principle of non-discrimination.

Mr. Morarji Desai's statement on his mission to Europe made in the Lok Sabha on Monday this week effectively serves to put the Common Market picture vis-a-vis India in the right perspective. The original impression that safeguards for our export trade with Britain in particular and the Six in general were to be negotiated and obtained as part of the talks between Britain and the Six has now happily been dispelled. In essence, there is a clearer realisation of the position that the future pattern of our trade with the enlarged Community ought to be determined by a separate treaty which the Community has agreed to conclude with us, as it has agreed to do in the case of Pakistan and Ceylon. This treaty will have to be concluded after an elaborate item by item investigation by the end of 1966. The EEC has given the assurance in no equivocal terms that it is fully conscious of the difficulties and requirements of the developing countries in regard to their export trade and it has committed itself to a treaty calculated to meet them and also to provide reasonable room for future expansion of the trade. It is in this spirit that the separate treaty will be negotiated. How we fare in the trade competition in the Common Market is a matter of our internal strength. But there will be no barriers of discrimination against us.

The question of the transitional difficulties for our exports with the enlarged Community until the separate treaty comes into force early in 1967 is being tackled with a feeling of understanding on the part of the Six and Britain. The provisional arrangements which they have agreed upon for accommodation for our strategic items of export need to be appreciated. The levy of the full common outer tariff on our cotton textiles is now to be phased over four stages instead of the originally proposed three. In the matter of tea, which is one of our ace exports, a magnanimous gesture has been made by the Six. The entry of tea in the enlarged Community is to be duty-free which means that there will be the withdrawal of the EEC's outer tariff on tea at the rate of 18 per cent ad valorem. There are also a few more items on which India's difficulties have been softened. To expect a throughly unaltered pattern of low or zero tariffs, which are now available to us in our export trade with Britain, is to show a lack of understanding of the basic fact that whether it is the Six or Britain, they have to abide by the discipline of the terms of the Treaty of Rome. The gain to India for the transitional period is by no means negligible.

Power from Neyveli Lignite

THE thunderous applause from over 10,000 persons that greeted the formal inauguration by President Radhakrishnan of the first 50MW lignite-based power generation unit at Neyveli on Sunday was symbolic of much more than joy on a landmark truly laid. This happy occasion marked not only the fulfilment of a long-cherished dream of the Southerners, but also the beginning of a new epoch in the economic development of South India, particularly the Madras State. On the reddish brown soil where only a few years ago stood some seven tiny villages inhabited by half-famished, rather emaciated, peasantry, there has come up an extensive modern township and a huge industrial complex which ultimately is envisaged to produce not only the breath of an industrial economy — power — but also the life-blood of modern agriculture — chemical fertilizers —, besides domestic fuel and a number of other useful products ranging from china clay to carbolic acid, phenols, fuel oils, char dust, tar and Montan wax. These bye-products would provide the base for setting up such diverse industries as ceramics, electrical insulation equipment, plastics, calcium carbide, carbon electrodes, explosives, etc.

It is proposed to deal with the various aspects of this complex in a special article next week. Not all these are causes of congratulation. Here comment is confined to only the most important aspect of it, namely generation of electricity. The Neyveli complex, if it is a classic example of internal co-operation and external collaboration — the Rs. 113 crores integrated scheme came into existence with the help of the Colombo Plan members and is being financed by the Central Government in collaboration with the Soviet Union, West Germany and Italy — it is also a typical instance of how a project previously considered not-very-economic has become an economic proposition due to changed circumstances in the country, particularly owing to the developing transport bottlenecks and the shortfalls experienced in coal production. Although existence of lignite in the Neyveli area had been known as far back as 1920 or even earlier, its commercial exploitation was not considered feasible because of the easy availability of coal till about a decade ago and the difficult problem posed by the upward thrust exerted by sub-lignite water.

So far as generation of electricity goes, the Neyveli project today has obviously become an economic proposition. A ton of coal if brought to Madras by all-rail route costs as much as Rs. 60 and if brought by the rail-cum-sea route Rs. 96. But 2½ tons of lignite (which in terms of power generation are equivalent to one ton of coal) cost only Rs. 34. Admittedly, lignite-based power is costlier than hydro-electric power, but the potential of generating electricity from water has been nearly exhausted in the Madras State. Of the other two competing sources of power, namely, furnace oil and nuclear energy, the former is as costly as the thermal power and the latter is far more expensive.

Apart from this economic justification of generating electricity from lignite, there is another imperative factor that goes in favour of launching on this pattern of generation. Balanced regional development is an important objective of our planning. Neyveli is a striking instance of translation of this idea into practice. It is sometimes contended that the investment of about Rs. 75 crores (on mining, thermal power generation and lignite briquetting) which is being effected at Neyveli would have yielded better results if diverted to coal-mining in Madhya Pradesh. But it is forgotten that augmenting the rail transport facilities for moving any substantial quanties of coal from Central India to South would have involved appreciable outlay which can be better utilised elsewhere, especially when transport bottlenecks exist throughout the country. Central India coal can further be better made use of for feeding the industries in Western and Northern India. When a potential source of power was available in South India, it was only prudent to utilise it. A beginning in this respect was also necessary from the long-range point of view. Neyveli area contains as much as 2,000 million tons of lignite, of which 1,400 million tons are easily exploitable. This means that even at the rate of 25 million tons utilisation per annum, these reserves can provide a source for power generation for over half a century. In the immediate future, however, it is envisaged to exploit these deposits upto 3½ million tons a year to generate 250 MW of electricity, 152,000 tons of prilled urea and 380,000 tons of briquettes for domestic and other uses. Electricity generation would be stepped upto 400 MW under the first expansion scheme which will raise lignite utilisation to 6 million tons per annum.

Compared with the costs of excavating lignite in Australia and East Germany, the Neyveli cost is stated to be 2 to 2½ times—seemingly inordinately high—although the same open-cast method of mining is being practised here. What makes the cost at Neyveli so high? The primary factor is the artesian ground water which has necessitated installing of a network of deep-well pumps. In East Germany and Australia this problem is not faced. The other factors responsible are the heavy and hard over-burden, the high costs of imported machinery (including customs duty and freight) and the large expenditure incurred on constructing a township which according to the present requirements of the project is apparently lavish and is justified only by the prospect of many-fold increase in activity in another decade or so. The delays caused by the non-availability of some construction materials too have contributed in no small measure to stepping up of the cost of the project; they may even further raise the total cost by about Rs. 7 to Rs. 10 crores.

The high cost of mining lignite at Neyveli, however, should go down progressively as the operation gathers momentum and the scale of production is enlarged. But this assumes that the bureaucratic hydra is not allowed to have a free play and that inflationary tendencies are not allowed to grow beyond proportion. Power generation from Neyveli lignite will remain an economic proposition only as long as coal prices are high. The project authorities deserve commendation for having planned the complex well and taking adequate precautions against all eventualities by building up sufficient stocks of spares — worth about Rs. 3 crores — which undoubtedly is another factor for pushing up the production costs vis-a-vis the East German and Australian costs. Although the teething troubles of the first of the five 50-MW power generating units proposed to be set up here are not yet over, it is hoped they will not persist for long.

Whereas power from Neyveli would undoubtedly accelerate the economic development of the Southern region, marrying of this lignite with the Salem iron ore would fulfil another cherished desire of South Indians for having a large steel plant in their midst. When that comes — and it can be expected to come soon in view of the encouraging reports received from East Germany where pilot experiments are being conducted in this connection — it would spearhead renewed industrial development of the Madras State and the Southern region and provide an effective economic answer to the separatist movement that believes that only exploitation can come from the North.

An Import-Export Stabilisation Fund

MR. MANUBHAI SHAH's able reply to the spirited debate on Wednesday on the Ramaswami Mudaliar Committee's Report has, somewhat unexpectedly, opened out a new prospect in export promotion. It was not believed that the Government of India was prepared so early to accept one of the most fundamental recommendations of the Ramaswami Mudaliar Committee, namely, an Import-Export Stabilisation Fund to finance in foreign exchange additional raw materials for purposes of export only. The decision, it would seem, has now been reached to establish such a fund with an initial capital of Rs. 10 crores, partly based on payments to be received from foreign bankers and other agencies. If this should result in a turnover of additional exports of the value of Rs. 30 crores in a full year — or Rs. 40 crores as is conceivably possible, depending on the run of production — it would have meant a substantial addition to Indian exports. It is not necessary here to argue the case for such a fund, since it has been adequately and succinctly done in the Ramaswami Mudaliar Committee Report. It is necessary, however, that implementation should not fall short of the purposes there described.

In the first place, while a Stabilisation Fund of Rs. 10 crores might look as a good beginning, it must be recognised that, for the export targets set before the country, it is woefully inadequate. If the Government of India agrees that the Fund should be independently operated and that the foreign banks that contribute are assured that the fund acquired on exports will not be diverted to general financing of the Plan or 'normal' imports, it should be possible to sell a larger scheme than at present envisaged. It is conceivable that what the Government of India has in mind at the moment is that the original Rs. 10 crores fund should not include the foreign exchange provided by banks whose contribution will be in the form of loans so that, in fact, the actual finance outstanding at any time may be many times that of the original sum mentioned. If this is the intention, it should be made clear and a proposal placed before the Parliament for early approval, since the separation of foreign exchange in an independent fund to be operated by a corporation similar to the Industrial Investment Corporation of India would require a separate Act. No time should be lost in framing such on Act and bringing into being an independent corporation adequately sponsored and serviced.

If this corporation is brought into being, much of the debate on incentives would lose its immediate interest. It is obvious that many Members of Parliament are deeply dissatisfied with the performance of some of our big businesses, who, they think, are earning substantial profits on the home market with no inclination to launch a large-scale programme abroad on which the profit margins are small or insignificant. There is something to be said for the view that businessmen often keep their patriotism for charities rather than for their business, and incentives with a money connotation provide very much the motivation of their actions in the market place. It is a fact that businessmen give large funds to political parties and do not ask for incentives for this purpose. These sums are often paid from company funds. Therefore, if there is a reduction of profits for the country's stability and the promotion of long-term markets, it should not be impossible for businessmen to convince themselves that contributions for export are about as urgent, and may be as profitable, as contributions they made from company funds to political parties. For reasons not entirely clear, the motivation which operates there somehow or other fails in the export field. One of the great difficulties of the Ramaswami Mudaliar Committee was to analyse the weaknesses of motivation in terms of export promotion when the allocation of large funds to charities and to political parties seems of no substantial difficulty. Sociologists, no less than psychologists, have here an excellent field for research.

In the last analysis, however, facts should be accepted before theories. The fact is that India's business community is notoriously uninterested in exporting at a loss and, indeed, notoriously uninterested in losing profits on the home market, even if it can export at a profit. The answer to this situation may not necessarily be a money incentive. It can well be a deprivation of raw materials not used for exports. The Import-Export Stabilisation Fund begins happily at the other end, choosing not a deprivation of the raw materials but an additional allocation of raw materials. The purpose is not merely the fuller utilisation of fixed capital. It is also the reduction of costs by a larger turnover and a consequent deflationary effect both on the export front as well as at home. It is vital that the Import-Export Stabilisation Fund should be utilised particularly in those industries in which this deflationary effect by using unutilised capacity is promoted to the best extent subject to the condition that all the additional raw materials are committed to additional exports. It is likely that the high-powered committee to go into the costs of export industries in the country may institute an enquiry into the priorities most likely to benefit the country in the allocation of raw materials.

In the last analysis the confidence in the new Fund will depend upon its constitution and the eminence of the men who are conducting its affairs. There is everything to be said for asking Sir Ramaswami Mudaliar, the distinguished Chairman of the Import and Export Policy Committee, to be the first Chairman of the Import-Export Stabilisation Fund. His name commands large international support, apart from being very acceptable within the country. There should be associated with him a number of businessmen who are primarily interested in export and representatives of foreign bankers who are willing to commit their resources to this scheme. The Secretariat of the Fund should be manned by officials of proved capacity in the selling and the marketing fields. Here at least are the outlines of an institution which can do more than anything else to create a climate for a breakthrough on the export front. It is right that the country should refuse to accept the stagnation that has been revealed by the latest export figures. The Minister for International Trade, Mr. Manubhai Shah, who is making an attempt to galvanize the country on this front deserves support from all the people of India, but particularly from the industrialists who have often dragged their feet in this process, largely because they have not been compelled by circumstances to stake their fortunes abroad.

THE WEEK'S NOTES

India-China Border

A DANGEROUS ACQUIESCENCE

THE GOVERNMENT OF INDIA'S note of July 26 to the Government of China has quite justifiably raised a wave of indignation throughout the country. Its contents are as unexpected as they are astonishing. They disclose that in its obsession with trying every possible means of negotiating a peaceful settlement of the border dispute with China, the Government is being blind to the demarcation between negotiation on honourable terms and negotiation with humiliation. This note specifically makes the statement that without prejudice to the contention of the Government of India not to recognise the border line claimed by China in her map of 1956, it would be prepared to resume negotiations with the Government of China on the condition that the "local forces" of China should not go beyond the line they have claimed in their 1956 map. This precisely is the line which shows China's blatant act of occupying by force and attempting to swallow 12,000 sq. miles of Indian territory in Ladakh.

Now comes the Government of India's offer, in effect, to stabilise the march of aggression along this line and to ask for a ceasefire across that line. This is practical ratification (even if, for the time being, as the Government might protest) of aggression and the fact that Government will still contend that it does not recognise the validity of Chinese occupation of the Indian territory beyond that line will be of little avail. The modification in the stand taken by the Government now will be interpreted as nothing short of a revocation of its earlier insistence on creating a no-man's land in the occupied territory.

Negotiations cannot be carried on with any real hope of success, however strong our case may be, unless we mean to talk from a position of strength. The impression conveyed by the recent statements of the Prime Minister and the Defence Minister in Parliament and outside gave rise to a feeling of reassurance and confidence that our defensive potential, based on a strong strategic net-work of communications, establishment of check posts and a flow of equipment, was being strengthened to achieve that position. Time and again, Mr. Krishna Menon has announced that vacation of aggression was a condition precedent to the resumption of negotiations. Where has that legitimate and honourable stand evaporated now? The Opposition leaders, excluding those of the Communist Party, have raised timely protests against this strange offer of July 26. It does the Government no credit that the Communist Party alone, among the Opposition parties, should rush forward to endorse this faltering position. If the Opposition leaders have branded this offer as an ignominious surrender, the nation will not find their expression of protest strong. China will interpret this softness as a concession to aggression and press forward. This blunder needs to be reversed.

Malaysia

AGREEMENT ON CONSTITUTION

THE JOINT statement issued in London on behalf of the Prime Ministers of Britain and Malaya on July 31 on the formation of the Federation of Malaysia was made possible by the unanimous report of the Cobbold Commission on the constitutional future of North Borneo and Sarawak. Hitherto, although the solid groundwork for the general agreement in principle on the federation of the five territories of Malaya, Singapore, North Borneo, Sarawak and Brunei was carefully prepared on the basis of the widest measure of accommodation to the last three territories, no positive steps could be taken for implementation. The views and aspirations of the people from North Borneo and Sarawak were ascertained by the Cobbold Commission. Brunei is governed by the Sultan. The only official agreement as such for the Federation was entered into between Malaya and Singapore. But now the residual task of bringing the three territories has been completed in its preliminary stage which goes a long way enough. Before the way can be fully cleared for the launching of the Federation on August 31, 1963, as now agreed between Mr. Harold Macmillan and Tunku Abdul Rahman, many vital constitutional questions and administrative arrangements will have to be completed. The Cobbold Commission's finding is to the effect that one-third of the population of North Borneo and Sarawak is in favour of merger with the Federation, one-third would be willing to opt for merger on the specific understanding that satisfactory constitutional safeguards are guaranteed, while a minority of one-third chooses to stay aloof. It is here that the progress towards evolving the necessary instruments of Federation will have to be carried with great care and caution. The safeguards which North Borneo and Sarawak would insist upon as the minimum include freedom of religion, education, adequate representation in the Federal Legislature, maintenance of the status of the indigenous people, citizenship and, above all, control of immigration from the rest of the Federation to ward off the possibility of upsets in the composition of the population. These, it is agreed, will not present any insurmountable difficulties. Brunei's entry in the Federation does not raise any hurdles as the Sultan is convinced of the benefits of participation in the Federation and the likely consequences of isolation.

This particular agreement on the formation of the Federation notwithstanding, the difficulties of the transition period, before the last vestige of the legitimate apprehensions of the people from the smaller territories disappears, cannot be under-estimated. Nothing will spoil the cause of the Federation like haste and impatience in the name of unity and a strong Centre. A sufficient period of transition is to be allowed during which many of the constitutional rights and responsibilities of the Centre will be delegated for administration to the federal units. Unless this is done, the integration of administration cannot be smooth and, on the other hand, internal stresses and strains might develop. This task has been assigned to the intergovernmental committee, which will be presided over by the Minister of State for Colonies, Lord Lansdowne. The original proposal for the merger of Malaya and Singapore proved abortive primarily because of the high proportion of the Chinese population in Singapore. This comprehensive Federation of the five territories has solved the problem and facilities will be provided to the Chinese citizens in the Federation to be fully assimilated without looking for inspiration to the land of their origin. Tunku Abdul Rahman has candidly stated that the Federation would not recognise the principle of co-existence with the Communist bloc, ostensibly because of the likely room it may make for infiltration. Consistently with his blunt outspokenness, the Tunku has announced that the Federation will not be neutralist, but forthright pro-Western.

West Irian

END OF A CHAPTER

IT WAS really very unfortunate that, in spite of the pledge given at the time of the transfer of sovereignty to the people of Indonesia in 1949 that the remaining outstanding controversial issue of the future of West Irian would be settled within one year, twelve long years were allowed to pass only to worsen the relations between the two countries. Retention of West Irian during this period was no gain to the Netherlands and, on the other hand, it constituted a drain on her

financial and administrative resources. The drain was equally damaging to Indonesia as it disrupted her relations with the Netherlands, adversely affected the trade between the two countries, kept up political tension queered to a high pitch and, in the recent past, there was a serious drain in the form of expenditure on armed preparation and infiltration in West Irian. To the Western allies of the Netherlands, this situation caused not a little uneasiness and Russia was only too willing to oblige Indonesia by offers of defence equipment. It redounds to the credit of America that her patient and persevering efforts of persuasion succeeded in the end. The Bunker formula aimed at satisfying the Indonesian claim of transfer of control over the administration of West Irian and the Dutch claim of ascertaining the wishes of the Papuans.

If the Dutch acceptance of the Bunker formula in May this year was not free from hesitation and reservations, it is a great satisfaction now that these impediments no longer exist. The agreement reached between the two countries and endorsed by their Governments indicates the reasonableness of the terms propounded by Mr. Bunker. At the end of the next session of the UN General Assembly, a joint Dutch-Indonesian resolution will be moved for transfer of the control of the Island to the Secretary-General, who, immediately upon the adoption of the resolution by the Assembly, will depute his representative to take over. Within one year all the Dutch officials are to be withdrawn from the island's administration and for the second year the administration is to be manned by officials of non-Dutch and non-Indonesian nationality. During this two-year period the UN Administrator is to prepare the ground for a free expression of vote by the Papuans on the question of integration with Indonesia. At the end of the second year the administrative control is to be passed over to Indonesia, subject to the stipulation of a specified period within which the Indonesian Government would undertake to hold the plebiscite. This is an agreement on honourable terms to both the sides which draws the curtain on an unhappy chapter.

Newsprint

THE SHARP CUT

THE DECISION of the Indian and Eastern Newspapers Society to make a strong representation at the highest level to the Prime Minister with regard to the cut which has been ruthlessly applied to the newsprint quota should suffice to highlight the gravity of the problem raised before the Press. The quota of newsprint has been severely cut down by means of a reduction of the order of 5 to 7½ per cent of the newspaper's circulation in 1961. To accept the base of 1961, when, in fact, more than seven months of 1962 have already elapsed, is to ignore the larger circulation which practically all the papers have been able to develop. In effect, therefore, the cut will be much steeper than what it appears on the face of it. The cut in the newsprint quota confronts the newspaper industry with alternatives none of which is a happy choice to make. Either the number of pages must be reduced or the circulation of the papers must be curtailed if they are to keep up to the existing number of pages. To cut the number of pages is directly to cut advertisement space and there is hardly any paper which would accept this choice. Advertisement revenue is the mainstay of the finances of any newspaper and it is not feasible to sacrifice it. In the event, the lesser of the two evils, namely, reduction in circulation, will have to be accepted at the cost of refusing services to an ever-increasing number of readership. Reduction in the circulation of newspapers goes ill with the existence of progressive democracy and at the present crucial time, when all manner of crises are assailing the economy and administration of the country, restriction of circulation and information can produce harmful intangible effects.

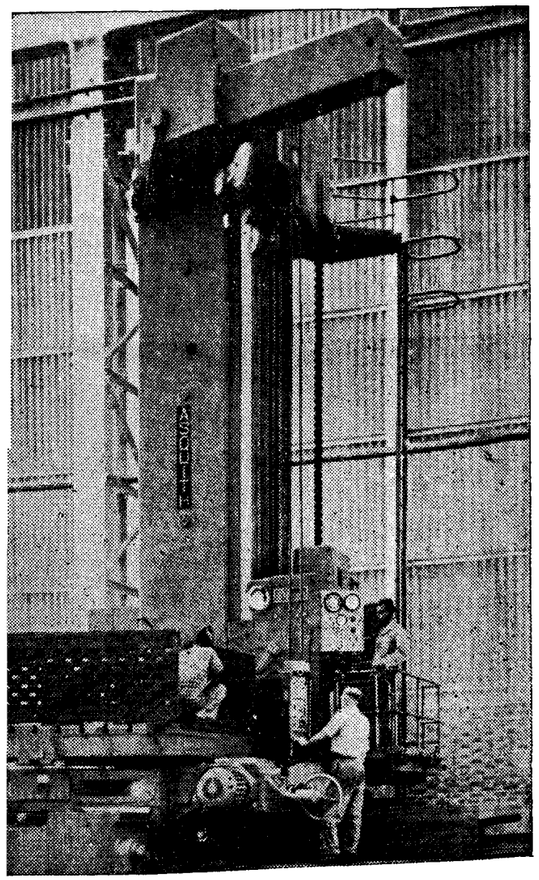
But this is not the whole truth about the axe applied to newsprint. There is another and vital aspect to it. The obligation imposed up to now on newspapers to use indigenous newsprint manufactured at Nepa was fixed at 10 per cent of the requirements. But now newspapers have been asked to step up the consumption of Nepa newsprint up to 25 per cent. Apart from the high cost of this indigenous supply, which is higher than imported newsprint by something like 50 per cent, this restriction would mean that a further cut will be effected in the use of imported newsprint. Imported newsprint is already placed on a parsimonious ration and it is estimated that under the new dispensation the reduction in the imported newsprint would be substantially high. One important factor which the Government has conveniently ignored in imposing austerity in the matter of foreign exchange expenditure on imported newsprint is the sizable decline in its price. It is not the quantity of imported newsprint that is to be economised, but the expenditure of foreign currency.

Jamaica

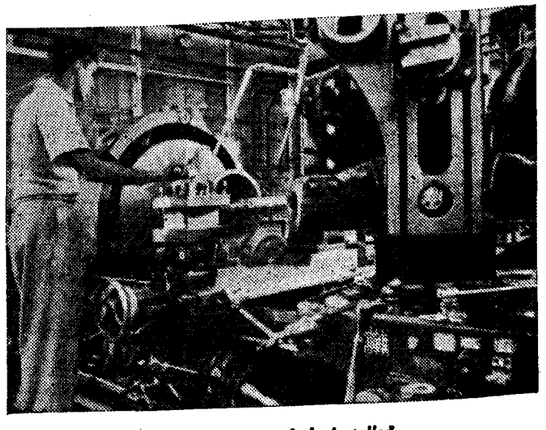
FREEDOM AND FUTURE

JAMAICA JOINED the family of free nations on Sunday this week. It is one of the outstanding features of the political life of this small island inhabited by people of African stock that democratic institutions have taken root there and people's representatives, first mostly nominated and now elected, took vigorous part in running the institutions for the last seven decades Jamaica has always entertained a profound sense of its individual personality. Because of this dominant consciousness its inclusion in the Federation of the West Indies in 1958 did not give the people a full sense of participation in the new organisation. Its grievances were inadequate representation in the federal legislature consistently with the weightage it deserved and the lack of a feeling of identity of interests with the other federal units. The demand for secession was pressed soon after the formation of the Federation and in 1960 Sir Alexander Bustamante, leader of the Opposition Jamaica Labour Party, forced the issue to a referendum. The referendum resulted in a fair majority for secession. Sir Alexander, the architect of secession, becomes also the first Prime Minister of Jamaica, after the verdict of the people in the general elections of April this year.

Naturally there were spectacular scenes of jubilation at the birth of independence after 300 years of colonial rule. The Jamaicans have their own cheerful outlook on life and one of the ways in which independence was celebrated was perhaps unique in the world. Every child born between the mid-nights of August 5-6 and 6-7 is to be presented with a silver spoon. This outlook, in a sense, demonstrates the capacity of the Jamaicans not to be overweighed by national problems. For the rapid rate of birth and of the net growth of population is one of the major national problems of the island. The population today is 1,750,000 and at the rate it is developing there is a great risk that development achievements may be eroded, when development comes to be measured in terms of growth in per capita income. Sugar and banana plantations bring plentiful wealth and Jamaica is the world's major producer of bauxite. The production of wealth notwithstanding, a cognate problem is the existence of very wide disparities in income distribution. There is the assurance that as a member of the Caribbean region, Jamaica will be eligible for the associate status in the European Common Market. But secession from the Federation of the West Indies and now independence, together with the challenge of economic viability, have posed still another problem for the future of the island. How strong will the ties with Britain remain? Geographical proximity would exert its influence in the direction of greater economic co-operation with America in the years to come.



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The World Abroad

PAYING OURSELVES MORE MONEY

By

ODYSSEUS

EVERYONE seems to agree that real wages cannot go up faster than real output, but in a remarkable article in the "Westminster Bank Review" (41 Lothbury, London, E.C.2.), Mr. A. E. Jasay of Oxford, disagrees. He shows that between 1950 - 1960 the UK's real gross national product (GNP at constant prices) grew by 2.1 per cent a year and the money gross national product (GNP at current prices) rose by 6.6 per cent a year. Average money incomes were rising at 6.6 per cent and their rise in excess of growth of real output was reflected in inflation. Sector incomes, however, did not conform to the average. Total incomes from employment (wages and salaries) rose at a yearly rate of 7.1 per cent, i.e. faster than money GNP. Gross trading profits of companies in the private sector grew at only 5.4 per cent, and incomes in the self-employed sector rose at only 3.6 per cent.

Thus, wages were gaining on profits of 1950 - 1960. The difference between their respective rates of growth —7.1 per cent against 5.4 per cent—was reflected in the share of wages and salaries in the national cake for 64.7 per cent in 1950 to 67.7 per cent in 1960. Thus, the belief that inflationary wage increases are futile needs to be reconsidered.

SOCIAL JUSTICE VERSUS GROWTH

Popular ideas of social justice prescribe that for growth with stable prices, not only must total money incomes rise at the same rate as total output, but also each major type of income must rise at the same rate as every other. If, e.g., profits rise faster than wages, this is not "fair shares", and any agreements on income restraint are held to have lapsed. On the other hand, economic theory demands that for growth with stable prices and a stable balance of payments, the several classes of income-receivers should choose to save an aggregate amount exactly equal to the savings requirements of the economy.

The gross savings requirement is made up of gross fixed investment, accumulation of stocks and work in progress, and the balance of payments surplus on current account (i.e. goods and/or services exported and so not consumed at home). In any one year, these items add up to a certain percentage of GNP and total gross savings will also add up to the same percentage. If, however, the population intends to save a different percentage from that required for investment as decided by entrepreneurs one of two things will happen. Either the relations between prices, wages, and profits will change, causing some redistribution of income among the various classes of intending savers, thus adjusting actual savings to the savings requirement or, alternatively, the balance of payments will change, adjusting the savings requirement to what people have chosen to save. More typically, as many countries have learned from bitter experience, some of both types of adjustment take place.

It is only by an extraordinary fluke that the "fair shares" prescription—a constant division of income between wages and profits so that no party to a "deal" feels cheated—can in any one year coincide with the economic prescription that the various classes of income-receivers should save as much as is required in the aggregate. That planning, which kept strictly to "fair [illegible]" would run into difficultis in prices, costs, and the balance of payments, should not surprise anyone who studies the UK's national accounts for 1950 - 1960. In 1950, gross fixed investment in the UK was 14.4 per cent of GNP; investment in stocks and work in progress and the balance of payments surplus brought total savings requirements to 20.4 per cent of GNP. Fixed investment thereafter rose and, by 1960, absorbed 18.3 per cent of GNP. The items for stock appreciation and the balance of payments declined, but the total savings requirement of 21.3 per cent was nearly one per cent higher than in 1950.

Actual savings, of course, equalled the requirement, but their component parts—governmental, personal, and company savings—diverged.

Gross savings by the government, i.e., the excess of current revenue over current expenditure by the central government, local authorities, and nationalised industries, fell at an average rate of 1.3 per cent a year in 1950 - 1960.

Personal savings rose spectacularly. From a mere £104 million in 1950, they rose to £1,494 million in 1960. The annual compound rate of growth was 45 per cent in the first, and 17.5 per cent in the second, half of the decade. At the beginning, persons contributed a little over one twentieth of total required savings, at the end their contribution was well over a third.

The third contribution to total savings, and the third potential partner with government and labour in a wages policy "income deal", is the company sector. Its gross savings (depreciation, net additions to provisions for future taxation and undistributed profits) grew at 5.7 per cent a year, i.e. at much the same rate as gross trading profits (5.4 per cent) and 1.2 per cent more slowly than GNP at current prices (6.6 per cent).

One way of defining the required rate of growth of profits is that they must rise to just the required volume of savings in the company sector. If the total savings requirements of the economy are growing at one rate and personal savings are growing twice or thrice as fast, company savings neither need nor can grow as fast. The actual balance between the UK's aggregate gross savings requirement (investment and the balance of payments) and actual gross savings in 1950 - 1960 was attained by (1) a decline in government savings, (2) an extraordinary rise in personal savings, and (3) company savings which grew more slowly than GNP itself. The growth of company profits could, of course, have been faster or slower if the savings habits of the company sector had been changing up or down. The following table shows, however, the remarkable consistency of company saving.

THE COMPANY SECTOR: ALLOCATION OF INCOME

	Total Income	Dividends	Interest	Taxes	Savings
1950	£3,042 m.	£394 m.	£223 m.	£1,019 m.	£1,406 m.
	100%	12.9%	7.3%	33.6%	46.2%
1960	£5,077 m.	£961 m.	£469 m.	£1,343 m.	£2,304 m.
	100%	18.9%	9.2%	26.5%	45.4%

What is striking is that the rise in dividend and interest payments was, as it were, financed by a fall in tax payments (mainly because of the growing weight of initial and investment allowance reliefs) and the two opposing changes left the proportion saved virtually constant. Since the relation between profits and savings out of profits was stable, it is not surprising that profits grew at about the same rate as company savings; and since the savings required from the company sector for the maintenance of the overall savings-investment equation grew more slowly than GNP, profits themselves also grew more slowly.

PROFITS AND GROWTH

Another way of putting this is to say that as wage costs rose, companies could not, on the whole, pass on all of the increase by means of higher prices, and had to accept narrowing profit margins, because consumers would not spend all of the increase in their incomes. Still another way of saying this is that the rise of the share of wages and salaries in GNP is attributable to wage and salary earners' abstinence from trying to consume all of their gains. It was this which allowed some of their paper gains (the excess of money wage increases over productivity increases) to become real gains (an excess of the rate of growth of real wages over real output). Had it not been for the growth of personal savings, profit margins would presumably have been maintained in the face of wage inflation by means of more price inflation than occurred.

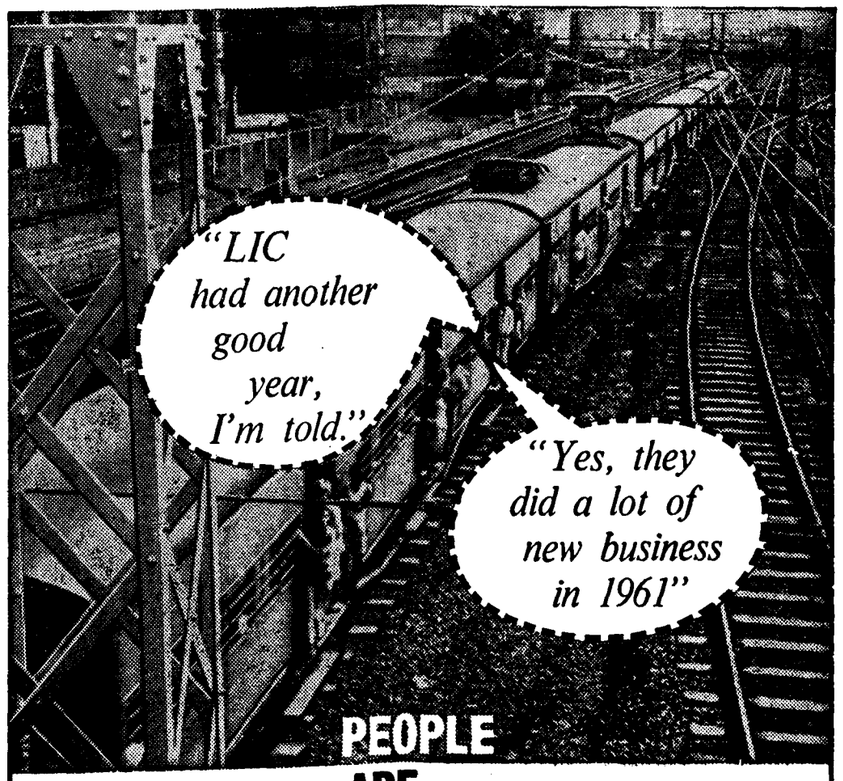
Most trade unionists regard "fair shares" as a simple matter of dividing a fixed quantity. For example, a union leader recently complained that UK dividends and interest last year rose 25 per cent faster than wages. It is this short-sighted attitude which leads to Mr. Jasay's proposition that labour could have a bigger piece of cake if it were not concerned to keep profits down but to increase the size of the cake to be shared. To achieve a faster growth rate is possible only if profits are allowed to benefit. Growth does not spring from expectation of a "normal" profit, but from exploiting opportunities which offer hopes of exceptional profits. The vital distinction for growth is between (a) the profit which one is making on plant already built, operating at a figure already decided on, and (b) "marginal" or additional profit, which one hopes to make from building another plant, or from increasing the scale of output from an existing plant.

Mr. Jasay calculates that with a small growth rate of, say, 2½ per cent, real wages may well rise faster than profits, which might well fall (with disastrous long-term consequences). But with a faster growth rate of, say, 4 per cent, profits would probably have to rise thrice as fast as wages. Yet the rise in real wages would be considerably greater than if the national growth rate were only 2½ per cent. With money wages rising at the same rate as GNP, profit margins would widen and prices rise a little, so that the rate of growth of the real wages bill would still be rather less than GNP's rate of increase. But by holding profits down, the lower rate of growth of GNP would not be exceeded, although wages might rise slightly faster at this lower rate. Hence Mr. Jasay's choice for the workers: "Wages may go up faster than profits, but still too slowly for your liking: or else fast, but still more slowly than profits. A loss in labour's relative share could be traded for more rapid progress towards affluence — or conversely. Both relative and absolute gains may be worthwhile aims, but to have more of one you must accept less of the other."



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The European Scene

TAKE-OFF THEORY CRASH-LANDS

From Our Special West European Correspondent

PARIS, August 4.

A TRANSLATION of W. W. Rostow's "Stages of Economic Growth" has only just appeared here, two years after the original publication in English, but the term "take-off" has already passed into economic jargon in Europe and Africa as widely as in the English-speaking world. A summary of the American author's striking theory was popularised in 1960 by a journal patronised by Mendes-France, just as the London "Economist's" resume in August 1959 served to carry it to an audience much larger than secured by most works on the economics of development. The translation's fortune is as assured as that of the original, for the taste for simple schemes and sensational labels is universal. In academic spheres, on the contrary, it is being roughly handled because economists, working from the original, had produced refutations long before the full text became available. Quite bluntly, the notion of "take-off" is not taken serious by Continental economists and their arguments are of importance in a country like India where this concept has made its way from educated conversation into governmetal literature on planning. New Delhi has several times hopefully invited us to fasten our safety belts in preparation for a take-off which, in the present state of the discussion, seems unlikely to occur.

Months before Mr. Rostow's work was printed here, J. Marczewski had examined its application to French economic history in a paper called "Was There a Take-off in France?". (Cahiers de l'ISEA, supplement No. 111). The case is of some importance to Mr. Rostow's argument because the French take-off was, according to him, the second to occur in history and one of the best documented. It took place between 1830 and 1860, a generation after Britain's and at a time when the British economy was already at the stage described as "maturity", but ante-dating that of the U.S.A. which began in the 1840's. M. Marczewski has gone over the same ground and has failed to find any sign of the take-off. The period 1830-1860 has no extraordinary significance in his view. What he finds is continuous and rapid economic growth from 1799 (under the regime of the Consulate) right up to the World War I. This rising curve was not of course smooth; there were various periods of acceleration, but none of them so remarkable as to deserve isolation as a take-off. I wonder even whether the long period 1799-1914 deserves to be called a "stage". It is sure that expansion had suffered a set-back during the Revolution, but it is also well known that the last years of the Old Regime had seen vigorous expansion. Certainly, something broke in 1914 in Frence that was not repaired until 1946 or so, but Mr. Rostow's theory seems to have no room for economies that make belly-landings well after take-off and stay grounded for a generation or more.

M. Marczewski does not try to make a mystery of economic development but on the contrary looks for the causes of it in France. He arrives at the conclusion, "Growth must be considered an extremely complex phenomenon, subject to the influence of so large a number of factors that it is absolutely impossible to conceive a theory of it that would apply to all countries". Thus he does not expect to find in the economic history of various countries the pattern of "stage" outlined by Mr. Rostow. nor in particular to find in each case a crucial point where the economy suddenly takes off and becomes self-sustaining.

This scepticism is confirmed by a work just published by Elias Gannage, professor in the university of Beyrouth, called "The Economy of Development". Studying the process in which an "inarticulated" economy, a society divided into a traditional and a productive sector, becomes a progressive organism, he finds no more precise scheme than the truism that expansion begins when "the population obeys two basic motives, to work and to innovate". This will seem disappointingly tame to those intoxicated by the mathematical exactitude of Mr. Rostow's formula, but it might be the best we can hope for in this field.

Professor Francois Perroux's "Economy of the Twentieth Century" also contained, by implication, advance criticism of the thesis of Mr. Rostow. He pointed out that "the national product, either in absolute volume or per capita, has often increased in the past and can still do so without a population and its economy entering the situation of development". That is, he denies that the sort of statistics relied upon for a simple "philosophy of economic history" indicate whether or not a country has begun self-sustaining progressive expansion. There can be regular growth of output and even sudden accelerations in that growth without, for all that, the economy making that abrupt break with its past that we associate with the transition from under-developed to modern societies. Development, says Professor Perroux — resorting to that rather vague language with which, perhaps, we must be content on so large a question — means the conversion (in the religious missionary's sense) of a whole nation, a radical transformation of its mental structure and social habits. The facts do not indicate that this, when it occurs at all, coincides with any unique, steep rise in the statistical indicators.

Bertrand de Jouvenel, in a study called "Social and Political Aspects of Economic Development", attacked the very notion of one fixed path along which all economies must travel to pass from traditional forms to a structure more suited to modern conditions. Too many people, he says (and if this is not literally true of Mr. Rostow, it is surely true of many of those who have taken up his scheme with such enthusiasm), imagine that the United Nations' table of national economic statistics contains an illustration of universal economic history. That is, a list of national revenues per capita stated in dollars and in descending order of magnitude "irresistibly suggests the picture of a great highway of economic development along which the various nations are strung out, so that the leggards must sooner or later reach the milestone that marks the present position of the American people." This vision, which approximates to that of fixed stages that are so inevitable that one can predict that developing nations will pass through them as Britain and France once did, is misleading, says M. de Jouvenel. "One must think of economic development as a national expansion starting out from peculiar conditions, in the world context of that epoch, and we must not rely on references to other countries". That is to say, what happens to a developing economy depends on what it is like now and what

the international situation is at the moment. Since both of these vary immensely from country to country and from age to age, there is no reason why all development will show the same pattern. In particular, supposing there was in some instances a phenomenon fit to be called take-off, we have no grounds for expecting that the same sudden and irreversible spurt will occur elsewhere.

In failing to find in their history any such decisive "break-through" as would justify the aeronautical metaphor "take-off", French economists confirm the refutation of this popular theory already administered by British economic historians. In Britain's case, the take-off is supposed to have occurred in the period 1782-1802, two critical decades in which the first industrial economy built up a head of steam that enabled it to launch into self-sustaining flight (if you will excuse the mixing of transportation metaphors). Last year, however, Professor Cairncross wrote, "I know of no evidence that growth was more self-sustaining in 1802 than it had been in 1782. The issues that seem to me important do not relate to this span of time at all, and they do not all relate to the same span of time" (i.e. there is no other critical period that better deserves to be called take-off).

The loss of the British and French cases is extremely damaging for Mr. Rostow's argument, for these are the oldest and most familiar instances of extensive industrialisation. No real use can be made of the cases of the U.S.A., Canada and Australia because these new societies lacked all the traditional restraints on sudden economic growth that existed in Europe and exist, in different form, in Asia. The Russian example has been contested but of course that may be because Mr. Rostow was inconsiderate enough to place Russia's take-off in the Czariat regime, claiming that it was already complete by the time of the Revolution whereas the Communists wish to show that the country was totally undeveloped in 1917 and owes all to the new doctrine. In this they are travestying the truth because British and French capital and technology had already set up enclaves of industrial expansion in the Czarist economy, but at least one must note that the take-off theory has not been confirmed by native economists. We are left with three odd instances — Germany Sweden and Japan — where Mr. Rostow's theory might, or might not, hold. There is no proof that anything like take-off has yet occurred in the other countries he mentions (Turkey, Argentina, Mexico, China and India) because it is too early to say whether recent progress in industrialisation in those places constitutes an irreversible and self-sustaining process.

Despite this slender and dwindling historical foundation, the take-off notion continues to win converts. This week I find a reference to it in a journal here reproducing a U.N. Secretariat study on savings in developing economies. The UN experts are admonishing governments " to make more vigorous efforts to encourage saving if they want to attain economic development that is rapid and self-sustaining". It seems quite improper for international experts to hold out the hope of take-off to developing nations when the context in which this aeronautical metaphor appears is a study that sadly reports that there are no signs of take-off in any of the under-developed economies examined. In spite of all the talk about faster economic growth, they say, savings have increased more than national product in only one-third of developing countries in the past decade and then only in modest proportions. In half the countries studied, savings actually declined. If economic historians cannot find convincing cases of take-off in the past and if UN experts can see no evidence of it in the present, one wonders whether this term warrants further use.

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Economic Report from the U.S.

ECONOMIC PROGRESS

By GUY SIMS FITCH

WASHINGTON, August 1.

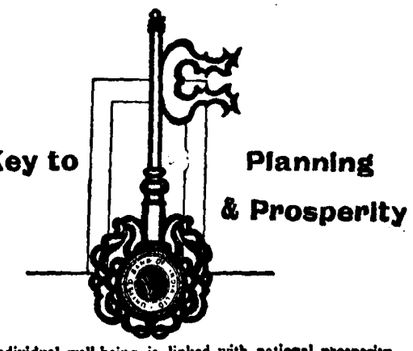
THE American economy is operating at the highest level in history at mid-summer 1962. Yet, the question of a tax cut to further stimulate economic activity has become the subject of a great national debate, one that involves Congress no less than the Adminstration, and economists in and out of the government. Behind this question is the fact that the pace of the economic advance has slowed this year, after the vigorous expansion of 1961. A slow-down, of course, is a far cry from recession or stagnation—two words which are being used about rather discriminately. For a valid perspective on the current situation it is important to take realistic note of the strength and balance of the nation's economic progress during the past 18 months of sustained expansion, as measured by a number of wide-ranging indicators.

The gross national product (GNP)—total output of goods and services—has grown more than 10 per cent, to an annual rate of $552,000 million, industrial production has expanded by more than 15 per cent to 118 per cent of the 1957 average. Personal income of all Americans is up more than nine per cent to an annual rate of $440,400 million. Employment, in toto, has climbed to a new high of 69.5 million, and the number of workers on non-farm payrolls has risen by nearly two million. The number of unemployed has declined by 18 per cent, when adjusted for normal seasonal variations, from 4.8 million to 3.9 million. The seasonally adjusted unemployment rate has dropped from 6.7 to 5.5 per cent of the civilian labour force. Personal consumption expenditures have risen $24,000 million to an annual rate of $355,000 million. Per capita consumption in real terms—in constant dollars after adjustment for price fluctuations—has increased nearly $75, or more than $250 per family, as Americans have advanced their living standards. Business investment, for durable equipment and non-residential construction, is up 12 per cent to an annual rate of $73,500 million. Prices have remained virtually stable. Consumer prices have risen less than 1.5 per cent, with most of the increase in the service sector, while wholesale prices have declined slightly.

It is not this commendable over-all record that has excited some concern, but rather the more recent trends. In several key sectors, the economy has begun to show signs of sluggishness. Seasonal lull in economic activity is normal during the summer, of course. But what has concerned many of the experts is the fact that business appeared to be losing some of its buoyancy even earlier. Retail sales, for instance, declined in May and June, the unemplyment rate levelled off, the steady rise in personal income and industrial production narrowed, inventory accumulation tapered off, some building and machinery orders dipped. The picture is hardly one of unrelieved pessimism, however. Auto sales and housing, for instance, have remained strong, sales of non-durable goods have continued to set records, total construction has risen to new peaks of activity. On balance, the economy has continued to move up, albeit at a more leisurely pace than anticipated. To further confuse the picture, department store sales, usually a reliable indicator of overall trends, seem to have recovered a good deal of momentum in the early weeks of July and have been running well ahead of last year's level.

There also are other favourable factors. Government purchases of goods and services are heading upward on federal, state and local levels. Business investment plans show a moderate increase and could be further accelerated by the treasury's recent action in liberalizing depreciation allowances for new facilities. Reasonable price stability is still in prospect. Inventories are at conservative levels relative to sales, and may prove conducive to further expansion. The extent to which conditions in the steel industry may have contributed to the current slow down is a pertinent if puzzling consideration. Following the early labour-management settlement in that industry, output for the past several months has been curtailed and previously built-up inventories have been reduced sharply. But now a pick-up in steel orders and output appears in the making. What effect this may have on general industrial activity remains to be seen, but at the very least any further heavy inventory liquidation appears unlikely.

Whether these diverse trends represent only a passing lull or a further slow down in the nation's economic advance is by no means clear. In sum, they add up to a highly mixed picture, one that can be described as inconclusive as far as public policy is concerned. This helps explain the wariness with which the Kennedy Administration is approaching a tax cut decision right now, and its inclination to wait for at least another monthly results before making a decision one way or the other. Eventually, taxes will be cut. The administration already has planned for a net reduction in both personal and corporate levies, to be effective early next year, as part of a comprehensive tax reform measure designed primarily to accelerate the economy's long-term growth and further increase its ability to compete in world markets. It is a difficult question the Administration faces: whether to recommend a tax cut soon, and perhaps run the risk of jeopardizing needlessly its carefully formulated long range plans, or whether to wait until January and perhaps risk a further short-term slow down in economic activity. Much may depend on the economic data which will be coming in for expert analysis during the next few weeks.



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Special Article

THE CENSUS AND OTHER SURVEYS: A REVIEW AND A COMMENT*

By COLIN CLARK

"WHEN the British ruled India", complained a high Indian official at an international conference, "they gave us a highly unbalanced education system, with too many university students, and too little primary and technical education. Since we have been running our own affairs, however, we have made matters worse!"

What has been said of education must also, it appears, be said of the Indian Census. Much information obtained by taking Census results as they stand is shown in this book to be inaccurate. This is particularly unfortunate in a country in which there are so few other sources of economic information. A statement made by the present reviewer in "Conditions of Economic Progress", regarding an apparent serious decline in Indian manufacture between 1881 and 1931, is shown to be unjustified (though it is possible that there was some such decline before 1881). Much of the great change in land ownership which is supposed to have taken place in India since 1947 is dismissed under the sardonic heading "Agrarian Revolution by Census Redefinition". In spite of Census and numerous other enquiries, we still have practically no idea of how many landowners there really are in India, or how the landholdings are distributed between them; there are, however, numerous indications that much of the recent legislation providing for land redistribution has been more paper than real, was often in fact unworkable from the start, and permits new landowners to re-appear to replace the old. Carefully examining the dusty chaos of past Census records, the authors find themselves compelled to conclude that the system of classifying the agricultural population was designed by some conscientious but unimaginative official who had been reading Adam Smith and Ricardo, and who imagined that their categories of landowners, farmers and labourers applied to India. It is a more serious accusation, however, that the Census officials of post-independence India apparently have so little knowledge of village life, and so little desire to innovate, that they are content to continue a system which yields such confused and indeed meaningless results.

The American authors have lived in India (and spoken an Indian language) from 1952 - 1960, with no ulterior objects beyond the truth, and the welfare of India. This indeed made them a thorn in the flesh not only of self-satisfied Indian officials, but of others also. Some of their most trenchant criticisms are reserved for the "Ford Team" (Agricultural Production Team sponsored by the Ford Foundation) of April 1959. According to this team, India then was already facing near-famine conditions, which were almost bound to become worse. As the reviewer elicited in a television debate in New York, they had made no serious study of the possibility of fertilizers increasing Indian crop yields. The "Community Development Programme" also comes in for some acid criticism, for having helped mainly those farmers who were successful already, but done little to ease the plight of the really poor.

On the other hand, participating in a Congress of Orientalists in Moscow in 1960, the authors refused to make the attempt to force Indian history into the classic Marxian categories of "feudalism" and "capitalism". "A feudalism without manors, serfs of the manor, feudal contract, vassals and fiefs based on feudal contract, is simply not feudalism." Marx, on the strength of railway building, Maine on the strength of the legal changes whereby, in his classic phrase, "contract replaced status", both, in the mid-nineteenth century, predicted rapid social change in India; both predictions were disappointed.

There are several other criticisms of Indian officialdom. The administrators of the Sarda Canal in the Punjab are never able to supply enough water at the times when it is needed, and the available water seems to go to "the strong, the powerful, the well-connected" —and also to the local strong-arm men. Indian irrigation officials should "promise less and deliver more". Choking of the distribution channels causes a great deal of the water which is available to be wasted. The extensive survey of rural credit undertaken by the Reserve Bank of India was badly designed, excessively complex, and hastily executed; and the results are of little value. The reviewer would be even more critical than are the authors of the Agricultural Labour Survey, carried out by the Indian Ministry of Labour, apparently using completely untrained interviewers. On what is perhaps the most important of all questions for Indian agriculture, namely the extent of under-occupation of rural labour, this survey produced results which are obvious gibberish. But the authors put their finger on the heart of the trouble—namely that Indian high officials (many of whom have been mathematically educated) have "an obsession with the theoretical virtues of random sampling", which blinds them to the innumerable other things which can go wrong in such surveys, including obscure and unnecessarily complex formulation of the questions, for which they are responsible, quite apart from the failings of the ill-educated lower officials. The Indian Ministry of Agriculture is criticised for publishing index numbers of agricultural production, the manner of whose construction has not been revealed, and which are in conflict with certain other published official figures of yields and acreages. This may however be due to the desire to conceal the fact that the published official figures from the mid 1940's to the mid 1950's (when food was rationed, and farmers had every incentive to understate their crops), were much too low. It is hard to get a government department, in any country, to admit that its own past published figures were erroneous.

The authors paint a vivid picture of the strictly traditional, almost non-monetary economy of 18th century India. Perhaps, however, it is too idealised a picture, saying nothing about the miseries of wars, raids, and periodic famines, which kept the population down. The British achievement in establishing peace, order and law throughout India, and in creating a system of transport and communications, should not be underrated. Nor should the authors complain that the growth of transport and trade was designed solely to benefit Britain. The Indian (unlike the inhabitant of French or German colonial territories) was left quite free to sell his produce anywhere in the world, and to buy anywhere he liked; and often did. It is true that Indian industry, in its early stages, was in comparatively few hands; but this was not due to any official monopoly, but to the lack of interest in industry on the part of the great majority of Indians. Those who did so interest themselves (often religious minorities, such as the Parsees) quickly made fortunes. Indian historians have complained that their country did not have the right to impose tariffs to protect their infant industries; but this right was granted (against strong protests from Lancashire) as early as 1921, long before independence. The authors however may be right in complaining that the British rulers did not take such active steps to encourage productivity in agriculture and industry as did the Emperor Meiji in Japan (though he too was prevented by treaties from imposing tariffs until 1899).

The book includes an excellent critical review of all the available information on Indian national product from 1868 to the present time. One of the most important features of Indian development during this period has been the growth in the production of commercial cash crops relative to subsistence food crops. The authors cite some figures by George Blyn, of the University of Pennsylvania (although Blyn's paper is unpublished, his conclusions have received wide attention) purporting to show that foodgrain supplies per head fell from some 587 lbs. per year in the period 1893-96 to 399 lbs. in the period 1936-46. No other country is ever recorded as eating cereals at anything like the rate indicated by the former figure. Nor can it be explained by experts: even if Burmese rice was included, exports were never more than 4-5 per cent of cereal production. It is just possible that in the 1890's very large quantities of cereals were being produced to feed livestock: but it seems very unlikely. A more careful study by Bhattacharjee* (using a somewhat shorter list of cereals) shows that consumption per year (excluding exports, including imports) was 432 lbs. in 1901 - 5, 340 lbs. in 1936 - 45, 356 lbs. in 1954 - 57. Increased consumption of groundnuts, sugar and other non-cereal foods may or may not have offset this decline.

Although we lack anything like precise data for the earlier periods, it appears that rents, or the share of the crop demanded by the landowner, were rising throughout the period of British rule in India. It is probably true that the need to pay rents and taxes, and also interest to money-lenders, played a large part in increasing the output of cash crops. The rise in rents (treating taxes on land as part of the economic rent, as the economist should) is attributed by the authors to three factors; firstly, the great rise in population—in 18th century India, partially depopulated by wars, landowners, as in early mediaeval Europe, had a real need to attract tenants, and therefore did not make their terms too exacting; secondly, to the introduction of the British legal system, with dispossession for unpaid rents, taxes and debts, in place of the older customary relationships; thirdly, the growth of large numbers of intermediaries between the cultivator and the ultimate owner, particularly in the densely populated areas. While all these three factors were at work, it is probable that the two latter were of much lesser importance. As we can see from some other Asian countries which do not have a Westernised legal system, great population density, with lack of any alternative industrial employment, is bound to lead to high rents. The social consequences of these high rents have been undesirable, particularly in the creation of a large idle class, holding the belief that it is socially degrading to do any manual work.

* "Land and Labour in India", by Daniel and Alice Thorner. Asia Publishing House. 35s.

* Agrar wortscjaft, October 1959.

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THE BUSINESS WORLD

"Competition Versus Tariffing"

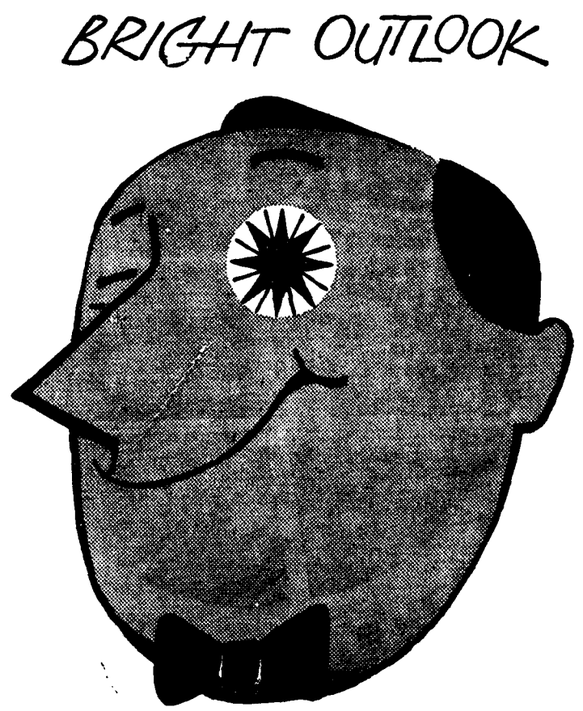
By CROESUS

SHOULD insurance companies furnish "working" capital to industries? Is it advisable for them to participate in the capital structure of new industries and in the right issue of old ones? Has the stage been reached when the business of machinery-cum-erection insurance, and also of marine insurance, require to be "tariffed"? These questions were raised and answered by Mr. P. U. Patel in the course of his Chairman's address at the last annual general meeting of the Indian Insurance Companies Association (I.I.C.A.), held in Bombay on August 6, 1962.

A recent development in the Indian insurance world has been for certain insurers with substantial financial resources at their command to furnish guarantees in favour of banks or other financial institutions, "with the sole aim of acquiring a sort of monopoly control over the insurance business of several new and old clients". This, according to Mr. Patel, "is inimical to the interests of Indian insurance as a whole". It has had the only effect expected, he said, namely "that the medium-sized and small insurers have been completely debarred from having a fair and legitimate share in the fruits of our expanding economy. Not only that, they have lost and are fast losing the business of so many of their old and valued clients because of their unwillingness or inability to grant covers involving financial guarantees". Mr. Patel's objection to this recent development is that it is an innovation and that "this weapon has been, and is being, mercilessly used by certain insurers to the detriment of the trade as a whole." His submission is that "it is no part of our (insurers) business to furnish working capital to industries in general. The granting of a guarantee cover by an insurer, say in favour of a bank in relation to somebody's overdraft account is certainly tantamount to providing working capital in an indirect manner."

Now the I.I.C.A. Chief's objection seems to be based mainly on the score that smaller insurance companies are either unwilling or unable to grant similar covers. One can understand if one is not able to do this kind of business because of want of resources, but, if one is unwilling to do it, the question of resources does not arise and the bigger insurance companies cannot reasonably be blamed for their willingness to take on the risk. The whole question, however, assumes a different complexion if, as alleged, "a financial guarantee cover is granted only if the client concerned agrees to his entire business with the company in question," in other words, if it is being used as a weapon for attracting a much larger volume of desirable business. If providing such covers is desirable in itself, Mr. Patel argues, insurers would grant covers without any strings attached, but this does not sound very convincing. For, it is but natural to expect something in return for taking on even a contingent liability, and such 'quid pro quos' are not uncommon in any business. Again, if, as Mr. Patel says, "it is business basically hazardous in nature and is full of all sorts of pitfalls", it is for the underwriter concerned to be on his guard. If, as he himself concedes, those insurers who are offering financial guarantees know what they are doing, it is their lookout and they will suffer if their judgment is wrong. But to say that Indian insurers should not think in terms of offering new types of insurance covers because some insurers are not either willing or able to do so is to bar the natural growth of insurance business.

Unfortunately, Mr. Patel's objection to machinery-cum-erection insurance also stems from a similar reason. He concedes it is a welcome development and compliments the vision and pioneering efforts of his friends who are responsible for the spectacular growth of the demand for this type of cover, but he is perturbed at what he describes as "the low and uneconomic rates" quoted. "In an effort to get acquainted with a new client", he alleges, "insurers appear to be going a lot out of their way to quote rates, which, a few years back, would have been considered ridiculously low". Because of this, the I.I.C.A. Chairman feels that it is time to think in terms of "tariffing" this business. He has also bracketed marine business, or a bulk of it, for the introduction of "tariffing". To oppose low rates — even if uncommon — quoted by a fellow insurer is one thing, but to invite "tariffing" to get over competition, which must necessarily be inconvenient to some, is quite another. It is not merely the practical difficulties in the way of "tariffing", such as, for instance, the international character of marine business, that militate against "tariffing", but the difficulties of effectively enforcing the tariff rates agreed upon. It is common knowledge that, while, under the law, no rebate is allowed, rebating still continues to hold the field, albeit clandestinely. Personally, I believe, what has made the position of the medium and small insurance companies unenviable is not so much the lack of opportunities as the necessity to underwrite a given gross business to be within the corresponding permissible expense slab. More malpractices have taken hold of the Indian General Insurance field ever since the gross premium formula came to figure on our Statute Books than one cares to remember. Mr. Patel would, therefore, do well rather to concentrate on the removal of this anomaly than plead for the introduction of tariffing". The introduction of "tariffing" it should be noted, presupposes a degree of discipline in the ranks of our insurers, and no one is in a better position than Mr. Patel to explain the reluctance of the industry to accept the Code of Discipline proposed by the Union Ministry of Labour. It seems strange logic to argue, in one breath, that the Code is acceptable in principle (subject to certain clarifications being obtained from the Government) and in the next, to add that the application of the Code of Discipline to the insurance industry should be deprecated in the existing circumstances. What the industry should do is to lose no time in obtaining the clarifications required and the modification necessary in the Code of Discipline, having regard to the special character of the insurance business. It would perhaps be easier than to think in terms of having recourse to "tariffing".



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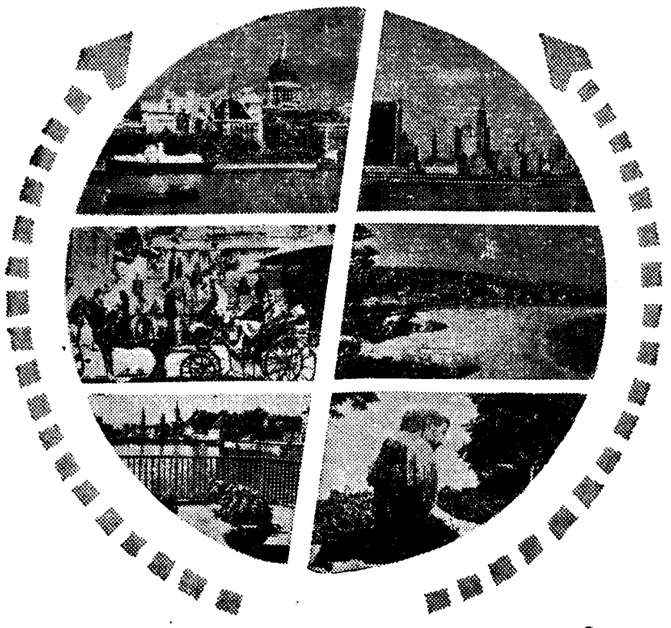


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The main handicap of Indian insurers has been their inability to build up adequate tax-free reserves. Year after year, insurance interests have appealed to the Government to permit them to build up tax free reserves (equal to 100 per cent in the Fire and Miscellaneous Departments and 200 per cent in the Marine Department), even as Mr. Patel did at the last annual meeting of the IICA. The response of the authorities to these pleas, however, has been anything but encouraging. On the contrary, by forcing the insurance companies to reduce their fire premium rates drastically for the second time in less than two years, they have only served further to weaken the capacity of the industry to build up reserves. It seems that something more than the persuasion from the insurance industry is called for to convince the power-that-be that the long-term gains resulting from financially stronger institutions in the field of general insurance will far outweigh any temporary loss that the Exchequer may suffer, as Mr. Patel observed.

Business Notes

Borrowing Programme

STATE LOANS

AS ANTICIPATED, 14 States of the Indian Union have entered the market to raise new loans totalling Rs. 93.5 crores. According to market indications, all these loans will be fully subscribed without any difficulty. The loans, according to the terms announced by the Reserve Bank of India, will carry interest at the rate of 4½ per cent per annum. All the loans are medium-term, maturing in August 1974. The subscription lists will open on August 27 and close on September 1, 1962. If the loans are fully subscribed before September 1, the lists may be closed earlier.

The table below sets out the amount being raised by each State Government along with the issue price. It will be seen that the biggest loan is being raised by Maharashtra at Rs. 12½ crores. The issue price shows a rebate of 50 naye Paise in the case of Andhra Pradesh, Assam, Bihar, Kerala, Madhya Pradesh, Orissa, Punjab and Rajasthan. The discount of 25 naye Paise has been allowed by the States of Madras, Mysore, U.P. and West Bengal. Maharashtra and Gujarat alone have floated loans at par. It may be stated that the interest on these loans is liable to tax under the Income Tax Act, 1961.

State	Amount of loan (in crores of Rs.)	Issue price per cent
Andhra Pradesh ..	10	99.50
Assam	3	99.50
Bihar	4	99.50
Gujarat	6	100.00
Kerala	4	99.50
Madhya Pradesh ..	5	99.50
Madras	12	99.75
Maharashtra	12½	100.00
Mysore	6	99.75
Orissa	7	99.50
Punjab	3½	99.50
Rajasthan	4½	99.50
Uttar Pradesh	9	99.75
West Bengal	7	99.75

The borrowing programme of the States will be made successful by the current plethora of funds in the market. The delay in the sanctioning of loans by the Aid India Club has hampered the formation of new companies and sizable rupee funds have been lying idle for the last few months. The terms of the State loans confirm the steady upward trend in interest rates. Even though the bank rate remains at 4 per cent, the yield on most of these securities will be more than 4½ per cent due to the rebate of half a rupee which has been allowed by a majority of the States.

Sugar Industry

EXPORTS

AT THE Twentyninth Annual General Meeting of the Indian Sugar Mills' Association, Mr. D. D. Puri, President of the Association, presented an analytical picture regarding the causes of the failure of the Indian Sugar Industry to export its surplus output. In 1960-61, the Indian Union produced about three million tons of sugar while domestic consumption was not more than 2.1 million tons. The area under sugarcane in the country, according to Mr. Puri, had increased beyond the needs of both the domestic market and the export potential and therefore there was need for taking some drastic steps so as to arrest the extension of area under sugarcane.

He welcomed the linking of the new price formula whereby the price of sugarcane was fixed at Rs. 1.50 nP. per maund as a minimum price of cane upto recovery of 9 per cent. The rate was to be increased as recovery improved. He said that the industry would give the new formula a fair trial; constructive suggestions could be made only after it had worked for one season. He rightly stated that the price of sugar could be reduced only by increasing the productivity of land so that the share of the raw material component in the overall cost could be reduced. Since the production of sugar in the world is in excess of world demand, keen competition exists and only those countries which have the capacity to produce sugar at a cheaper price can hope to sell their product in the markets abroad.

Mr. Puri expressed the view that India could export 5,00,000 tons of sugar in 1963. This figure could certainly be improved in subsequent years. Since the foreign exchange position is taking a serious turn, it is all the more important that concerted efforts must be made to accelerate the export of sugar so as to earn additional foreign exchange to finance the development projects.

Discussing the international sugar market, he said that brown sugar was being exported by all the sugar producing countries in the world. The buyers had their own refineries and the seller had no choice; he had to

produce what the buyer wanted. It is, therfore, imperative that if the Indian Union wants to capture a bigger slice of the international sugar market, it must export raw brown sugar. The advice tendered by the National Sugar Institute to the Association, however, says that the exacting specifications demanded by some of the importers make the task of exporting brown sugar very difficult. The problems of storage, handling and deterioration in transit are still greater. The Industry is likely to make an all out effort to produce 200,000 tons of raw sugar in the next season which is likely to provide valuable experience to the Industry.

In order to stimulate domestic consumption, the President of the Association stressed the need for lowering the excise duty on sugar. He said that a reduction in excise duty would not lower the revenue of the Exchequer. If the basic duty was reduced to the 1957 level, a part of the fall in revenue would be off-set by increased consumption. This will not endanger the export programme also and will take the industry out of its present difficulties. If the current level of the duty was maintained, he feared that the problem of surplus stocks today would definitely turn into a problem of shortage in a couple of years. He struck a note of warning that if the present state of affairs continued the sugar industry would never be able to get out of the regularly recurring cycles of surplus and shortage. There was no cheaper solution for the problem. The excise duty must be reduced.

Tea

NEED FOR A RATIONAL TAX POLICY

AT THE 9th annual general meeting of the Association of Planters of the State of Madras, Mr. E. J. C. Menzies, Chairman of the Association dwelt at length in his speech on some of the problems facing the tea industry and underlined the need for a rational tax policy to strengthen the industry. There is no doubt that the reduction of the export duty should go some way in improving the position, although many would feel that the Government should have abolished it altogether. In any event, Mr. Menzies highlighted, the measure would prove effective only if it is ensured that the benefit of the drawback on excise duty accrues to the producer. It was emphatically stated that the enhanced excise duty on several articles used by tea factories, such as plywood, aluminium linings, etc. will put up costs unless drawback is allowed on these intermediates as promised. The actual effects of these measures and the enhancement of the Central Income-Tax on rupee companies to 50 per cent will manifest themselves in due course. To resuscitate the industry the plea was, therefore, made that the tax policy at all levels, i.e. Centre, State or Local bodies, should be continually reviewed. This was the only way to ensure that the industry is left with adequate resources. Unless this was done, a day will come when, for lack of finance, the industry will be unable to replace or replant worn out tea areas, replace worn out or obsolete machinery and thus be unable to maintain its position in the world tea market without substantial assistance from the Government.

Dealing with taxation Mr. Menzies also referred to the Madras budget which enhances tax on consumption of electricity, on lorry transport and on land. He pin-pointed that if tea factories could not altogether be exempted from the additional levy they could at least be given the benefit of a concessional rate as is proposed to be fixed for certain other industries. Since tea industry is one of our important foreign exchange earners, it is the bounden duty of the Government to encourage it by means of a suitable taxation and marketing policy. While keeping in view the necessity to keep down costs, it was also essential to see that we do not fail on our propoganda front abroad as it was one of the effective ways of capturing foreign markets.

Paper

GRIEVANCES OF TRADERS

AT THE 44th annual general meeting of the Calcutta Paper Traders' Association, Mr. C. C. Mukerji in his presidential address voiced extensively the grievances of the Association and pleaded that the possibility of producing a hard-sized mechanical paper be considered. Excise duty which has gone up from about 25 per cent to 30 per cent of the total price of the paper and board was the main subject of attack in his speech. It may be noted that the excise duty hits the traders in several ways. In the first place the consumer is not concerned over the break-up of the rise in prices but about the total price. He looks askance at a dealer who tries to explain the increase in total price as a consequence of the increase in duty. In the second place, the excise duty being exclusive of mill rate, the dealer does not get any discount over the same. On the other hand, his total investment increases. Lastly, the inspectors often use individual discretion in classifying the category of paper and the duty chargeable thereon. A recent case in point is the sudden increase in the duty to 50 nP. on cream wove and map litho paper. The duty was later restored to the original rate of 22 nP. per kilogram but meanwhile the market was put off balance. Mr. Mukerji specifically stated that with a view to do away with such occasional confusion, it would be better to adopt a uniform policy for classification. It is now only to be hoped that the Chanda Committee on re-organisation of Central Excise would offer effective suggestions on such administrative issues.

Mr. Mukerji also requested to broaden the base of the distributive system, and the rationalisation of the import trade. He also urged that incentives be provided for export of paper by traders and a uniform sales-tax policy be adopted. Apart from the benefit that the bonafide trade will derive from a uniform sales-tax policy, it may be pointed out that such a uniform sales-tax policy can help West Bengal to recover the lost ground and develop further the inter-State business.

Bombay Municipal Corporation

A BOLD BID

SELDOM HAS any move of the Bombay Municipal Corporation (B.M.C.) raised so much controversy in Bombay as its proposal for the introduction of a development tax. Not unexpectedly, it has occasioned considerable concern among the commercial and industrial organisations of the city. It is pointed out by Municipal spokesmen that the proposed levy is intended to enable the B.M.C. to raise the resources of the Corporation for the successful implementation of the Greater Bombay Development Plan. But the fact is that such a plan is still under preparation, and, no wonder, that all sections of Bombay's population have condemned it. Commercial bodies in the city have characterised it as ironical to consider ways and means of financing a development plan the size and extent of which is yet to be determined. But the really reprehensible aspect of this Municipal Muddle is that the Corporation has already begun collecting the levy, as determined by it, in the guise of "voluntary" contri-

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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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butions or deposits, to be adjusted later when the State has legally enacted and the Municipality is in a position properly to enforce it.

Meanwhile, this development tax in disguise has raised certain legal issues. First, the B.M.C. has no legal sanction to levy the proposed tax until such time that an amendment of the relevant provisions of the Bombay Municipal Corporation Act is brought up before, and the amendment is passed by, the State legislature. Hence the pertinent criticism of Mr. Pravinchandra V. Gandhi, President, Indian Merchants' Chamber, that, "when the basic authority is still not statutorily conferred on the Corporation, it goes without saying that the Corporation has yet to apply its mind to matters, such as the determining of the rate of tax and the manner in which it should be applied to different categories of properties in the city, and to formulate rules in accordance with which the levy could be made effective." In order to avoid all these difficulties, presumably, the B.M.C. was ingenious enough to call only for 'voluntary' deposits! The deposits demanded in the suburbs differ from those in Bombay proper: so far as industrial lands are concerned, they range from Rs. 4 to Rs. 6 per sq. yard in the suburban area, while, in Bombay proper, the rate is six per cent of the market value of the plot. In spite of the fact that such deposits are termed 'voluntary', in practice, as Mr. Gandhi noted, they are not so, since, parties refusing payment of the 'voluntary' deposit face the risk of either the sanction to their plans of construction being withheld or the permission for some essential facilities denied. However, following the recent public agitation against the move, there have been apologetic moves in the direction of mitigating the burden, but, even then, with certain reservations such as an usdertaking from the concerned party that it would pay the Development Tax as and when the State Legislature accords its approval to the proposed levy. This means, as Mr. Lalchand Hirachand, President, Maharashtra Chamber of Commerce, observed, in his presidential address, at that body's quarterly meeting the other day, that the contemplated move to give retrospective effect to the development tax from 18th of Seetpmber, 1958, is an indication that the B.M.C. has been taking for granted many things as a 'fait accompli'. Municipal Commissioners in Bombay are known to have taken the Corporation for granted on occasions, whether justifiably or not, but this is perhaps the first time that any Municipal Commissioner has chosen to take the Maharashtra Legislature for granted, which is certainly going too far. It is, to say the least, an encroachment on the sovereignty of a duly elected legislature which must be resisted at all costs. This apart, it is for the State Government to see how far the proposed move has struck at the confidence and killed the enthusiasm of those who have been planning to set up industries—small, medium or large—or to put up housing colonies for the workers. The effect on the already established industries and housing colonies also needs to be looked into, if the authorities do not wish to create an avoidable chaos, if not crisis.

Andhra

NCAER SUGGESTS 10-YEAR PLAN

IN ITS report based on a techno-economic survey of the State of Andhra, the National Council of Applied Economic Research, New Delhi, is understood to have suggested to the State Government a 10-year plan of Rs. 600 crores.

Emphasizing the role of agriculture in the State's economy, the report urges for the reorientation of agriculture with accent on industrial and commercial crops, thus giving a fillip to the establishment of agro-industries. Important among the agro-industries recommended for development in this context include "sugar factories, spinning mills, solvent extraction plants, pulp and paper mills, barium chemical industries, two cement factories and a low temperature carbonization plant."

Diagnosing the malady in the weakness of the agricultural sector and inadequacy of industrial base, the report suggests that power programmes, involving an installed capacity of 600 m.w. of hydro-power and 400 m.w. of thermal power, should be undertaken to meet the rising demand for power in the State. Contributing only 13 per cent of the State's income, the existing inadequate industrial sector is dominated by small enterprises mostly of the cottage and village industry type. The report, therefore, emphasizes upon the development of large-scale industrial sector for maintaining a well-balanced and sustained growth of its economy. A steel plant to manufacture special alloy sheets, a pig iron plant, a structural steel plant and four fertilizer plants have been suggested in the report.

As regards agriculture, the report suggests that existing monoculture (paddy) economy, specially in the districts should be changed and immediately diversified. Future cropping pattern should be oriented towards high value industrial and commercial crops. As there exists great scope for development of coffee and pineapple plantations in forest areas, the report suggests systematic mining of targets and increased use of soft clay disposits.

Cable

AIMING AT HIGHER PRODUCTIVITY

LOW PRODUCTIVITY is more or less a general problem in Indian industries, old or new, and the cable industry is no exception. Considering, therefore, the imperative need to increase productivity in this vital industry, the National Productivity Council has sponsored a team, perhaps the first of its kind for a specific industry of this kind with only a few items of manufacture, to visit the USA and Japan. Led by Mr. V. G. G. Nayar, General Manager of the Aluminium Industries Ltd. of Kerala, the team will make itself acquainted with problems relating to raw materials, production equipment and techniques, quality control, research and development, end-use and applications, personnl management and training, general administration and productivity techniques adopted by the industry in USA and Japan. The team will further study the extent to which those techniques can be profitably used in India to raise productivity.

The team recently made an in-country tour in order to make itself thoroughly conversant with the problems of this industry. The team observes that there exists full scope for the formation of a cable makers' organisation on a voluntary basis for co-ordination among the various units in the industry in matters likely to raise productivity in addition to solving the many common problems in the industry. The team makes a cogent plea for the establishment of a co-operative research institution which can help to undertake fundamental and applied research of raw materials for finished lines of cables, besides advising end users on proper installation practices. The team has sounded a bell of tocsin about the dangers inherent in allowing the small units

to manufacture an unrestricted range of sizes and types of products without specialising in any particular line. While most of the units have testing facilities and follow the ISI specifications, many of the smaller units do not possess any testing facilities. The older units of the industry should be given preference to the extent possible over the smaller ones for expansion and diversification programme so as to enable them to rationalise their available resources and man-power more effectively and achieve higher levels of productivity. On the face of it, the suggestions made by the team are all very constructive and practical and there is hardly anything to contend with. It is to be hoped that the team, after their tour in the USA and Japan, will have much to profit by their experiences.

Steel

PROBLEMS OF THE INDUSTRY

MR. K. RAMACHANDRAN at the fifth annual general meeting of the Steel Importers' Association of India, in his presidential speech touched upon many of the difficult problems faced by the Association during the year. Mr. Ramachandran specifically pointed out that the shortfalls to be made up between now and March 1963 would be to the tune of 1.2 million tons and it will be a most difficult task to achieve. Since the demand for steel is rising every year without a corresponding increase in the availability, the gap will have to be fulfilled to a greater extent by way of imports.

As exports and imports go hand in hand, Mr. Ramachandran reiterated that it is a fallacy to think that imports could totally eliminate once satisfactory indigenous production levels are attained. On the other hand, exigencies of payment and supply position will promote exports of certain items and will necessitate imports of certain critical categories. Under the DLF loan, India is importing steel at prices 40 to 50 per cent higher than the international price level. To maintain touch with foreign markets and to gradually develop an export market for steel, it is considered that a minimum quantity of indigenous steel should be set apart for exports at prices which can withstand international competition. Subsidy on exports should be given to exporters from Equalisation Fund. The exporters could be authorised to utilise the foreign exchange earned by them for importing categories of steel which are in short supply, in accordance with the specifications approved by the Iron and Steel Control Office. Since the cost of imported steel will be well below the present statutory selling price in India, the surcharge collected on such imports could be credited to Equalisation Fund in order to offset the export subsidy. It was urged that the Government should give due consideration to this suggestion.

At the same time it was also stated emphatically that as stocking and accounting of supplies received from different sources are proving to be more and more problemetical, it was high time that the Government should abolish the sales tax on steel and merge it with the excise duty.



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FROM THE CAPITAL'S CORRIDORS

SCALING DOWN THE COAL TARGET

THE Central Mines and Fuel Ministry has notified that the aggregate demand for coal at the end of the Third Plan is not likely to exceed 87 million tons. In other words, the coal required by the country by the end of the Third Plan will be at least 10 million tons less than the targeted quantity of 97 million tons. The scaling down of the coal target by a little more than 10 per cent is on account of various reasons. Firstly, it is thought that a number of projects whose need of coal has been calculated while fixing the Third Plan target will not materialise by the end of the Plan. The Bokaro Steel Plant which is likely to be a major consumer of coal is considered to be one of these projects which will not materialise by the end of the Third Plan. Amongst the other factors considered is the shortfall in the power programme, which decidedly is likely to play a great part in reducing the demand for coal.

The production of 87 million tons of coal is, considered to be easy and presenting no problems. So far as the transport difficulty is concerned, Mr. K. D. Malaviya seems to be very optimistic and hopes to solve it by unconventional methods of carrying coal by road, river, canals, pipelines, and railways which would take care of about 78 million tons. It is reported that he has made some progress with his plans to transport coal by road and river and by the end of September he hopes some coal might start moving through the Ganges. According to Mr. Malaviya's estimates, by the end of the year it would be possible to carry 80,000 tons of coal by river annually. This quantity will increase to 1,50,000 tons early next year, to 5,00,000 tons by the end of the year 1963 and to 3½ million tons by the end of the Third Plan. Mr. Malaviya is hopeful that the road from Karanpura to Bakhtiarpur can easily sustain an additional traffic of 300 trucks full of coal every day, and a number of boats and barges have been acquired by the Fuel Ministry to carry this coal to Allahabad. As far as the position goes in Punjab, it is hoped that the opening up of coal mines in Kashmir would go a long way in supplying the needs of the neighbouring areas of Punjab. Similarly, the needs of the eastern region would be met from Assam coalfields thus partially relaxing the pressure on the transport system in the Bengal-Bihar coal belt. The estimates referred to above are based on a number of assumptions which may or may not materialise. For instance, it has been put forward that coal can be loaded into boats and barges without any jetties and bankers being built on the river side and through manual labour. Then it has also been stated that arrangements for dredging, desilting and taming the river will be made somehow or the other. For the manufacture of trucks and also for setting up installations for mechanical loading and unloading of coal, reliance has been placed on the Defence Ministry. In this context it needs to be mentioned that Mr. Malaviya's optimism of solving the transport difficulty is not shared by his colleagues Mr. T. T. Krishnamachari and Mr. G. L. Nanda. They seem to be positively sceptical about the success of Mr. Malaviya's courageous plans.

On the production side Mr. Malaviya seems to be having two-fold plan. While he has given the coal producers the bait of increasing the coal subsidy, he has also announced at the same time that he would withdraw the subsidy from those coal mines which will fail to achieve the target expected of them. He also seems to be having in mind the idea of bringing about organisational changes in the National Coal Development Corporation. Under the scheme contemplated greater authority is likely to be delegated to individual coal mines somewhat on the lines on which the set-up in the public sector steel industry was reorganised recently.

NCDC'S NEW PROJECT IN MADHYA PRADESH

The National Coal Development Corporation will shortly open a new colliery at Sonawani in Madhya Pradesh. Situated to the east of the Corporation's Kurasia colliery, Sonawani has a mineable reserve of 14 million tons of Grade I coal. The project will cost a little over Rs. 3 crores and will produce over half a million tons per annum — 0.56 million tons. At the present average selling price, there will be an annual profit of Rs. 21.7 lakhs that is to say, a return of 10.81 per cent on the capital. The life of the mine will be 25 years. Besides the provision for miners' quarters, pithead bath, canteen etc., there will be a 11-bed hospital and primary school also.

SWANG COLLIERY REORGANISATION

The Swang Colliery Reorganisation Corporation has approved a reorganisation scheme for the Swang Colliery in the Hazaribagh District of Bihar. At present, this colliery is manually operated and cannot be worked economically at deeper levels. The reorganisation is designed to mechanise the quarry to increase production and also to get at the extractable reserve of 3.2 million tons of good quality coking coal which lies deeper. Estimated to cost about Rs. 185 lakhs, the scheme will yield results by the end of 1964. The targetted annual output is 0.4 million tons. The cost net return on the capital invested will work out to 6.75 per cent per annum. The life of the mine will be eight years. The entire output of Swang will feed the Swang Washery which the Corporation proposes to set up in 1965-66. The Corporation has also plans for a deep mine in this area to be worked with British collaboration.

SOUTH INDIAN REFINERY

The report on oil refinery to be set up in South India has been submitted by ENI, the Italian State-owned oil combine. Its main points are as follows: (a) that the proposed refinery and a lubricants plant should form part of the same project and should not be set up as two separate units. ENI has therefore recommended that the refinery should have a capacity of 1.9 million tons and should also produce 1,50,000 tons of lubricants. (b) The refinery should be based on crude oil to be imported form either Kuwait or Iraq. This means that the idea of making the refinery dependent on Russian crude to be imported on rupee payment is not favoured. (c) The refinery should be located on either of the four South Indian ports — Madras, Cochin, Tuticorin and Mangalore. The determining factor apart from the demand pattern, will be the ease and the speed with which these ports can be developed in order to cope with the huge tankers in which crude oil is usually transported these days. The case of Madras seems to be ruled out because of this consideration and water supply and land acquisition difficulties. Under the circumstances the rival claims of the remaining three ports now will have to be assessed. The project report mentions the cost of the proposed refinery at Rs. 18 crores exclusive of the township and other facilities.

An offer from a number of Indian business men has been made for setting up the South Indian refinery

at a cost of Rs. 10 crores only. They seem to be having the assurance of technical and financial collaboration from Shell International. On the face of it the difference between the two costs seems to be substantial. It, however, seems certain that the offer from the private sector is not likely to be accepted. An alternative, therefore appears before the Government that the South Indian project be wholly owned by the Government. So far as the foreign exchange cost is concerned, it can be met from the ENI project and the Italians can build that refinery. But there is one snag in this alternative and that is that the Italian credit can be used for other important and indeed unavoidable ventures such as petro-chemicals and pipelines, if a suitable source of foreign finance for the refinery can be found elsewhere. For this project Phillips, an American firm seems to be also willing to participate in this project as a minority partner leaving the major ownership to the Indian Government. It is just possible that this arrangement might suit the Government very well, particularly for ideological reasons and also for the reason that foreign exchange may be obtained from the American firm. In that case the ENI credit could be diverted to other purposes. Final decision will at least take some time to materialise. It goes without saying that the port authorities will have to be closely consulted.

INDO - G.D.R. TRADE AND THE LEIPZIG AUTUMN FAIR

At the Leipzig Autumn Fair from September 2 to 9, 1962 — a sample fair — an assortment of technical commodities will be offered. Six thousand and five hundred exhibitors from more than 45 countries in 16 Fair buildings and several halls on an exhibition area of 110,000 sq. metres will participate. India's participation will be more than 30 exhibitors on more than 300 sq. metres exhibition ground and the exhibits would be of the type: equipment for jute and textile plants, cashew kernels, coffee seeds, pepper, bone-meal, animal products, rubber goods, linoleum, tea, spices, tobacco, cigarettes, coffee jute manufactures, shellac, coir and coir products, Indian handicrafts, handwoven textiles, carpets, sports goods, leather goods, foot wear, cotton waste, tinned goods, ivory goods, brass goods, wood-carvings, goat-skins and hair.

Total turnover of the G.D.R. at the last Spring Fair was nearly Rs. 5,000 million. The Leipzig Fair will provide business facilities with exhibitors and visitors from all over the world, especially with those from the European socialist countries, from Western Europe and many African countries. Advantages of the trade with the G.D.R. are well-balanced trade, no indebtedness, and export and import against Rupee-payment. At the Autumn Fair arrangements for 1963 shall be made. The G.D.R. is interested in a further increase of the trade to the interest and for the benefit of both the parties. There will be negotiations for the new trade agreement in autumn 1962. The first agreement covered the period from 1960-1962. Development of the Indo-G.D.R. trade is as follows:

DEVELOPMENT OF THE INDO - G.D.R. TRADE
(In tons Rs.)

	Indian Import	Indian Export
1959	60,177	52,030
1960	64,388	78,931
1961	91,388	62,287
1962 last six months ca. ..	46,000	44,000

Disposition of the Indian import from the G.D.R.

Machines and equipment (machines for textile industry, machine tools, printing machinery, machines and equipment for chemical industries)	50%
Mining and chemical products	30%
Electrical, optical and scientific instruments and appliances	13%

Disposition of the Indian exports to the G.D.R.

Oil cakes, cashew nuts, oils	35%
Tea, coffee, spices, tobacco	28%
Jute-manufactures, textiles, foot-wear etc.	21%
Iron ore, mica etc.	9%

The figures given in the Indian import and export statistics of the trade with the G.D.R. show only 50 per cent of the total turnover for it is founded on ports, but apart from the newly built Rostock sea-port the G.D.R. utilizes also West German and Polish ports.

FOREIGN AID

On his return from Europe, Mr. Morarji Desai; India's Finance Minister seemed to be very optimistic about the inflow of additional aid and also about the future of Indian trade in the event of Britain's joining the Common Market. This hope was based on the reception that his cause had received in the capitals of the Common Market. It is also reported that France was particularly responsive to the Indian needs. But now things seem to be taking a different turn as the arrangement between the Six and the U.K. have failed to take into account the assurances given to the Finance Minister. As things are uncertain, it is quite natural that strenuous efforts will have to be made on our part to sustain the interest of the aid-giving countries. The latest meeting of the Aid-India Club had shown that the flow of aid in future is not going to be automatic. It becomes, therefore, all the more important that a close watch be kept at the negotiations at Brussels.

STC'S AGGREMENT ON SUGAR

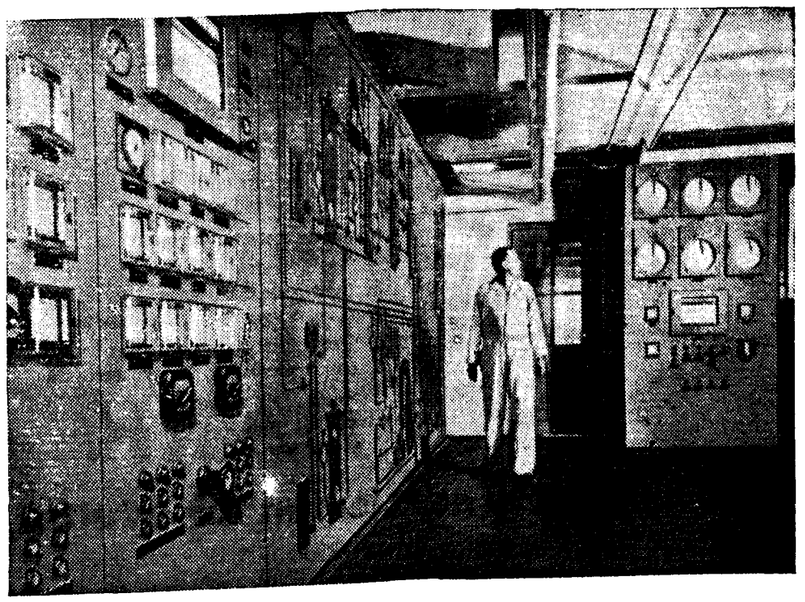
The State Trading Corporation of India is understood to have concluded an agreement under which approximately one lakh tons of Indian crystal sugar will be supplied to Canada in 1963. The Agreement has been concluded on the normal Commonwealth Contract Terms with the average London daily prices as the basis. Out of the total sale proceeds, half will be utilised by the Corporation to import from Canada items like newsprint, woodpulp, and fertilizers at international prices. The balance will be earned in cash in foreign exchange. The sugar will be supplied to the refineries in Canada.

IMPORT CURB ON X-RAY FILMS WITHDRAWN

The Central Government is reported to have restored in full the import quota of X-ray films which was proposed to be drastically cut by 50 per cent. Arrangements have also been made to import more X-ray films under rupee payment through the State Trading Corporation of India. As such, it is expected that there will not be any danger of further shortage of X-ray films which had earlier reached such an alarming proportion that in some hospitals the surgeons were compelled either to turn away patients or to treat them on the basis of guess work.

CUT IN NEWSPRINT IMPORT QUOTA

In view of the looming crisis in the foreign exchange, the Government of India have imposed fresh cuts on newsprint imports and have introduced slab-system under which consumers of 1,000 tons or more will undergo a cut of 7½ per cent, while those consuming below 1,000 tons but more than 100 tons will have to face a 5 per cent cut. There will be no cut on consump-



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tion below 100 tons. After the cut in entitlements is imposed, the balance would be made available to the the extent of 25 per cent by Nepa newsprint and the rest will be imported newsprint from free sources or from State trading countries. The condition about using 25 per cent Nepa newsprint would not apply to those consuming below 100 tons. The Government has made it clear that with effect from April 1962, demands for additional newsprint due to increase in circulation will not be entertained. But within the authorised quota of newsprint, for each publication, for the lincensing period, the actual users are permitted to adjust either pages or circulation to meet their individual requirements for each publication.

In the case of new publications, the allotment of newsprint will not be made for more than 10,000 copies per publishing day. No additional newsprint for any increase in circulation will be allowed for one year from the date of their commencement.

FICCI SEMINAR

In order to ventilate the grievances of the private sector, in respect of securing adequate power and transport, the Federation of Indian Chambers of Commerce and Industry will hold a three-day conference from September 20 next. The conference will be inaugurated by Mr. G. L. Nanda and will be attended by representatives of trade, industry and the Planning Commission. It is likely that the Federation will engage itself in focussing its attention on coal raising and movement of coal, transport and power shortages which have lately assumed grave proportion thereby greatly hampering the normal production and business. The Federation is reported to have drawn up a provisional agenda on three main points. They are: (i) transport and power as needed in countries in a comparative stage of development and as also in advanced countries; (ii) an evaluation of progress in the fields of transport and power and assessment of the targets set for Third Plan; and (iii) an assessment of indigenous production capacity, the extent of dependence on imports and the action to be taken for their progressive curtailment, on the one hand, and augmenting the indigenous capacity, on the other.

REVOLVING FUND FOR IMPORT REQUIREMENTS

The setting up of a revolving fund to meet the import requirements of those industries which may later earn foreign exchange has been suggested to the Union Government by the Federation of Indian Chambers of Commerce and Industry. It has been pointed out that, to begin with, the fund should be of Rs. 500 crores. As there is shortage of foreign exchange, the idea is that certain industries which were essentially foreign exchange earners, if started, should not suffer on account of paucity of foreign exchange for the initial import of machinery. The revolving fund, the President of the Federation, Mr. Shriyans Prasad Jain, disclosed recently would be self-financing. An industry, he underlined, when it started earning foreign exchange could pay back the amount. Since India normally would have to continue to import capital equipment for industrial development, Mr. Jain feels that any industry capable of earning foreign exchange should be granted sufficient foreign exchange to meet its requirements regarding import of machinery.

RAISING PRIVATE SECTOR'S STEEL OUTPUT

A major question of policy whether further steel production should be permitted in the private sector during the Third Plan period is likely to be referred shortly by the Planning Commission to the Union Government for decision. The reference has been occasioned by the application made by the Indian Iron and Steel Company for doubling its output by 8 lakh tons of finished steel to 1.6 million tons, in two stages at a cost of Rs. 40 crores. The application of IISCO was recently processed by the Ministry of Steel and Heavy Industries and this Ministry does not seem to be averse to the first stage particularly because it will make good the gap left by the postponement of the Bokaro Plant.

GROUNDNUT IN POULTRY RATION

Groundnut cake can now be used for replacing cereals to a greater extent in poultry feed. Recent research shows that it can be used upto 45 per cent by weight in the mash without lowering its food value. The secret of making poultry farming a paying business lies in reducing the cost of feed, which alone accounts for about 60 per cent of the total cost of keeping poultry. Experts have found that the inclusion of groundnut cake in the mash in higher proportion not only makes the feed cheaper but also increases the body weight and egg laying in birds.

RISE IN TRADE BETWEEN EFTA MEMBERS

The European Free Trade Association (EFTA) has reported an increase of about 10 per cent in trade over a year both within the group and with the European Economic Community (Common Market). The EFTA annual report covering the year up to June 30 showed that total EFTA exports to the rest of the world, as opposed to trade within the organization, rose by 4.2 per cent. EFTA's efforts to keep up the momentum of integration while its members negotiate to link with the Common Market had been most successful, notably regarding the acceleration of the timetable of tariff reduction, the report said. By the beginning of 1963 tariff rates within EFTA are expected to be only half what they were before the association was formed in 1960. EFTA is an association of Austria, Denmark, Norway, Portugal, Sweden, Switzerland and Britain.

MODERNISATION OF INDUSTRIES

In reply to a question in the Lok Sabha about the measures the Government intends to adopt to promote exports, Mr. Manubhai Shah, the Minister for International Trade, stated that the Union Government was considering the proposal to help modernisation of industries by allowing the import of capital goods and equipment as a compulsory machinery entitlement in every export promotion scheme.

The Government, he said, was planning to ensure that indigenous raw materials were easily available for the manufacture of exportable items and to that end the appointment of a Director of Production was being considered. Other measures which the Government has already decided to take include priority in foreign exchange allotment for export oriented industries, simplification and liberalisation of export promotion schemes involving grant of import licences for raw materials, components and machinery, liberalised and expanded financial and credit facilities to exporters, and the establishment of a large number of export houses and international trading firms. In this context the proposal to enlarge the activities of the State Trading Corporation was specially referred to by Mr. Shah. The Government, he said, were considering similar other steps namely, income-tax relief to exporters and introduction of various fiscal measures besides refund of customs and excise duties which were already granted. It is also proposed that work surveys and product display and quality control are to be intensified.

Indian exports, Mr. Shah said, declined by Rs. 2 crores during April-June 1962, compared to the corresponding period in the previous year. The small decline appears to have been occasioned by the pilot strike in Calcutta Port in May last and the relative fall in prices of jute goods and other products in the world market in 1962. Exports have, however, gone up in this quarter this year in the case of sugar, tea,

tobacco, jute cloth, oil cakes, vegetable oils, cotton yarn, raw hides and skins, artificial silk fabrics and other commodities.

ADDITIONAL LINE WORKS FOR COAL MOVEMENT

It was revealed by Mr. S. V. Ramaswami, Deputy Minister for Railways in the Lok Sabha, that the Planning Commission had authorised the Railways to undertake certain additional line works to provide adequate capacity for coal movement. Partial doubling of Bina-Bhopal (48 miles), Waltair-Samalkot (50 miles), Khurda Road-Vizianagram (70 miles), Bhopal-Ujjain (30 miles) and Phulera-Jaipur Sections (23 miles) and certain sections in the coalfield areas (24 miles) was being considered for the purpose. In addition, certain other line capacity works such as remodelling of yards, provision of crossing stations, additional loops, extension of loop and terminal facilities etc. would have to be undertaken.

IN BRIEF ....

The Mandya National Paper Mills Ltd. was formally inaugurated by Dr. S. Radhakrishnan, the President of India, on August 2, 1962. The factory is situated at Belgula, near Mandya, Mysore State. The foreign collaborator in this venture is Messrs. Parsons & Whittemore-Lyddon who are the pioneers in making use of bagasse — a raw material arising from the waste of sugarcane. This will be the first bagasse pulp and paper mill in the country with an installed capacity of 35 tons of super-white printing and writing paper per day, but will be capable of producing up to 50 tons. The production capacity may even be extended later up to 100 tons per day, as there is no dearth of space nor raw materials from the Mysore Sugar Company.

*

Messrs. India Leather Corporation, Madras, will be showing for the first time their exhibits in two world fairs — one at Paris and the other at Brno (Czechoslovakia) this year. The fair at Paris "Semaine du Cuir" is an important international fair solely for leather and leather goods and is held in September every year. A preview of the exhibits to be displayed at these fairs was held recently in Madras.

*

The Indian Airlines Corporation, it is learnt, has, for quite some time past, been negotiating for the purchase of Dutch Fokker Friendship and French Caravells aircraft to replace the Dakotas. The manufacturers of Caravells are reported to have been offered attractive terms for the proposed deal. But the Government's clear directive to IAC is that it must rely on Avro-748 — the Defence Ministry's product. So far only one Avro plane has been produced, but the Defence Ministry claims that it can meet IAC's entire needs. It is further learnt that Avro is also being hawked round Burma, Mayala, Thailand, Singapore and Indonesia in the hope that these countries may be interested in buying it.

*

Preliminary studies of the pattern of demand for petroleum products prepared by the Indian Refineries Ltd. have led to an interesting conclusion. The refinery to be planned, after the South Indian venture is through, will be located in Calcutta. Since such a refinery will be based on imported crude, its construction will depend on the satisfactory progress of the Haldia project. Any official thinking on these lines, however, will be done only in the early years of the Fourth Plan.

*

The Planning Commission has approved the network of gas and oil pipelines in Gujarat proposed by the Oil Ministry and the Rs. 7 crores project for laying a products pipeline between the Gauhati refinery and the distribution centre of Silliguri, 260 miles away.

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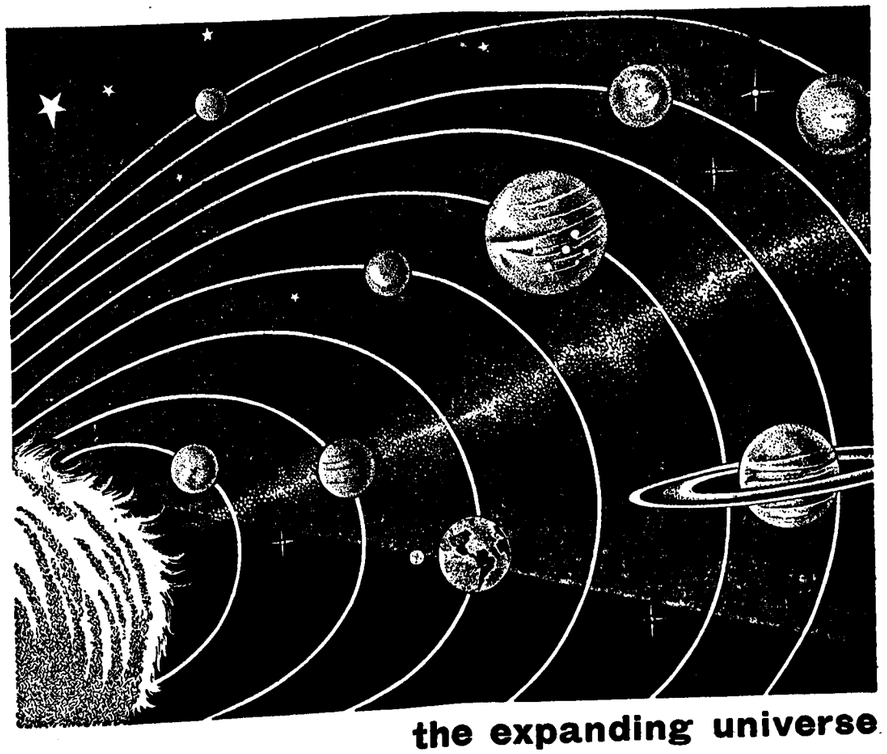
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Full particulars can be obtained at any of the offices mentioned above

COMPANY AFFAIRS

THE BRITANNIA BISCUIT COMPANY LTD.

The Forty-fourth Annual Report and Accounts of the Britannia Biscuit Co. Ltd., for the year ended March 1962 show a sizeable improvement over the working results of the preceding year. During the year under review the turnover of the Company attained an all-time peak at Rs. 4.28 crores as compared with Rs. 3.29 crores only in the last year; this represents an increase of more than 30 per cent. Naturally it has resulted in raising the net profits from Rs. 31.68 lakhs in 1960-61 to Rs. 34.49 lakhs in 1961-62. Directors have given the opinion that the profits would have been much higher but for the steep rise in costs.

The Directors have decided to pay a final dividend of 21 per cent (taxable) on equity shares taking the total to 25 per cent for the year on the enhanced ordinary capital. Dividends would absorb Rs. 14.49 lakhs as against Rs. 8.74 lakhs in the last year. The Directors have allocated Rs. 8.61 lakhs for depreciation, Rs. 38.26 lakhs for taxation, Rs. 13.76 lakhs for General Reserve, Rs. 1.98 lakhs for Development Rebate Reserve and Rs. 1.50 lakhs for debenture redemption reserve. The carry forward for the year at Rs. 2,84,100 is almost the same as in the last year.

CHITALE SUGAR

The Chitale Sugar Works Ltd., will be approaching the capital market towards the end of this month to offer for public subscription 2,01,919 Equity shares of Rs. 10 each amounting to Rs. 20,19,190 and 8,648 Cumulative Redeemable Preference shares of Rs. 100 each (or Rs. 8,64,800). The preference shares will carry a dividend of 9.285 per cent, subject to tax. The preference shares are redeemable at par at the option of the company any time after January 1, 1971 but not later than December 31, 1975 by giving six month prior notice. The entire issue of Rs. 28,83,990 has been underwritten by the Union Bank of India.

The factory, situated at Chitalenagar, 90 miles from Poona, will have a crushing capacity of 800 tons of sugarcane per day. It will thus produce about 1,38,000 bags of sugar during the average crushing season of 150 days. The average sugar recovery will be around 11.5 per cent and it may even go as high as 12 to 13 per cent. The factory will commence production by the end of the current year.

Chitalenagar is an ideal site for the manufacture of sugar, considering the abundant supply of sugarcane from surrounding areas, which ensures short-distance transport, cheap labour, and adequate water supply.

The factory buildings are nearing completion and most of the plant and machinery have been erected on the site. Considerable economy has been achieved in the cost of plant and machinery by making purchases from indigenous sources at comparatively cheap prices.

The estimated capital cost of the project is Rs. 89.81 lakhs. The Industrial Finance Corporation of India has sanctioned a loan of Rs. 32 lakhs, out of which an interim payment of Rs. 20 lakhs has already been received.

One of the highlights of this issue is that the company hopes to declare reasonable dividends much earlier than two years.

Mr. Murarji J. Vaidya is the chairman of the Board of Directors. Chitale and Company Private Ltd. are the Managing Agents of the Company. The public response for this Issue will undoubtedly be encouraging. The fact that the Issue has been fully underwritten by the Union Bank of India speaks for the appeal of the public to this Issue.

RELIANCE JUTE MILLS

The Reliance Jute Mills Ltd. has fared well during the year ended March 31, 1962. The profit and loss account of the company disclose a profit of Rs. 7.3 lakhs, after providing Rs. 0.59 lakhs as retrenchment compensation and Rs. 0.34 lakhs for depreciation, as against Rs. 5.4 lakhs in the previous year. A sum of Rs. 1.64 lakhs has been earmarked for taxation (against Rs. 1.27 lakhs), Rs. 1.94 lakhs towards contingencies (against Rs. 0.98 lakhs), Rs. 3,917 for Development Rebate Reserves and Rs. 78,415 as provision for doubtful debts. A debit balance of Rs. 25.41 lakhs has been carried forward against a debit balance of Rs. 28.32 lakhs brought in. No dividend has been declared for the year.

The main sources of income for the company are from the selling of loom hours under the working time agreement of the Indian Jute Mills Association and from the leasing of the jute and gunny godowns to the Government of India for storage of foodgrains. The earnings from the latter source, during the year under report, amount to Rs. 3.29 lakhs as compared with Rs. 2.85 lakhs in the preceding year. As the Government of India is likely to change its policy in respect of these godowns, the earnings from this source may decline during the current year.

NEW ISSUES

Five companies have been permitted by the Controller of Capital Issues to issue bonus shares.

The companies are: Parry's Confectionery Ltd., Asian Oil and Paints Co. Ltd., North-West Cachar Tea Company Ltd., Khare and Tarkunde Ltd. and Electro-Metallurgical Works Ltd. Details are as under:

Khare and Tarkunde Private Ltd., Nagpur, having a paid-up capital of Rs. 6,08,800, is issuing further capital of Rs. 80,900 divided into 809 equity share of Rs. 100 each, to be issued as bonus shares on capitalisation of the company's free reserves to a like extent.

Electro-Metallurgical Works (P) Ltd., Maharastra will issue bonus shares of the value of Rs. 7,49,400 on capitalisation of reserves to a like extent.

The North-Western Cachar Tea Company Ltd. is issuing bonus shares of the value of Rs. 5,60,000 on capitalisation of its free reserves. The existing capital of the company is Rs. 7 lakhs.

Parry's Confectionery Limited, Madras will issue bonus shares of the value of Rs. 5 lakhs on capitalisation of the company's share premium account to a like extent. The bonus shares will be issued in proportion of one bonus share for every three shares held.

Asian Oil and Paint Company (India) Private Ltd., Bombay will issue bonus shares of the value of Rs. 5 lakhs on capitalisation of reserves to a like extent.

Association Meeting

INDIAN INSURANCE COMPANIES' ASSOCIATION

Mr. P. U. Patel Surveys Current Problems

Indian Insurance is an integral part of the National Economy and it is in the interests of the Nation itself that our Insurers should be helped to strengthen themselves, said Mr. P. U. Patel, Chairman of the Indian Insurance Companies' Association in Bombay on August 6.

FIRE PREMIUM RATES

Mr. Patel, who was addressing the 34th Annual General Meeting of the Association, discussed at some length the recent cut in the Fire Premium Rates, coming on top of a similar reduction made 18 months ago. He disclosed that, as in the past, the present cut had been effected under official pressure and felt that the cut was bound to add to the Industry's difficulties. He stated that the continuous slashing of rates in the Fire Department would prevent Indian Insurers from building up their reserves as fast as they would like to. "It is my fervent hope that we shall not be called upon to effect any further cut in our Fire Premium Rates for years to come", he said.

FINANCIAL GUARANTEES

Proceeding, Mr. Patel referred to the practice adopted by some Insurers of granting Financial Guarantees in favour of Banks and other Financial Institutions with a view to acquiring a sort of 'monopoly' control over the Insurance business of new and old clients. This practice had prevented medium-sized and small Insurers from having a fair and legitimate share in the fruits of the country's expanding economy. "It is my submission that it is no part of our business to furnish 'Working' capital to the Industries in general. The granting of a Guarantee Cover by an Insurer, say in favour of a Bank in relation to somebody's Overdraft Account is certainly tantamount to providing 'working' capital in an indirect manner", he observed. Accordingly, Mr. Patel called for a healthy restraint on the part of Insurers and the adoption of the motto of 'live and let live'.

While on this subject, Mr. Patel also referred to the practice of Insurers participating in the capital-structure of new Industries. "While one does not question the right of any Insurer to invest his funds in any manner he likes or on merits, it is certainly debatable whether it is fair for only a few Insurers who are in possession of huge funds to try to create conditions of monopoly for themselves by this sort of financial tie-up", he said. His appeal to Insurers was: "Invest your funds in any manner you like. But please desist from being aggressive. Leave the client free to select his own Insurer."

MACHINERY - CUM - ERECTION

After welcoming the growing demand for Machinery-cum-Erection insurance, Mr. Patel deplored the low and uneconomic rates being quoted nowadays for this type of cover. He believed that a stage had been reached where they should seriously think in terms of tariffing this business in the interests of all concerned. Indeed, he would go further and suggest that to the extent it was practicable they ought to tariff a major portion of their Marine business.

TAXATION OF RESERVES

Mr. Patel reiterated the plea made by his predecessors year after year for fiscal concession designed to build up Reserves on a higher scale than allowed so far. He appealed to the Government to be realistic in this matter and permit Insurers to accumulate Tax-free Reserves equal to 100 per cent in the Fire and Miscellaneous Departments and 200 per cent in the Marine Department. He was convinced that the long-term gains from stronger Insurance Institutions would far outweigh any temporary loss to the Exchequer through tax relief.

LATEST DEVELOPMENT

A development of far-reaching significance to General Insurance, according to Mr. Patel, was the Scheme adopted by the Executive Committee at its meeting held in Simla in May last. Under this Scheme, the existing Administrative Machinery is to be considerably enlarged and it will be empowered to check all Receipts and Payments by Insurers in relation to transactions taking place on and after 1st July, 1962. Insurers controlling more than 80 to 85 per cent of the Direct Gross Premium Income in the country had already furnished or would shortly furnish an undertaking to implement the Scheme. "Speaking for myself, I welcome this move and I am confident that it will go a long way in placing the Industry on sound and healthy lines", he said. In this connection, he paid a well-deserved tribute to Mr. E. Kolet, Chairman of the Executive Committee of the General Insurance Council.

ANNOUNCEMENT

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TATA ENGINEERING & LOCOMOTIVE COMPANY LTD.

Statement of the Chairman, Shri J. R. D. Tata

The following is the statement of Shri J. R. D. Tata, Chairman of Tata Engineering & Locomotive Co. Ltd., for the year 1961-62.

The Company's performance during the past year has been good and sales and earnings have maintained their upward trend. During the course of the year, the Company's manufacturing facilities have been further improved and its capacity for the efficient production of high-grade engineering products has been substantially enhanced. The details of output in each of the Divisions and the present status of the projects under expansion are indicated in the Directors' Report.

2. The Company's operations during the past year have made substantial contributions to the national revenue and to the transport industries of the nation. Last year, the operations of this Company alone contributed to the national revenue by way of customs duties, excise, sales, income and other taxes as much as Rs. 13 crores, which incidentally is almost 1 per cent of the total tax revenue of the Central and States Governments combined.

PROFITS AND APPROPRIATIONS

3. Although the gross profits for the year exceeded the previous year's figure by Rs. 66 lakhs, the disposable profits for the year are about the same as last year's because of the larger provision for taxation necessitated by the increase in the taxable profits and also by the higher rates of tax under the Finance Act, 1962. The amount set aside for depreciation is higher by Rs. 39 lakhs, the increase being attributable partly to the amount provided on new assets created during the year and partly to depreciation being provided for a full year on fixed assets which, in the previous year, had qualified for depreciation for a few months only. The increase of Rs. 21 lakhs in interest charges is due to the higher interest rates paid as well as to large bank borrowings necessitated by increased manufacturing activities.

4. As there is no appreciable increase in the net profit available for payment of dividends, your Directors have recommended the same dividend as in the previous year, namely, 14.5 per cent or 10.15 per cent tax-free per share, subject to tax relief under Section 84 of the Income-tax Act, 1961, which will be somewhat higher than in the previous year. In viewing the dividend recommended this year, it is necessary to bear in mind the present uncertainties, particularly in regard to the availability of foreign exchange, which may impede production in the current year, and the need to retain within the Company a reasonable share of current earings to finance the further growth of the Company. It may also be noted that a good deal of expenditure already incurred on various projects has not yet fructified and that it will be only during subsequent years that we shall be able to earn a return on our investment in production facilities now being set up.

FINANCE

5. Substantial additional funds will be needed for the expansion and diversification of our manufacturing facilities. A part of these funds will be available from retained earnings and it is proposed to secure the balance partly from a long-term foreign credit which is being negotiated with the Agency for International Aid (A.I.D.), Washington, in consultation with Government, and partly from an issue of Rs. 5 crores convertible debentures. The terms and conditions of the issue including the conversion terms are still under discussion with Government, but I may mention that our intention is to offer the debentures for public subscription by prospectus after reserving a proportion for direct subscription by holders of ordinary shares. The Directors have chosen this method of raising capital in the long-term interests of the Company and its shareholders.

EXPANSION AND DIVERSIFICATION OF ACTIVITIES

6. Last year, I gave an indication of the various schemes approved or under consideration for expanding and diversifying the Company's activities. I am glad to say that all of them are now taking concrete shape. The manufacture of Tata-P & H power shovels has been firmly established and high-grade capacity created for the production of machinery for paper and pulp. Apart from the major expansion of the Automobile Division about which I shall have more to say in subsequent paragraphs, the construction of factory buildings and services and the enlargement of capacities of our foundries and forge shops are under way. All efforts are being directed towards increasing the efficiency and productivity of our manufacturing facilities and reducing our dependence on imported materials and components.

EXPANSION OF THE AUTOMOBILE DIVISION

7. You will note from the Directors' Report that the Agency for International Development (A.I.D.) has under consideration a loan to this Company of $13.65 million required for implementing the first stage of the Automobile Division expansion programme which when completed will step up the capacity of this Division from 12,000 to 18,000 units per year.

8. As stated in the Directors' Report, the expansion programme of this Division is being carried out in two stages at the specific request of Government in the light of the current balance of payments crisis. As the production of commercial vehicles is a high priority element in the country's development plans, we hope that Government will find it possible to sanction the second stage of the plan in time to avoid a costly hiatus between the two stages of the complete programme.

FOREIGN EXCHANGE

9. The critical foreign exchange situation prevailing in the country today is a matter of deep interest to us. The vehicles we manufacture at Tatanagar contain an appreciable proportion of parts made from imported raw materials and also some imported components and ancillary products. Our capacity to maintain the present level of production, let alone to increase it, must therefore at least for the time being depend on adequate allocations of foreign exchange for such imports. Our foreign exchange allotments for the licensing periods April-September, 1962, and October 1962 - March 1963, have not yet been communicated to us, but from preliminary indications received, there is a possibility of some reduction in the foreign exchange allotment to us in respect of these two licensing periods.

10. We are fully conscious of the gravity of the balance of payments position in the country and the imperative need to save foreign exchange. We hope, however, and have represented to Government accordingly, that the revised allocations of foreign exchange during the two licensing periods mentioned earlier, will take into account the fact that although we were the last to enter the automobile field, our output of commercial vehicles is by far the largest in the country and also has the largest indigenous content. This is reflected in the fact that in 1961-62 we were allotted 35 per cent of the total foreign exchange made available to the industry for the manufacture of such vehicles, while we produced over 50 per cent of the entire country's output. It is clear from these figures that for every Rupee by which our allotment is cut, the loss of production will be the largest and will have the most adverse impact on the country's economy. I might also mention that since we began production of Tata Mercedes-Benz vehicles, we have saved the country over Rs. 35 crores in foreign exchange, of which nearly Rs. 12½ crores were saved last year alone.

11. Shareholders will no doubt be concerned about the likely effect on our rate of production of any cut in foreign exchange. While such effect cannot be predicted until the exact extent of the cut, if any, in our foreign exchange allocation and the period for which it will apply, are known, there is in my view no cause for anxiety or pessimism. Government are fully aware of the Company's performance and the consequences to it and to the economy as a whole of any substantial or prolonged cut in production at Tatanagar. They are to my knowledge as anxious as we are to see full production of our vehicles maintained. We have, therefore, every reason to hope that if any cut is imposed upon us it will be a relatively small one and of short duration.

12. Before I leave this subject, I wish to point out that the achievement of complete self-sufficiency in raw materials is not within our control and only partially so in the case of components and ancillary products. Whatever our own efforts, we can never make ourselves every part and component entering into our vehicles, and like every other automobile manufacturer in the world, we shall always have to depend largely on outside supplies for our raw materials and for certain components and ancillary products. It is therefore of crucial importance that capacity for the manufacture of essential raw materials, particularly steels of the specifications and qualities required for the manufacture of automobiles and trucks and of ancillary and proprietary products, keep pace with the growth of the automobile industry. While substantial progress has already been made in this direction, a considerable gap still remains to be filled and I would urge that Government give their full and urgent support to the rapid development of these industries.

EXPORTS

13. Apart from the steps we are taking to increase still further the indigenous content of our vehicles, we have also launched a vigorous export drive as a further contribution to the solution of the country's foreign exchange problem. For exporting the products of our Company, not only from the Automobile Division but also from other Divisions, we have to face stiff international competition and also to surmount national barriers from industrially advanced countries. Despite the formidable obstacles in our way, we have already made a modest beginning and have secured a few orders from South Viet Nam, Malaya, Ceylon, Pakistan and Sweden.

14. Although the Company's export field for commercial vehicles is restricted to certain territories in terms of our agreement with Messrs, Daimler-Benz, I have every hope that with their understanding and cooperation we shall before long be in a position to achieve a sizeable volume of export business.

ROAD TRANSPORT

15. In these days of acute transport shortage pointing to the urgent need for providing greater freight and passenger carrying capacity, road transport deserves, in my view, a higher priority and more sympathetic consideration than it has received so far. It seems, instead, to have been specially selected for a cascade of impositions and taxes as well as of innumerable restrictions and impediments in its intra-State and inter-State operations, in addition to the limitations imposed by the inadequacies, both in mileage and quality, of the country's road system. A vigorous development of the latter, coupled with an adequate and balanced production of commercial vehicles, would yield immeasurable benefits to our entire national economy. While India has one of the largest railway systems in the world, the mileage and quality of our roads and the number of commercial vehicles plying over them, are grossly inadequate to the needs of a developing economy such as ours. While there can be no question as to the urgent need to improve and add to the rail transport system of India, I wonder whether our Planners have sufficiently appreciated the special advantages and potentialities of road transport: for instance, the fact that road transport capacity can be built up more quickly and at much lower cost than any other method of transportation; also its extreme flexibility and large employment potential. In this connection the following conclusion by the National Council of Applied Economic Research in a detailed study made by them of the subject is worth quoting in full:

> "The conclusion that emerges is: that the financial contribution of the road transport industry is far from negligible. Indeed it is greater than that of the railways in absolute terms and in terms of return on capital invested. This is true for net as well as gross contribution (deducting the cost of offsetting payments made by Government for example in road construction). Some items in the calculations may possibly be challenged, but the margin is so great that any adjustment that is conceivable is hardly likely to alter the main conclusion."

16. Quite apart from the immense value and importance of road transport to the physical needs of a developing economy, the financial contribution which road transport already makes and will make in future to public revenues is tremendous. For instance, out of the price of about Rs. 34,000 which the purchaser of a Tata Mercedes-Benz chassis pays in Bombay, as much as Rs. 10,000 or only slightly less than 30 per cent, goes to pay for duties and taxes to the State and Central Governments. In addition, every commercial vehicle during its many years of operation, continues to be a favourite source of national revenue through crushing fuel taxes and a variety of other taxes. These factors seem to be some times overlooked in determining relative priorities to be given to different types of transport.

EXCAVATORS

17. The manufacture of Tata-P&H excavators has been established on a sound basis, your Company being the first in the country to produce this heavy line of equipment. We have started with the production of 2½ cubic yard machine. Our present output of three such machines a month will be increased to four from about September this year onwards. Our machines have received an excellent reception from users and are in operation in various locations in the country. The demand is a large and growing one; our order books are full for the next 12 months and we do not anticipate any difficulty in disposing of our total output.

LABOUR

18. Whereas last year there was no interruption to production caused by action on the part of our workers, there was a brief stay-in strike in a few shops of our Automobile Division during the year under review.

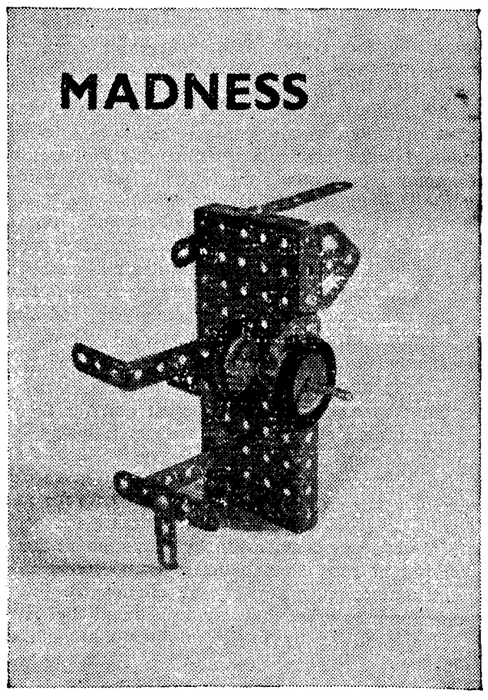
19. During the current year, the workmen as well as the management will have to face the challenge posed by the reduction in vehicle output which has been forced on us by external circumstances. There is need to consolidate still further our position to enable us to implement rapidly the expansion programmes and make the most intensive use of the expensive plant and machinery that will be installed. I earnestly hope that we shall have the co-operation of our Union and our workmen in facing these problems.

20. In conclusion, I wish on your behalf to thank all those responsible for the Company's operations and progress during the past year — workers, staff, supervisors and top management, particularly our General Manager, Mr. R. G. da Costa. Mr. Hans a Stoehr, who was in charge of our Automobile Division from its very inception, retired from the Company's service during the year under review on being recalled by Messrs. Daimler-Benz for an important assignment in Germany. Mr. Stoehr's exceptional abilities, drive and leadership were largely responsible for the growth and success of the Automobile Division since its early beginnings in 1954 upto its present pre-eminent position. I would also like to record our appreciation of the valuable part played in the Company's growth and development over a period of 11 years by Mr. A. B. Parakh, who recently relinquished charge of the Company's Head Office in Bombay on taking up a senior appointment in Voltas Limited.

J. R. D. TATA
Chairman.

BOMBAY, 26th July, 1962.

MADNESS

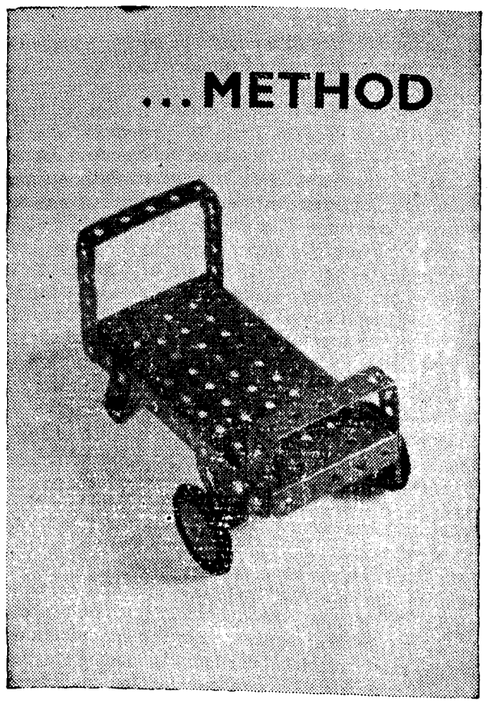


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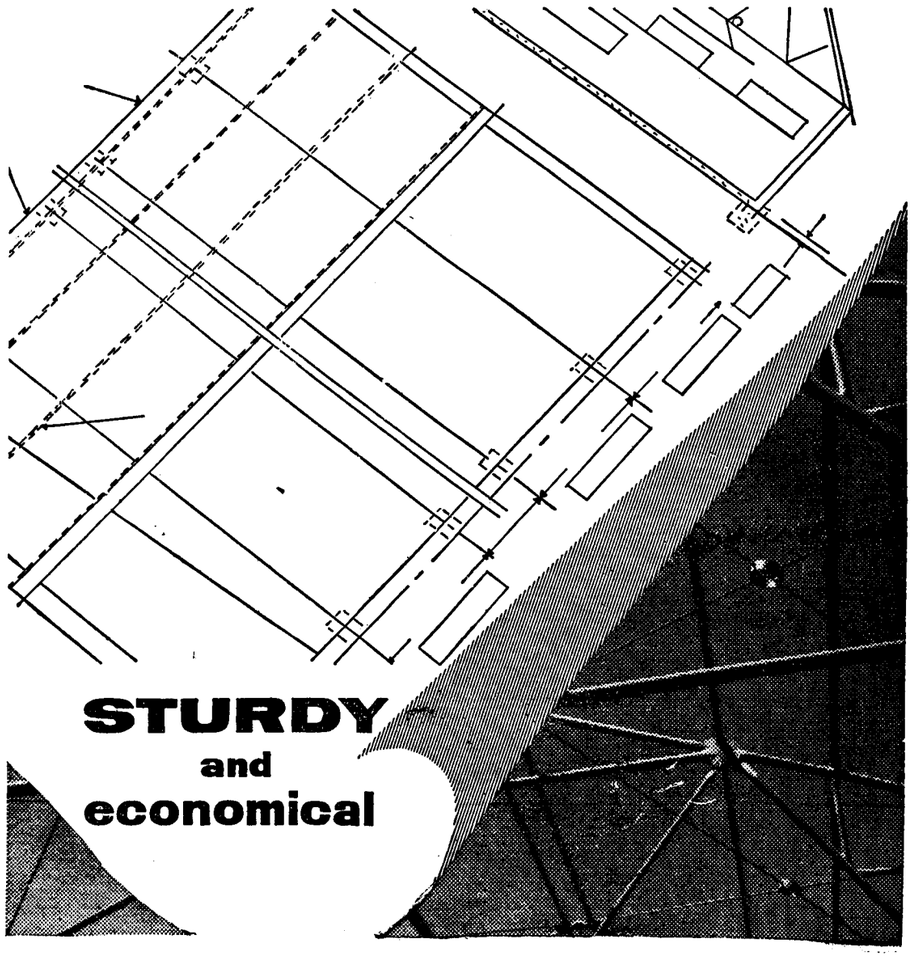
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Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays	Food articles	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
April 1961 ..	117.6	112.0	121.5	153.1	136.0	126.1	127.5	126.0
May „ ..	117.2	104.1	121.6	153.2	136.9	125.3	126.9	125.4
June „ ..	120.6	100.1	123.3	148.8	139.7	123.9	126.2	126.2
April 1962 ..	120.5	98.8	122.4	135.1	136.9*	125.2	126.8	124.2
May „ ..	124.2	102.0	122.3	134.9	137.3	125.9	127.5	126.3
June „ ..	125.4	99.7	123.4	136.1	139.5	127.1	128.8	127.4
June 23, 1962 ..	125.6	99.5	124.3	136.5	139.3	127.6	128.7	127.6
June 30, 1962 ..	127.6	99.1	124.1	137.1	140.3	128.3	130.0	129.1
July 7, 1962 ..	126.6	99.1	124.2	137.4	142.1	127.7	129.8	128.6
July 14, 1962 ..	128.3	99.1	124.4	138.5	142.2	127.3	129.4	129.5
July 21, 1962 ..	128.6	97.9	124.6	139.3	142.5	126.8	129.0	129.6

* Revised

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

Period	Bombay: Bombay	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 December	416	435	302	171	410	499	493	175	481	178	177	177
1962 January	415	436	295	170	399	513	495	178	482	177	174	175
February	417	438	295	170	399	513	492	—	480	177	177*	175
March	418	439	300	170	403	503	493	—	480	179	175*	175*
April	418	439	300	170	410	491	492	—	480*	182	175*	175*
May	422	443	—	167	417	491	496	—	480*	180	177*	177*
June	426	447	—	171	—	505	497	—	484	—	—	—
July	—	—	—	—	—	—	—	—	487	—	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 3-8-1962 High	Low	Average	27-7-1962 High	Low	Average	20-7-1962 High	Low	Average	13-7-1962 High	Low	Average
Gold (per 10 gram)	125.90	125.20	125.50	126.35	125.19	125.83	126.75	125.50	126.24	127.10	126.15	126.58
Silver (per kilogram)	213.65	212.00	212.63	214.05	212.45	213.38	213.90	212.70	213.36	216.10	213.70	214.98

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										
May 1961 ..	1,989,60	16,63	2,006,23	117,76	113,01	230,77	11.50	118,51	1,656,95	2,006,23
June „ ..	1,958,79	30,43	1,989,22	117,76	108,01	225,77	11.35	118,54	1,644,92	1,989,22
July „ ..	1,922,49	24,13	1,946,62	177,76	93,01	210,77	11.83	121,30	1,614,54	1,946,62
May 1962	2,143,74	24,94	2,168,68	117,76	102,00	219,76	10.13	115,05	1,833,87	2,168,68
June „ ..	2,111,73	33,72	2,145,45	117,76	92,48	210,24	9.80	113,75	1,821,43	2,145,45
July „ ..	2,070,65	20,54	2,091,18	117,76	92,14	209,90	10.04	117,27	1,764,01	2,091,18
Week-Ending										
29-6-1962 ..	2,076,68	43,31	2,119,99	117,76	91,68	209,44	9.88	116,24	1,794,31	2,119,99
6-7-1962 ..	2,094,77	23,77	2,118,54	117,76	91,77	209,53	9.89	114.79	1,794,22	2,118,54
13-7-1962 ..	2,090,32	14,15	2,104,47	117,76	91,09	208,85	9.92	115,61	1,780,01	2,104,47
20-7-1962 ..	2,060,76	16,31	2,077,07	117,76	89,34	207,10	9.97	118.13	1,751,83	2,077,07
27-7-1962 ..	2,036,73	27,91	2,064,63	117,76	96,34	214,10	10.37	120,56	1,729,97	2,064,63

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														
May 1961 ..	61,60	16,21	78,38	116,50	272,69	144,08	501,78	16,72	41,65	21,40	83,99	125,25	191,55	21,22
June „ ..	64,96	13,55	84,67	123,86	287,04	134,21	506,25	30,47	39,78	14,49	68,97	121,34	208,22	22,97
July „ ..	58,61	18,56	93,24	111,63	282,04	94.38	461,41	24,17	26,26	9,98	40,10	117,43	221,75	21,72
May 1962 ..	50,54	15,77	86,11	150,91	303,30	158,79	547,11	24,96	64,10	5,79	111,26	129,86	174,46	36,65
June „ ..	56,84	11,35	91,78	149,74	309,71	168,06	562,78	33,77	52,34	8,62	98,64	126,68	203,05	39,67
July „ ..	51,34	20,63	102,86	196,73	371,57	121,12	577,67	20,59	63,99	5,86	37,96	130,85	280,80	37,71
Week-Ending														
29-6-1962 ..	53,36	25,49	98,70	149,65	327,21	175,39	587,60	43,35	44,04	5,64	34,89	134,93	282,27	42,46
6-7-1692 ..	48,16	25,19	109,23	193,42	376,00	120,06	581,06	23,83	58,89	6,78	37,88	133,58	279,04	41,35
13-7-1962 ..	53,27	17,46	90,51	192,22	353,46	119,08	557,55	14,20	74,69	5,37	38,17	133,08	252,29	39,75
20-7-1962 ..	49,33	14,28	108,60	193,64	365,85	121,86	572,71	16,36	67,45	4,51	41,73	128,69	278,46	35,51
27-7-1962 ..	54,58	25,59	103,08	207,63	390,88	123,49	599,37	27,97	54,92	6,76	34,05	128,05	313,40	34,24

* 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†	53.38	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										
22-6-1962 ..	906,66	1,275,86	2,182,52	52,92	90,91	6.59	1,229,32	194,66†	65.25	583.36
29-6-1962 ..	918,55	1,284,31	2,202,86	56,84	91,40	6.73	1,253,46	171,06†	64.67	607.07
6-7-1962 ..	904,09	1,294,63	2,198,72	54,66	108,52	7.42	1,252,27	172,51†	64.80	598,72
13-7-1962 ..	906,03	1,276,58	2,182,61	51,74	89,54	6.47	1,250,99	168,00†	65.01	578,66
20-7-1962 ..	910,25	1,287,05	2,197,30	49,29	100,61	6.82	1,234,97	168,42†	63.87	620,05

† 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
Nov.* 1961 ..	2,828,54	1,946,11	882,42	861,80	20,62	+ 21,20
Dec.* „ ..	2,876,63	1,983,35	893,29	874,37	18,92	+ 48,09
Jan.* 1962 ..	2,925,49	2,028,19	897,30	877,21	20,10	+48,86
Feb.* „ ..	2,979,64	2,077.17	902,47	883,45	19,02	+ 54,15
March* „ ..	3,078,52	2,120,48	958,04	934,64	23,41	+ 98,88
April* „ ..	3,140,77	2,174,29	966,49	962,40	24,09	+ 62,25
May* „ ..	3,128,83	2,176,96	951,88	930,61	21,27	— 11,94

* Provisional

† Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

PRICE TRENDS

WHOLESALE PRICES OF SELECTED COMMODITIES: 1955 - 62

(Index Numbers)

(Base: 1952-53 = 100)

Group and Sub-group	June 1955	June 1956	June 1957	June 1958	June 1959	June 1960	June 1961	June 1962
I. Food Articles	84	99	109	113	119	120	121	125
(a) **Cereals**	69	93	104	106	102	107	102	105
Rice	76	95	107	111	102	114	106	110
Wheat	60	82	89	93	93	87	86	88
Jowar	55	120	128	100	116	127	113	131
Bajra	73	107	138	123	130	128	141	128
Barley	54	88	99	107	108	102	99	93
Maize	63	105	121	123	132	114	122	108
Ragi	62	79	102	103	110	121	121	105
(b) **Pulses**	50	75	86	91	96	90	91	103
Gram	40	63	71	74	76	80	81	86
Other Pulses	55	82	94	101	107	95	96	112
Arhar	53	77	81	95	116	99	87	112
Mung	54	70	81	114	110	98	108	107
Masur	53	88	106	100	105	87	82	99
Urad	62	93	105	95	98	98	107	129
(c) **Fruits and Vegetables**	105	107	127	112	135	122	126	142
Potatoes	62	105	103	87	99	90	95	113
Onions	56	83	96	89	105	82	94	97
Oranges	239	170	250	188	265	259	272	292
Bananas	96	98	115	110	126	108	110	129
Cashewnuts	92	88	84	75	84	98	92	74
(d) **Milk and Ghee**	91	102	109	111	116	120	114	127
Milk	99	109	116	121	121	125	114	125
Ghee	80	94	99	99	111	113	114	126
(e) **Edible Oils**	77	120	129	123	132	140	163	152
Groundnut	66	102	110	103	121	129	159	132
Gingelly	67	121	131	115	120	137	174	143
Mustard	94	164	168	150	149	157	169	179
Coconut	87	87	104	145	146	153	165	177
Vanaspati	79	105	118	115	129	128	155	146
(f) **Fish, Eggs and Meat**	96	95	95	107	111	120	128	141
Fish	100	97	94	112	118	127	116	138
Eggs	89	92	97	104	108	112	118	140
Meat	96	96	95	105	107	120	141	145
(g) **Sugar and Gur**	84	94	110	125	149	138	124	139
Sugar	95	96	112	119	121	127	127	130
Gur	78	94	109	128	165	144	122	144
(h) **Other Food Articles**	148	119	131	149	161	161	181	170
Tea	193	138	172	171	179	186	206	169*
Coffee	77	81	88	87	86	85	87	91
Black pepper	38	28	21	21	24	63	44	33
Chillies	107	148	156	114	162	185	178	174
Turmeric	246	167	66	85	114	131	145	216
Cardamoms	121	119	132	111	113	116	99	78
Betelnuts	117	138	154	227	213	235	263	270
Salt	96	107	132	103	103	135	128	141

PRICE TRENDS

WHOLESALE PRICES OF SELECTED COMMODITIES: 1955 - 62 (CONTD.)

(Index Numbers)

(Base: 1952-53 = 100)

Group and Sub-group	June 1955	June 1956	June 1957	June 1958	June 1959	June 1960	June 1961	June 1962
II. Liquor and Tobacco	82	81	92	92	96	110	100	100
(a) **Liquors**	102	105	121	121	124	133	156	156
(b) **Tobacco**	81	79	91	90	96	108	97	96
(i) Tobacco, raw	78	76	89	89	96	111	95	92
(ii) Tobacco manufactured	93	93	95	96	97	97	102	113
III. Fuel, Power, Light and Lubricants	95	99	112	116	116	119	123	122
(a) **Coal**	100	101	121	135	133	140	141	149
(b) **Mineral Oils**	97	98	108	108	108	109	111	111
Kerosene Oil	91	90	94	94	94	94	99	99
Petrol	102	100	113	112	112	113	114	114
Aviation Spirit	91	92	100	102	102	102	102	96
Diesel Oil	86	99	107	107	111	111	123	123
Lubricating Oil	93	102	112	112	112	112	112	113
(c) **Electricity**	96	100	107	110	111	118	131	121
IV. Industrial Raw Materials	93	113	121	115	120	140	149	136
(a) **Fibres**	104	112	126	110	110	143	151	127
Cotton, raw	93	111	112	100	105	112	110	113
Jute, raw	116	113	146	123	114	187	208	144
Wool, raw	119	121	135	112	115	126	121	138
Silk, raw	114	115	140	144	169	165	158	156
(b) **Oilseeds**	74	116	125	124	135	144	161	152
Groundnut	67	111	116	114	135	146	167	145
Linseed	80	111	110	114	115	119	133	140
Castorseed	48	91	114	100	112	120	123	123
Gingelly seed	68	122	122	113	111	125	168	148
Rapeseed	89	150	169	154	149	147	167	174
Cottonseed	79	124	135	131	167	186	167	165
Copra	85	83	101	133	129	138	141	153
(c) **Minerals**	83	98	110	107	100	98	95	94
Iron Ore	79	116	118	88	88	88	90	90
Mica	86	94	96	99	99	103	99	99
Manganese Ore	79	108	143	144	102	91	86	78*
(d) **Other Industrial Raw Materials**	110	110	106	111	113	128	127	127
Hides, raw	121	102	94	119	115	141	136	137
Skins, raw	116	111	127	138	181	181	162	156
Tanning materials	97	102	110	92	112	117	118	116
Sugarcane	92	91	91	91	91	102	102	102
Rubber	112	119	119	119	119	119	114	112
Lac	168	177	103	95	91	111	92	75
Logs and Timber	106	113	116	116	119	140	145	150
Bamboos	207	134	182	212	161	140	176	163

*Average of two weeks.

PRICE TRENDS

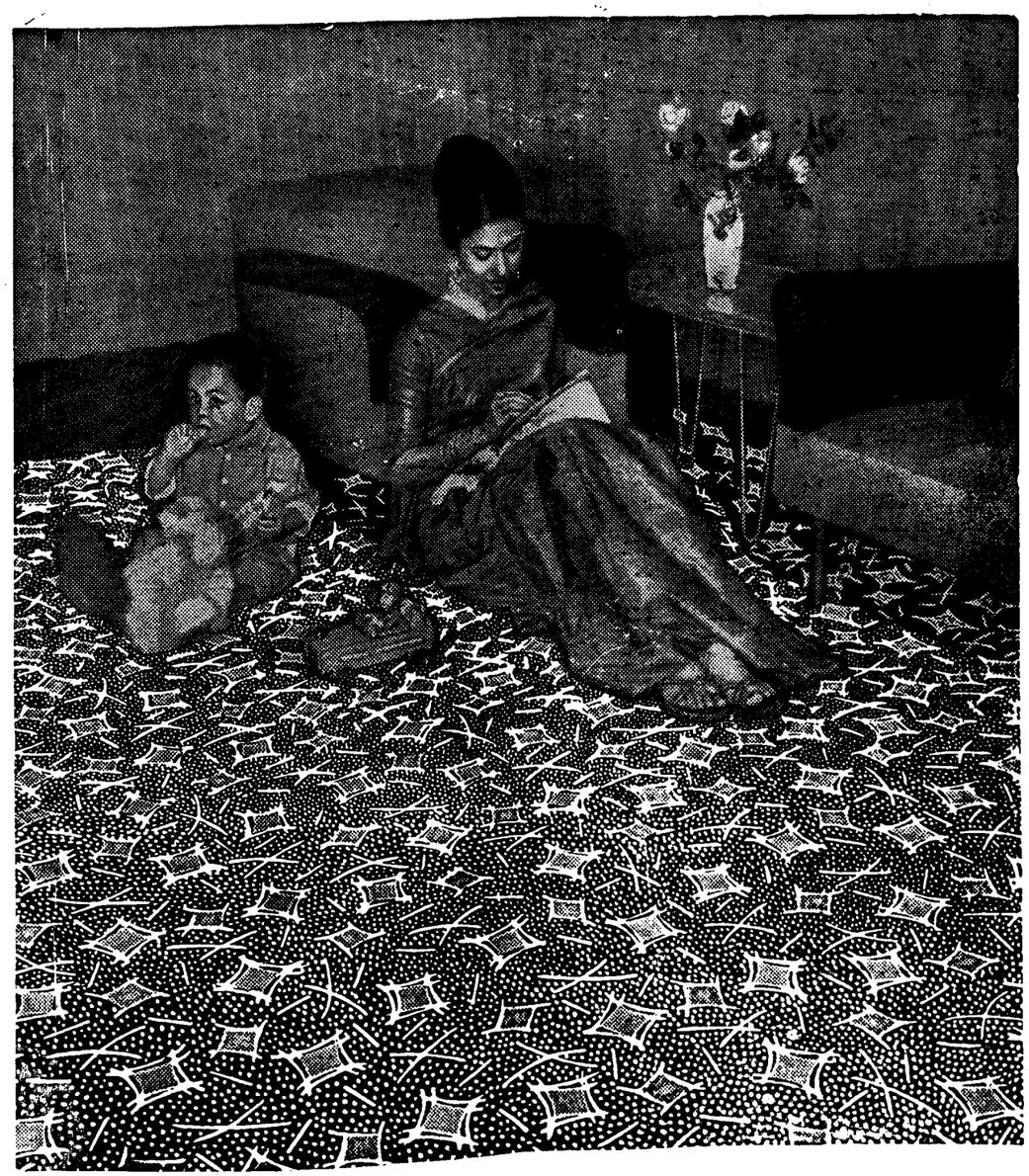
WHOLESALE PRICES OF SELECTED COMMODITIES: 1955-62 (CONTD.)

(Index Numbers)

(Base: 1952-53 = 100)

Group and Sub-group	June 1955	June 1956	June 1957	June 1958	June 1959	June 1960	June 1961	June 1962
V. Manufactured Articles	98	104	109	108	109	120	126	129
(a) Intermediate Products	98	110	109	110	108	127	140	140
(i) Cotton yarn	95	107	108	96	98	129	129	131
(ii) Rayon yarn	86	88	90	154	109	133	195	185
(iii) Coir yarn	115	114	107	100	106	110	133	159
(iv) **Metals**	105	120	123	121	133	146	153	152
Pig Iron	117	145	164	164	164	164	163	183
Aluminium	89	102	105	117	112	138	144	147
Zinc Spelter	86	87	100	82	134	209	225	165
Brass	95	109	104	98	109	117	122	127
Tin	76	77	82	84	89	85	124	137
Lead	96	104	97	86	97	90	98	93
(b) Finished Products	98	103	109	108	109	119	124	127
(i) Textiles	101	104	109	104	105	120	126	127
(1) Cotton manufactures	105	113	116	113	113	126	127	129
Cloth (Mill)	107	116	120	117	114	130	131	132
Cloth (Handloom)	98	104	105	102	112	114	116	122
(2) Jute manufactures	95	89	100	86	87	113	125	118
(3) Woollen manufactures	99	96	103	106	104	110	124	141
(4) Silk and Rayon Manufactures	91	89	86	91	94	103	117	129
(ii) Metal Products	110	129	141	143	143	148	152	160
Iron & Steel manufactures	110	128	143	145	145	148	152	160
Aluminium utensils	104	114	116	123	128	149	153	159
(iii) Chemicals	93	92	98	104	107	105	109	114
Soaps	97	102	107	107	117	115	121	130
Fertilizers	86	86	96	96	96	96	96	92
Medicines and Drugs	89	87	88	92	105	104	100	102
Paints	90	92	98	97	101	100	104	105
Dyeing Materials	88	86	100	100	101	106	134	133
(iv) Oilcakes	73	97	110	129	144	132	143	155
(v) Machinery and Transport equipment	98	97	101	103	106	111	113	118
Machinery	102	102	106	108	111	116	118	124
Tools & Implements	108	121	135	135	135	136	140	147
Bobbins	79	78	81	82	90	90	100	108
Rubber Tyres & Tubes	88	79	80	79	85	85	87	87
(vi) Other Finished Products	96	98	109	114	113	115	120	125
Rubber Shoes	106	109	109	115	115	122	135	135
Leather Shoes	102	103	110	111	111	119	121	125
Matches	100	100	132	132	132	132	144	154
Paper & Newsprint	96	98	107	116	116	108	108	108
Pottery goods	95	98	103	109	113	114	116	120
Glass	90	97	92	91	96	99	102	113
Cement	99	98	129	129	129	129	137	148
Lime	100	100	112	122	114	122	147	155
VI. All Commodities	90	102	111	112	116	123	126	127

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THE EASTERN ECONOMIST

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THE EASTERN ECONOMIST

AUGUST 17, 1962

Hafiz Mohammad Ibrahim

THE performance in Parliament this week of the Minister for Irrigation and Power, Hafiz Mohammad Ibrahim, and his determined refusal to withdraw from office urged brutally in the Press must constitute the most remarkable case of political stone-walling that the world has ever seen. The charges have been framed in ways which are as deeply humiliating to the Minister as they are to the Central Cabinet. He is accused of incompetence in overlooking the Delhi power crisis, incompetence in presentation in Parliament, and helplessness in information as well as in debate. He has been accused of old age and infirmity. There may conceivably be some sympathy with the Minister in that his technical responsibility for the Delhi Electric Supply Undertaking comes to him after refraction from various other authorities. In a further attempt at dispersion the Law Minister seemed to argue that responsibility could only be invoked after a breakdown had occurred, because the Ministries of the Central Government, via the Ministry of Home Affairs, had powers only of issuing 'directives'. In point of fact, therefore, notwithstanding the Prime Minister's firm declaration of the Central Government's responsibility (presumably both of the Home and the Irrigation Ministries) a nice legal loophole has been presented to Hafiz Mohammad Ibrahim. To do him justice, he had not waited for this loophole to make good his escape. He had absolved himself of his responsibility the previous day and, in fact, with hands folded to the Chair, had begged that all responsibility should be transferred speedily to the Punjab Government.

The nice issue of responsibility can be left to the constitutional pundits of which it might be remembered Mr. Asoke Sen is not necessarily one of the most accomplished. His current presentation seems to suggest that the makers of the Constitution were singularly blind to the fact that democratic government has, as one of its first principles, the doctrine that responsibility must rest specifically somewhere. In the last analysis, the Central Government, whenever a subject is in the collateral list, must take full responsibility — however the occasion of responsibility presents itself in terms of the sequence of events or, perhaps, through inferior authorities. The Prime Minister has caught the spirit of the Constitution which the Law Minister would wish to deny. The issue of responsibility is actually threefold. There is, firstly, the legal responsibility, on which a nice battle of words can be produced without giving any satisfaction to the country or conviction to the lawyers themselves. The second is the problem of planning future power requirements, and the Ministry of Irrigation and Power certainly cannot absolve itself from the point that its sanctioning in this particular case did not foresee the disastrous events which occurred. Finally, there is the personal competence of the Minister operating in what might be called his political or parliamentary capacity to explain, expound, convince and, in the event of failure to do any of these things, to be honest enough to recognise his incompetence for the job.

The country as a whole, and almost everyone in Parliament, is convinced that Hafiz Mohammad Ibrahim is now not fit to be in the Central Cabinet. There is, indeed, a delicate political problem for the Prime Minister to solve. For one thing, Hafiz Mohammad Ibrahim has a substantial following in Uttar Pradesh and he is, therefore, of political importance to the Congress Party. Secondly, he is an old friend of the Prime Minister, and the fact that he is a Muslim, as well as a stalwart from Uttar Pradesh, makes his friendship take on a particularly heavy obligation. It is arguable that, irrespective of the country's interest, the Prime Minister should look after his Party at any price. This is a principle which will not be acceptable except to those who believe the Congress Party is identical with this nation, as one might argue that what is good for General Motors is always good for the United States. The Prime Minister's habit of putting party preferences above the country's interest is what has brought us to our present pass. If the Prime Minister insists, while he is ageing himself, in surrounding himself with those more aged and even more incapable of taking additional responsibilities, both the Congress Party and the country will bear the marks of his errors with scars which may never heal. For the political vacuum will be filled by parties not necessarily with higher principles by reason of the fact that power, even while not absolute, has corrupted the administration absolutely.

It is time to recognise that the Prime Minister of India is at present conducting the affairs of this country on his own preferences and not on principles. His preference for Hafiz Mohammad Ibrahim is understandable, but in terms of the national interest, unforgivable. If Hafiz Mohammad Ibrahim will not resign from his office, he must be dismissed by the gentle art of kicking him upstairs. This has been used ruthlessly in the case of Dr. P. Subbarayon with the result that the Congress Party has lost a prestige seat in a by-election in Tiruchengode, to which reference is made in the following article. This does not make the Prime Minister's action wrong; this was the necessary price to be paid for administrative gain over political advantage. There can be no justification whatever for being more gentle with Hafiz Mohammad Ibrahim. It is true he is a leading Muslim, but the Muslim community is not so deprived of eminent people that a more able Muslim Minister cannot be found. *The Eastern Economist* supports the view that there should be adequate Muslim representation in the Cabinet, notwithstanding the fact that the Prime Minister, wedded to the secular State, sometimes neglects minorities like the Christians who need almost equal assurance at this time. This is not, however, the time to argue the case for the minorities. It is the time to argue the case of the nation as a whole. It is a blot on the Prime Minister's management of the country's affairs that someone of proved disability like Hafiz Mohammad Ibrahim should be retained in the Central Cabinet. The fact that the Press of this country has to come out with strong personal attacks of this kind is itself an indication that the limits of containment have been reached and passed beyond repair.

The D.M.K. Victory at Tiruchengode

THE announcement on August 13 that Mr. S. Kandappan, the D.M.K. candidate, had defeated the Congress Party in the Lok Sabha bye-election in Tiruchengode, in the seat rendered vacant by the resignation of Dr. P. Subbarayon, Governor of Bombay, must cause the Congress Party furiously to think. It was not believed that this seat, in which Congress influence was strong enough to win a decisive victory by 12,164 votes in February, would so soon succumb to the D.M.K. assault. Indeed, Mr. Bhaktavatsalam, the Home Minister of Madras, had even challenged the D.M.K. to prove that their campaign against rising prices in Madras had the support of the people. It is difficult to know exactly what to read into the current election figures, but certainly it cannot be argued that the D.M.K. stock is declining and that of the Congress Party rising in this particular constituency. This may be no guide to the structure of opinion for Madras State as a whole, but it will be treated, and rightly treated, as decisive in respect of Tiruchengode.

It is interesting to notice that the grand opening of the Neyveli complex by the President, and much reassurance on the development of the South including a probable steel mill, which Mr. C. Subramaniam, Minister of Heavy Industries and Steel, has rightly sponsored, has not been effective in influencing the climate for this election. There is some considerable doubt whether, in fact, the South, even as represented by the Congress Party, is at all satisfied with economic progress being made in all the four States, Madras, Andhra, Mysore and Kerala. Indeed, the Minister of Finance of Andhra Pradesh, Mr. Brahmananda Reddi, writing in the *Financial Express*, has quoted critically the Indian Institute of Public Opinion figures to show that the progress in the South has been lower in the Second Plan and is likely to be lower in the Third Plan than comparable areas in the North, West and East. This follows on Mr. Venkataraman's forceful statement nearly a year ago at a meeting of the National Development Council based on the same figures, not yet refuted. It cannot, therefore, be suggested that the D.M.K. accusation that there is discrimination against the South, is entirely the slogan of one party. It is not, indeed, clear that, even if it were a slogan of one party, it would greatly effect the structure of political opinion. The volume of economic discontent in the South is large, much larger than the Central administration in New Delhi is willing to recognise.

The remarkable political skill of Mr. Kamaraj Nadar, the Chief Minister of Madras, stands pitted now against the growing popular appeal in Tamil Nad of a somewhat extreme, and possibly fanatical, belief that a compromise between North and South cannot be found except on separatist grounds. The warning that the people of the South are likely to be influenced by this wayward trend is contained in the Tiruchengode figures. The Congress Party can only ignore this warning at its peril. Even the tremendous figure of Mr. Kamaraj Nadar will not be able to arrest decline, unless positive measures are taken both to control prices and to accelerate economic development in the State of Madras. It is likely if the economic discontent can be significantly allayed in the next three years, far less will be heard of secession. In any case a policy of economic development for the South beyond the Plan must be conceived without delay.

The Lesson of the Power Crisis in Delhi

THE three-week old power crisis in Delhi has brought forth a spate of protests from the harassed population which had to face the "worst ever" monsoon season in Delhi, but equally, it is good to remember, has it brought forth activation in centres where stagnation and complacency had previously reigned supreme. While the Prime Minister's speech at a public meeting assuaged the feelings of the people because he promised that the Government would try to bring to book those officers who had been negligent in their duties and had precipitated the power crisis, the power shortage persisted till someone made a serious effort to locate the idle capacity of generators available in Delhi. This and not the Prime Minister's soothing hand, is the discovery of the moment. Truly, necessity is the mother of invention!

The Military Engineering Service, for example, possessed capacity for generating power through its own units through which it could meet the requirements of the military establishments. It was only at a very late stage in this ordeal that the Government hit upon the idea of requesting the Military Engineering Service to commission its plants. This naturally reduced the pressure on the Delhi Electric Supply Undertaking by half in so far as the military establishments were concerned. Again, there were available with the Undertaking two stand-by generators capable of producing 4,500 KW which had, for no clear reason, not been pressed into service. Again only when the crisis had created an unmanageable uproar did the officer in-charge think of using the 1,500 KW generator at Chandrawal or of repairing the 3,000 KW generator at the Central Power House. At the same time it was discovered that the industrial units in Delhi possess generating plants with a total capacity of 3,000 KW. The administration decided to provide coal to these plants—again very late—so as to tap this additional source. The Delhi administration also discovered from nowhere that it had another diesel plant of 8,000 KW which needed to be overhauled. Someone hit upon the plan to speedily overhaul this generator so as to add to the available capacity. Thus unutilised capacity alone produced more than 15,000 KW of additional power. If 15,000 KW or about 15 per cent of Delhi's normal load can be dreamt up in this manner, can it be that other portions of the country have no untappable resources? It is ironic that only in a crisis like this, the unutilised idle capacity was frantically sought in order to fill the gap. This also confirms the belief that idle capacity exists not only in power but in many other industries as well and only a crisis of the magnitude of the present one could really awaken the Government and its agents. The power crisis in Delhi will have done a great service if it awakens the country to the necessity of utilising available capacity in industry and power to the maximum. Meanwhile, can one dare to hope that an immediate enquiry will be instituted to find generating capacity to operate elsewhere in the country?

Guest Editorial

Common Market Hitch: A British View

By PAUL BAREAU, Editor 'The Statist'

THE British Government has put a very brave face on the intensely awkward situation which caused the deadlock in the Common Market negotiations in the early hours of Sunday, 5th August. They have even gone to the length of preparing a White Paper setting out all that had been accomplished during the discussions but ignoring the all-important fact that on the most crucial of these issues, namely the treatment of temperate zone foodsuffs exported from Australia, Canada and New Zealand, the French have now reserved their position.

The reassurances which have come from British Ministers are less than completely honest. The hitch which occurred in Brussels is something more than a mere pause in the negotiations. In the first place it has killed the hope that had been expressed that the general outlines of an agreement for Britain's adherence to the Common Market might be drawn before the end of July. The disarray in this time table must obviously interfere with the agenda for the Commonwealth Prime Ministers meeting convened for next month. Indeed, it will be asked whether the journey of the Prime Ministers to London will, in the circumstances, be worthwhile. The Finance Ministers will be coming in any case prior to the annual Bank and Fund meetings which this year will be held in Washington. There will not be too much on their plate to prevent them giving quite enough attention to the latest developments from the Common Market front.

Whatever ministers may say in public, the latest developments in the Common Market talks have caused something like dismay at Conservative headquarters. The Government had staked far too many of its political chips on the Common Market card and any considerable delay in the negotiations would play havoc with the political time table and in particular with the platform for the next general election in which Britain's membership of the Common Market and the dynamic challenge which it involves is destined to play a dominant and perhaps winning role for the Government.

Finally, the perpetuation of uncertainty about the Common Market is unquestionably one of the factors undermining British industry today. It is causing the postponement of a number of projects which would be launched were the outlook clearer and in this way it is reinforcing other influences which are today making for economic recession. This is all the more damaging as every week that passes allows the Economic Community of the Six to crystallise and gain greater cohesion. In this way the metaphorical channel which divides Britain from the Continent of Europe is being deepened.

It is, therefore, of primary importance to discover what went wrong in Brussels after so much appeared to have been achieved. There can be no doubt as to the progrss which had in fact been made up to the moment when the negotiations were brought to an abrupt close. A provisional agreement had been made to deal with exports of manufactured goods from Australia, Canada and New Zealand to Great Britain. It had also been agreed that the enlarged European Economic Community would conclude comprehensive trade agreements with India, Pakistan and Ceylon at the latest by the end of 1966. Measures had been designed to remedy any fall in exports from these three countries to Britain as a result of the gradual application by Britain of the common external tariff on certain imports from these three countries. The E.E.C. have also undertaken to reduce to zero the common external tariff on tea which otherwise would have amounted to 18 per cent. This alone opens up to India possibilities of expanded exports which far outweigh any contraction that might occur in other items of trade with the U.K. as a result of E.E.C. membership. The broad outlines of agreement had also been reached on the association of other Commonwealth countries with the Community and on the all-important issue of exports of temperate zone foodstuffs from Australia, Canada and New Zealand.

The desired goal seemed almost within reach when the French threw their spanner in the works. To understand this manoeuvre it is necessary to understand that the protection of European agriculture will, under the Community rules, be secured by fixing prices for the primary foodstuffs. Imports of such foodstuffs from outside the Community, if they are made at less than these fixed prices, will attract a compensating levy equal to the difference between the fixed price and the price actually paid for the imports. This levy will be paid to a common fund to be used for a variety of purposes, including the purchase of surplus foodstuffs produced within the community, the subsidisation of agriculture and related items.

The exact formula for contributing to the fund and also for its utilisation had not been agreed even between the six existing members of the Community. But at 3 a.m. on Sunday morning, at a time when the powers of human resistance are reputedly at their lowest, the French delegation suddenly produced a precise and detailed formula for which they required immediate agreement. Some other members of the Six would have objected anyhow. Mr. Heath, the leader of the British delegation, did the work for them, saying that without further study he could not commit his Government to acceptance of the French formula. At this the French reserved their position on the crucial agreement concerning temperate foodstuffs and the negotiations came to a dismal and confused close.

The French manoeuvre can only be interpreted in one way: it was a deliberate and successful attempt to bring to a close discussions which seemed to be getting much too near success. The episode reveals all too clearly that the political will to agree is not to be found among the French delegates. France does not want Britain to be a member of the Common Market. That view is shared by at least one but very important German, Dr. Adenauer. He has given the reason honestly. It is that to admit into this Community a new member as important and as heavily commited to the outside world as Great Britain, would be to change its nature radically. Given that attitude, we must expect the French negotiators, whose skill in these matters exceeds that of any of their colleagues among the Six, to find many more spanners to throw into the works.

This does not shake my own personal belief that ultimately Britain will become a member of the European Economic Community; but it confirms the view I have long held that the way of entry will be far more difficult and protracted than the optimistic utterances of Ministers have led us to expect.

A DELHI DIARY

PROTECTION FROM OUTER SPACE ?

AN inconvenient thing (sometimes called a Leading Article) pushed me out of these columns last week. I forgot what it was the previous week that accomplished the same nefarious result. I, however, wish to assure my readers—although one of them has lost faith in me, referring to an unfortunate phrase that promises are like piecrusts meant to be broken—I am resolutely committed in five sessions to pursue a description of my travels abroad. As time recedes naturally the vision splendid tends to recede, and some of the vacuums (or vacua?) thus created at least in my mind tend to get filled by cosmonauts or, at a far less interesting level, by border disputes, or even the Plan. It is vital that I should not be distracted further from my high purpose of concentrating on the receding image and that the Editor should not under any circumstances intrude on my air or writing space.

THE SEATTLE WORLD FAIR

I start with the United States which was what may be described as the end-point of my trajectory. More particularly that point was the Seattle World Fair, which, happily, is so placed that one cannot help seeing both a large number of countries and a large number of cities before arriving at one's destination. In this particular case, the trajectory moved through Rome, London, Washington, Chicago and San Francisco. But I shall pass hastily over the points of transit to dwell particularly on the World Fair, or rather on what surrounds the World Fair. Few people realise that the great World Fair at Seattle has its roots not in an idea, but in a Community. The Community is a group—(or is it an Inner Cabinet?)—inside the people resident in the city of Seattle. Making an invidious comparison, I dare to say that this Community is the most vital in the world. Its problems are almost as vigorous as its restless mind, and it is out of its problems in a sense, no less than out of its intense devotion to its own soil, that the Seattle World Fair was born. In this remarkable Community, which is to be seen to be believed—only a hundred years old in terms of American history—there has been imparted a sense of adventure of which it can truly be said that age cannot wither nor custom stale its infinite variety. The Community—Capital 'C'—always in its honour—needed (a) An Opera House; (b) a magnificent park with fountains (c) an adult (and even teen-ager) advanced education programme; (d) profit from free enterprise; (e) international communication and an exercise in international affairs; (f) as is inevitable in a competitive society, competition with the greatest of all cities, New York !

Let me begin with the last first, thereby illustrating that vital precept in the Bible that the last shall be first and the first last. The Community of Seattle decided to compete with New York before the Paris International Bureau of Exhibitions (Expositions), which guides all international exhibitions, in order to fight for the fair in the year 1962. About four to five years hard work goes into all the arrangements in a fair such as this. The President of the Fair, Mr. Joseph Gandey (not Gandhi) had actually to conduct in the two years preceding the Fair fifty-seven international visits to persuade, expound and, I presume, to sell his idea to 57 different nations. In the process, most daringly, but apparently without any undue violence to himself or Seattle, Mr. Gandey outwitted New York which was undertaking a similar number of trips and a similar campaign of persuasions at the Central Bureau of International Exhibitions at Paris. Seattle won, I believe, by a process which can only be described as the application of the New Frontier. They demonstrated, in fact, that their conception of a Fair was quite different from that previously held and their victory over New York remains one of the classic examples of the success of mental, over material, resources !

To do Seattle justice, it has not under any circumstances spared material resources. I forget today what the actual amount invested on the Fair is, but I would imagine that it must be in the region of well over 200 million dollars. I believe, the Fair Committee raised on its own 20 million dollars by way of equity capital and loans from banks; it has already repaid it all as well as a dividend. It then proceeded to sub-contract space as well as ideas. Out of one of them has come a Space Needle, the model version of the Eiffel Tower, which in terms of construction and elegance, is as far ahead as the 21st century is of the 19th. In its beautiful slick almost vertical 500 ft. height one marvels at the daring of modern steel architects and pays only a passing tribute to Eiffel, the greatest of the steel workers of his time. The Space Needle, of course, has—as the Eiffel Tower—its restaurant, its space platform and, of course, its telescopes from which one can look upon the great city throbbing with its own vitality.

The most striking of the exhibits—all arranged in the context of what living would be like in the 21st century—is a group of modern versions of the Home—Kitchen first. Since I am not, by any means, a homely person, I found much more attraction in the great Science pavilion built by the United States Government, they tell me, at a cost of $10 million to demonstrate the beginnings of Science and then its tremendous role down the world ending up in Spacemanship and all the wonders of the heavens. Here one must pay profound tribute to the two leading architects—one of Japanese origin—who has done so much of architectural work in the Fair which is one of the most exciting architectual monuments that the world has presented to itself. Alas! I have forgotten his name but he performed in Delhi at the US Pavilion in the Industries Fair.

One should also pay tribute to the scientists who in the space world are making history with Soviet Cosmonauts of whom happily we have two in the space at the time that this is being composed. The tremendous range of Space Science—particularly the use of computers, the study of special steels and so on that go into spacemanship—is briefly touched upon here only to show that spacemanship is to be the great new frontier of the 21st century as much as internal and comfortable living is the old world target of the great providers of hearth and home.

THE MONORAIL

I, however, expended a not inconsiderable sum — as did thousands of grown ups and children alike—by travelling by the monorail from what is called Down town Seattle to the Fair. The monorail is an amazing invention consisting of two carriages moving on a cement rail about 14 feet high for a distance of about a mile and a half through the busiest streets. This distance is covered by the monorail moving noiselessly on rubber wheels beautifully hidden from sight at the speed of 60 miles per hour so that one travels through the busiest portion of Seattle at the top speed of trains in this country. This is also the most comfortable travel in the world; it is incredible how one glides on this rail without any feeling of insecurity because the vital rail on which one glides is innocently hidden from view except before and behind. I will not — in order to spare my readers' intense disappointment at its not coming to India disclose the figure of the construction costs per mile. Perhaps, in the course of time, as with the atomic energy, its price will come down to meet that of the conventional methods of travel! Let us watch and pray!

ARGUS.

THE WEEK'S NOTES

Wage Policy

ACCENT ON PRODUCTIVITY

THE PERSISTING crisis of our balance of payments has forced attention to greater production, lower costs and expansion of exports. These three goals have now become so supreme and over-riding that there is hardly any important sphere of economic activity in which due note of such of them as are relavent cannot be taken. It was certainly refreshing to find Mr. G. L. Nanda placing accent on productivity and on an expanding volume of production as the corner-stones of a stable policy for progressive improvement in wages. Mr. Nanda's inaugural address at last week's session of the Indian Labour Conference was welcome for this reason and calculated to make a positive contribution to a fresh orientation of the policy for wages. It is a stock plea with the representatives of labour at the sessions of the Indian Labour Conference to harp upon the demand for the need-based minimum wage. Mr. Nanda brought home to the delegates the bitter truth that if the need-based wage was to be provided, the minimum increase in production that would be necessary would be of the order of 60 per cent above what was contemplated in the physical targets accepted in the Third Plan for the agricultural and industrial sectors of the economy. At a time when the shortfall in foreign exchange as well as rupee resources for the Third Plan is hovering like a dark cloud and the pruning of the plan targets has become inevitable, the question of raising production by 60 per cent does not fall within the realm of reality.

It would be well to recognise that there is another important aspect of labour policy. The backlog of unemployment handed down to a subsequent plan period from the previous one keeps on mounting up. The position, as frankly admitted by the Planning Commission, is that as against a volume of unemployment of the order of 5.8 million at the end of the First Plan, the number unemployed at the end of the Third Plan will go up to 12.0 million at least. This is to say that in spite of a vigorous Second Five-Year Plan with a bias for industry and a Third Plan on an ambitious scale, the level of unemployment will increase by more than 100 per cent in the ten years of the Second and the Third Plans. This is, however, on the assumption that the physical targets of the Third Plan would be achieved. Now that a pruning of these targets will become essential the apprehensions are that the number of the jobless at the end of the Third Plan will rise much higher than the estimated twelve million. Mr. Nanda was therefore quite right in emphasizing that the future policy for wages cannot take care only of an increase in real wages and that the question of higher wages cannot be divorced from fuller employment.

This does not imply that any increase in real wages will have to await the achievement of full employment. Such a situation surely cannot be contemplated. There ought to be an increase in real wages of labour in the existing industries and agricultural occupations. But if higher real wages are to be sustained on a basis of stability, they must be realised by means of higher productivity. Thus it is that higher productivity becomes the absolute precondition of the increase in the real wages of labour. Mr. Nanda exhorted the representatives of workers and employers to undertake a joint investigation into the causes which raise impediments to higher productivity. One cannot endorse this exhortation as of much substantial help. The free and unreserved co-operation of workers and employers is the very basis of the acceptance of the schedule of higher productivity industry-wise and unit-wise, but the measurement of productivity is a complex, technical function, which can hardly be left to workers and employers alone. It is here that the National Productivity Council has to play an ardent and vigorous role. When will it pull itself out of the cob-web of infantile activity ?

Madhya Pradesh

MR. MANDLOI FIRM IN SADDLE

MR. MANDLOI'S victory in the secret ballot specially arranged by the High Command to settle the question of the leadership of the State Congress Legislature Party is of significance for more reasons than one. It did not redound to the credit of the High Command to try and extend oblique support to Dr. Katju. If per chance the leader of the Party loses the election, his re-entry by a by-election is quite justifiable and also essential for a vigorous leadership in the cabinet. But there is no evidence to indicate that this was the case in Dr. Katju's defeat at the general elections. The suspicion of the Congress High Command that Dr. Katju was a victim of group politics at the election was apparently without any sound basis. After his entry in the legislature, speculation began to be rife that he would be reinstated as Chief Minister and Mr. Mandloi would step aside. But Mr. Mandloi was quite confident of the genuine support he enjoyed at the hands of the majority of the Congress legislators and he was in no mood to oblige Dr. Katju. The Congress High Command apparently developed the thesis that Dr. Katju was wanted by the majority and his return would be conducive to the solidarity of the State Congress Legislature Party. It was reported in the Press on the eve of the secret ballot that this was the evaluation of the situation made by Mr. Swaran Singh, who was specially deputed to Bhopal for a probe into the Party's affairs and from other sources also the High Command was stated to have received corroboration of this assessment. But the secret ballot finally settled the issue and made it clear where the truth lay. It must, however, be said in fairness to the High Command that it made a wise decision in not interfering in the matter but leaving it to the Legislature Party itself to announce its choice with the safeguard of the secret ballot for free vote.

Mr. Mandloi's firm seating in the saddle has another significance. The internal state of affairs in the State Congress Party is among the worst to be witnessed at the present time in some of the States. Mr. Deshlehra, the State Party Chief, was persuaded to resign office, although no involvement in factionalism was ascribed to him. But there are other complicated developments like the disqualification of Mr. D. P. Mishra from the State Party executive on a charge relating to a remote past date. All these complications underlined the urgency of strong action to restore a sense of discipline in the Party. The final proof of such action came with the suspension of the Executive Committee of the State Party. How soon the tangled affairs inside the Party would be straightened out is anybody's guess, but the apprehensions are that the rot may continue for a long time, although in a milder form. Precisely at this time the P.S.P. has taken the most harmful course of carrying on a highly agitational movement against the new taxation levied this year. The Madhya Pradesh Legislative Assembly has been made the target of unseemly and violent scenes. It is in such a disturbed situation

that there arises the urgency to ensure that the authority of the Chief Minister must be kept above doubt to remove any possibility of demoralisation in the administration. The chances of any further challenge to Mr. Mandloi's position do not exist at the present time. This is a happy circumstance.

U.P.S.C.

A CONSTRUCTIVE DEBATE

TIME WAS when the Union Public Service Commission invited bitter criticism of its lax and leisurely functioning during the Parliamentary debates on its yearly reports. In contrast with this tradition, there was a marked change in the evaluation of the Commission's work by the Rajya Sabha last week. This shift in the attitude of a highly critical House leads to the strong inference that the Commission has achieved a good measure of transformation in its work. High appreciation was made of the Commission's recent record and the impartial manner in which it is discharging the somewhat delicate task of recruitment to the highest cadres of administrative services. In fact, the boot was now on the other leg. It was the Government which came in under heavy fire for trying to bypass the Commission by resorting to curious tactics including keeping vacancies open even after the Commission had selected suitable candidates. It may be that in some extremely rare cases the Commission's choice may not be appropriate because of the highly technical nature of the jobs to be filled. But barring such exceptions, Government's action in not abiding by the recommendations of the Commission is highly objectionable and is conducive to violating the spirit of the Constitution in confering upon the commission a supreme, independent status.

The linguistic controversy was introduced in the debate and later, as was inevitable, it developed into a major issue. The protagonists of Hindi charged the Government with sidetracking the Presidential order of 1960 which urges that Hindi should be made on optional medium at the UPSC examinations. The truth of the matter is, as Mr. Datar forcefully pointed out, that no time-limit has been prescribed in the Presidential order and the Government is entitled to take adequate time to make a considered decision on the recommendation. One most welcome outcome of the linguistic part of the debate was a categorical assurance from the Minister of State for Home Affairs that English would be continued for the purposes of the UPSC examinations even after 1965. A point urged was that proficiency in Hindi should be made a condition for employment in the all-India Government services. This insistence again highlights the impatience for the introduction of Hindi. The good cause of Hindi is unfortunately being spoiled by bad pleading and a crude display of indecent haste. At a time, when the gap in the standards between the ICS and the IAS is getting woefully wider, what is really required is not proficiency in Hindi but high calibre of the candidates selected. The IAS and the IPS as all-India services involve appointments of candidates with a particular mother-tongue being posted to regions where the language is different. Such inter-regional-cum-linguistic appointments would be one of the potent instruments for promoting national integration. A relevant question may be posed. Would it be appropriate if it was insisted that the candidates from the Hindi-speaking areas should pass proficiency tests, for instance, in one of the South Indian languages, to facilitate their posting in that region? Such a rigid condition would raise inequitable impediments for candidates who, otherwise, would stand high in the order of merit.

The personality test quite appropriately came in for sharp criticism. If anything, it has given rise to grave apprehensions that assignment of marks in personality tests is not guided by any scientific principle and room is made for a very large element of chanc and luck in the UPSC examinations. There is muc sense in the two suggestions made on this issue. Th first was that the marks allotted to the personality tes should be halved to 200 for the IAS and 150 for the IP and, next, a sub-committee of psychiatrists and educationists should be appointed to make a critical reviev of the personality tests as they are now held by the Com mission.

The Congo

KATANGA'S OPPORTUNITY

THE WEARISOME drama of strife in the Congo ha been dragging on to the benefit of neither of the tw parties and without doubt the United Nations woul be only too happy if it sees the end of its intervention The secession of Katanga and the partition of the Cong it would involve was certainly no solution and it wa probably for the purpose of preventing partition tha Mr. Adoula requested the United Nations Secretary General to appoint a committee of constitutional experts to draw up a federal constitution for the Congo. This was the farthest limit of concession to Katanga enabling it to enjoy a reasonable latitude of internal autonomy as the strongest unit in the Federation. It is from any angle a good opportunity for it to make the utmost of the settlement without disrupting the territorial integrity of the Congo.

A knotty problem in the settlement of the final pattern of the distribution of the revenues is presented by the rich copper mines in Katanga owned by the Union Miniere. Obviously the royalties and taxes payable by the Union Miniere cannot be allocated exclusively to Katanga and a modus vivendi had to be devised for their fair distribution between the federal centre and Katanga. These two types of revenues taken together add up to more than $40 million which is no negligible amount. America, Britain and Belgium have evolved a formula in terms of which Katanga is being asked to agree to the payment of the revenues from the Union Miniere between the federal centre and itself in the ratio of 50:50.

Unanimity among the three authors of the formula however is lacking when it comes to the question of the application of the formula. While the United States is clearly and strongly of the view that, in the event of the failure of acceptance by Katanga of the formula, economic sanctions should be applied to that province, Britain is doggedly opposed to the instrument of sanctions. Britain's attitude, it would appear, is not solely governed by the practical difficulties that lie in the task of enforcing such sanctions. Katanga's exports are mainly routed through Rhodesia which is the first factor to be reckoned with. Also, the Union Miniere has got inter-investment locking arrangements with the Tanganyika Concessions, a British venture, and the latter is also inter-connected with two more concerns in one of which America has some interest. Lack of unanimity in invoking sanctions may be due to any cause. But it would be the course of wisdom not to hold out a threat of sanctions at this stage, when attempts are being made to persuade Katanga to agree to the honourable compromise of a federal constitution. Mr. Tshombe may still find, perhaps under the pressure of some of his colleagues, intransigence a handy instrument to prolong this struggle of attrition. But in the end it will work to the great injury of the two sides. The olive branch now held out ought to be grasped by him without any reservations.

The World Abroad

FOREIGN TRADE AND GROWTH

By

ODYSSEUS

BETWEEN 1953 AND 1961 the index of industrial production of the countries of the European Economic Community rose by 86 per cent, whereas the combined index of the USA, the UK, and Canada rose by only 20 per cent.

Disturbed by this discrepancy, the USA and the UK have now put the acceleration of economic growth in the forefront of policy. To speed up growth, you must eliminate impediments to growth, the chief of which have been price rises followed by balance of payments difficulties, which have been tackled by raising the bank rate in hopes of halting the rise of prices by restricting demand.

In the effort to break out of this vicious circle of Stop and Go, the authorities have become sensitive to constant rises in wages as a leading cause of rising costs and prices. While no one suggests that rising wages have in all countries been the sole cause of rising costs, there is no need to argue that in the USA and the UK rising wages have been a major factor. Despairing of halting the wage spiral, the USA and the UK are now searching for policies that will accelerate growth and so enable higher wages to be met more easily.

One of the most important contributions to the debate on how to accelerate growth—whether in a developed country like the UK or a developing country like India—is an article in the July issue of Lloyds Bank Review (71 Lombard St. London, E.C.3.) by Professor C. P. Kindleberg of the Massachusetts Institute of Technology, entitled 'Foreign Trade and Growth: Lessons from British Experience Since 1913." This is a constructive and up to date criticism of Roy Harrod's "Towards A Dynamic Economy" (Macmillan. London. 1949). Those who find Harrod's classic—with its mass of algebra—altogether above their heads will find in the chapter entitled "Some Principles of Economic Development" of H. C. Wallich's admirable study "Mainsprings of the German Revival" (Oxf. Univ. Press. London. 1955) a non-technical and readable exposition of the important problems that Harrod raises. They should also look at Colin Clark's "Growthmanship" (Institute of Economic Affairs, 66A Eaton Sq. London. S.W.1. 2nd edition 1962. Price 6sh.)

Harrod argued that the engine of growth is capital formation. Investment needed to offset savings in order to maintain employment today creates new capacity tomorrow. He added that expenditure must be expanded if this capacity were to be used. The American economist, E. D. Domar, emphasised the addition to capacity as an opportunity for growth: savings lead to investment, which expands the potential for output, giving rise to new savings, new investment, more output, and so on.

Now comes Mr. Kindleberg (1) to point out that the influential Harrod-Domar thesis was largely discussed in terms of a closed economy, and (2) to insist that what needs to be asked is whether the expansion in demand, which acts as the stimulus to growth, comes within the economy or from the outside world. In most circumstances, as both the UK and the USA have found out, growth based on domestic investment and domestic demand, with limited technological development, leads to rising imports, ending in balance of payments crises. The best example today of growth stimulated by the expansion of demand is that of the developing countries, which invest at home, raise consumption as fast as, or faster than, output, and run into balance of payments deficits.

GROWTH SPRINGS FROM TECHNOLOGICAL CHANGE

Increasing difficulty has been found with the Herrod-Domar model, as the econometricians, including Domar himself, have tried to measure the contributions of capital, land, and labour to the growth process. Two other US economists — Abramovitz and Solow — have found that growth has typically been more rapid than can be accounted for by the additional factor inputs. Domar does not try to explain why this is so. Colin Clark says, in non-technical language, that it is more correct to say that capital is created during growth than that growth is a creation of capital, and that we are misapplying in a period of over-full employment the theory that Keynes designed to maintain employment by investment in a period of chronic unemployment. Abramovitz and Solow ascribe the additional output to technological change resulting in increased productivity from a given investment of resources.

Demand from abroad may stimulate exports, which in turn stimulate technological improvements, investment, and growth. This was illustrated in UK economic history in the years 1780 to 1880 in cotton spinning and weaving, and between 1840 to 1860 in iron, steel, and railway equipment. When growth is thus export-led, the balance of payments almost always benefits, providing that it is technological progress which is the stimulus to growth.

In principle, admittedly, the balance of payments may suffer if innovation in the export industry lowers prices of exports for which the overseas demand is inelastic, so that total export proceeds are reduced. Although Mr. Kindleberg does not say so, it seems reasonable to expect this today in the case of raw material exports in competition with cheaper synthetic products, or in the case of old established export industries, like textiles, which, as Our Special Correspondent in Western Europe explained here on June 22, are now competing with newly developed European technologies.

Typically, however, technical change in the domestic sector may be shared with foreigners as increased real income leads to additional imports. But the initial effect of such technical progress is likely to be a reduction of costs. This in turn will tend to enlarge the volume of exports and to reduce imports.

The distinction between Harrod-Domar and Abramovitz-Solow growth is sometimes said to be an empty one. If growth comes about as the result of capital formation, this necessarily involves technological improvements, since the new equipment will have a higher average efficiency, whether it is a net addition to, or a replacement of old, capacity. On the other hand, if the stimulus to growth comes from technological progress, then rapid capital investment will be needed to embody the new techniques. The distinction is clearly not a fine one but can be made in general terms. In a period like 1896-1913, the UK experienced Harrod-Domar

growth, and substantial capital formation but little technological change. On the other hand, the German, French, and Italian growth since the early 1950's has been based on rapid technological change, which has pushed out exports along with high rates of capital investment.

THE BALANCE OF PAYMENTS

H. C. Wallich, in his "Mainsprings of German Revival", distinguishes between the effects of growth which comes about when the expansion in capacity precedes the expansion in demand and that which comes about in response to an expansion in demand. The splurge in world demand following the Korean war in 1950 found Germany with surplus capacity, so that exports improved Germany's balance of payments, whereas growth in response to an expansion of demand worsens the balance of payments. Mr. Kindleberg points out that the race between supply and demand is usually close, and when exports lead, imports follow closely because of the rising income of the exporting country. It is, however, the lag which makes the balance of payments favourable.

The UK's growth in the 1930's and in the 1950's was of the Harrod-Domar variety. In the 1930's, the main investment was in housing, which yields no exports. In the 1950's investment was initially concentrated on social overhead capital and, later, on industrial undertakings responding to the domestic demand for durable consumer goods. In both periods, internally stimulated growth led to balance of payments difficulties. In the 1930's, the UK was saved by the accident of the fall in her favour of the terms of trade, generated by the world depression.

Mr. Kindleberg says that the weakness of the US balance of payments since 1957 has been due to inflation in some lines, such as steel, but more generally to th narrowing of the technological gap between Europe an the USA, and that whether the US balance of payment is improved or not depends on whether the US ca resume the former pace of her technological progres relative to Europe. The US Council of Economic Ad visers has urged that demand should be expanded i order to promote growth. The OECD has advised both the UK and the USA to stimulate consumer spending These policies, however, only lead to growth in a closed economy, or in one in which the demand for imports is inelastic and the terms of trade with the rest of the world suddenly improve.

It is production, not demand, which needs to be stimulated in the USA and the UK. The initiative needs to be restored to the entrepreneur. It was, as H. C. Wallich observes, his drive for profit which carried the economy forward in the 19th century. The entrepreneur saw the great possibilities offered by new techniques in new markets, and unimpeded by penal taxation, h made the investments required to exploit them. Th desire of the masses for greater welfare was not th initiating factor, although greater welfare was achieved in the process. Investment in the 19th century was based on technological improvement and the lure of profits. Private savings were high, stimulated by entre preneurial self-financing and unfair shares. Buyers markets predominated. Entrepreneurs therefore faced risks and were not guaranteed success. Today's easy money policies have given entrepreneurs sellers' markets with profits ensured, but efforts to avoid inflation, to pay for "welfare", and to endure fair shares, have meant high taxes. The entrepreneur has been allowed to keep only a small proportion of his guaranteed profits. Entrepreneurial initiative and the drive to technological improvement have been undermined. Hence the stagnation of growth in the USA and the UK.

4½ Per cent

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The European Scene

HALF-TIME SCORE IN BRUSSELS

From Our Special West European Correspondent

PARIS, August 12.

NO one doubts here that the negotiations for Britain's entry into the Common Market will be successfully completed within a few weeks of their resumption in October. On the major issue that remains to be settled, the question of food imports from Canada and Australia, the position of the Six has been made abundantly clear and the determination with which they will defend it has also been put beyond doubt. The British Government, it is said here, cannot have the least hope of breaking down this resistance, and if the solution proposed by the Six were really unacceptable, the talks would have been broken off once and for all several weeks ago. So if London has asked for a suspension, it can only be in order to choose a more suitable moment for capitulation. That moment will arrive after the Commonwealth Premiers' conference. The Premiers of Canada, Australia and New Zealand will not be presented with a fait accompli but they will be told what fact must inevitably be accomplished: the progressive loss of all their preference in Britain without any absolute guarantee from the enlarged Common Market for their future sales. Their objections having been recorded, Britain will accept this solution in October.

This French view of the current position of the negotiations differs, it can be seen, from the rather dramatic account given by most of the British Press. The upshot is taken as a foregone conclusion and the supposed "crisis" is seen as a tactical incident. At least this is so as far as concerns the key issue of farm produce imports. It is admitted that there will yet be much bargaining, of which the outcome cannot be foreseen, as regards protection for British fruit and vegetables and duties to be charged by the enlarged Common Market on aluminium, zinc and newsprint. Though these are sensitive points, one cannot imagine the negotiations foundering on them once the major problem has been resolved; although the Six have interests in these matters that they will defend energetically, they also envisage the possibility of making notable concessions to the British point of view on some at least of them.

It will be noticed that no question of direct concern to India is left unsettled, saving the matter of protection for the European jute goods industry. The rest has been arranged in tentative agreements which will become final once the negotiation as a whole is completed. So what we have learned so far about the imposition of the common external tariff on British imports of Indian textiles (in three stages), the abolition of the duty on tea, and the conclusion of bilateral trade agreements between the enlarged Common Market and India, all this may be taken as the final shape of Indo-European relations as far as they depended on the Brussels conference. For India, the affair is at an end and, to the extent that the outcome is unsatisfactory, repair will lie not in seeking to influence the Anglo-Continental bargaining but in preparing the Indian cause for presentation to the enlarged Common Market.

This was already evident several weeks ago, as "The Eastern Economist" pointed out, but Delhi appears to have gone on placing faith in certain "assurances" about concessions to be won in the Brussels talks on her behalf; if ever such assurances were seriously given, they must now be regarded as "flouted". But the error was to believe that such a momentous affair could be made to depend on questions that are of marginal importance both to Britain and the Six, however, vital they may seem to India in the short run. Since the Six had no inclination to make the hoped for concessions to India, and since Britain could not choose that point to call off the talks, it was plain that no concessions would be won, nor assurances honoured. It is exasperating to have one's own principal business treated as of marginal importance by others, but in the longer view India has no reason for apprehension about her relations with Europe. While refusing to jeopardise (or rather to take the risk of incommoding) some of their industries for the sake of India's specific demands, the Europeans have recognised their moral responsibility to that country. The Common Market with which Delhi will be dealing from 1964 on will include Britain as its most influential single member, and thus offers more interesting possibilities than either the stagnating British economy alone or the Six alone.

These certitudes depend on the French being correct in the view I have referred to, namely that the affair is "in the bag" and that a formal conclusion awaits only Britain's choice of a suitable moment to accept the Continental position on temperate-zone food imports. To the outsider this seems a fair reading of the course of the negotiations. Whether the solution thus arrived at will be "just" is another matter. The problem at issue, after all, is whether damage be done to the material interests of European peasants (primarily, Italian and French) or to those of Canadian and Australian farmers. Between them they grow more food than West Europe can eat, there is no one else rich enough to buy it at the fancy prices they ask, and so one or other group must suffer when the West European market is united. Crudely, the Continentals say that it must be the British Dominions that suffer, and the British say it should be the French and Italian peasants. To those of us who are not directly concerned, there seems to be no rational grounds for choosing, and we can well understand each side supporting its case with enthusiasm. European peasants are poor and Commonwealth farmers opulent, but that is not conclusive because the foreign earnings of New Zealand would be gravely endangered by an unfavourable decision, whereas France's and Italy's would not.

Though we cannot choose between one group and the other (at least, once we take the angel's view in which the material interests of Europe's peasants are as respectable as those of Australasian farmers, and European unity as good a cause as perpetuation of the Commonwealth), we have the resource of referring to the stand of the ECM Commission. Though not impartial, this is less affected by nationalist considerations than either the French or British case. How does the matter look to, say, a former Dutch agriculture minister who is now a supranational bureaucrat in Brussels? Firstly, it is clear from his vantage point that Britain is asking an association to give preference to non-members at the expense of present members who, moreover, have consented to various sacrifices to make the association possible. Worse, Britain is proposing for these curious advantages not all non-members, but only a few who have been selected on grounds that must seem

arbitrary to, say, Argentina. He is well aware of sustained pressure from Washington against any such discriminations between non-members, and in any event already knows that it would complicate life for the Common Market unnecessarily.

Secondly, it will appear from his position that whereas Britain is asking European peasants to suffer uncompensated loss, the Six are replying with a plan that claims to safeguard the earnings both of European peasants and overseas farmers. Indeed, in asking the Common Market to accept the Dominions' produce on the same terms as it markets its own, London is suggesting that British manufactures be admitted freely to the markets of agricultural countries on the Continent whereas those countries would be unable to sell any more farm produce to Britain; worse, they would see their home markets invaded by cheaper farm produce from abroad. The loss is net and unilateral. In contrast, the Six urge that Europeans prefer European farm produce, but that all the countries of the world that now have food surpluses make agreements about its disposal. Such agreements would raise the price of food to all the industrialised nations, thus assuring the incomes of all farmers, and would arrange for the inevitable surpluses to be channelled toward developing countries that cannot buy at present market rates.

Thus the point of view of the Six will appear, from a position as little nationalist as one can find among the participants in these negotiations, to be more reasonable than the British case. Sine the history of every crisis in the life of the Common Market has shown that the "community" viewpoint always wins out over a narrowly nationalist case, one would except Britain to be obliged to abandon her present stand and accept that of the Six. To be sure, the "community" viewpoint will be different after Britain joins, because food-importing countries will then be in a majority in the Common Market. At present, they are in a minority among the Six: France and Italy, with the addition of the small but effective agricultural interests of West Germany, give the Six a producers' view on all farm problems. It can be argued, and very plausibly, that France is making a last-ditch stand to ensure that this producers' view be written into the Common Market's law on the eve of Britain's admission, because she knows that once Britain is in and the consumers' view dominates, she will never again have the chance to ensure that Europeans prefer European food.

In this light, the French stand can be made appear something like dishonest. If Britain had joined the Common Market from the time of Messina, or if these food-import questions were to be settled well after her forthcoming admission, the majority opinion inside the bigger association would certainly have been against preference for European food. France is digging her toes in to obtain a policy that suits the present Six but not the enlarged community. The only weakness of this line of argument is that if there were to be no preference for European food, there would be no Common Market, whether with six members, seven, ten or any other number. The essence of the association is complementarity between European nations with big agriculture and others with more efficient industry; the scheme does not work unless the first give preference to the second's manufactures, and the second give preference to the first's farm produce—regardless of whether, on balance, the association is a net importer or exporter of foodstuffs. Since France contains just half the total arable land in Continental West Europe, she would not be in any association that did not entail agricultural preferences, any more than industrial West Germany would join any association that did not widen the market for her manufactures. If, as they confidently expect, the French secure adoption of their policy when the talks with Britain are resumed in October, it will not be because they have better negotiators but because their stand is in accord with the logic of the Common Market.

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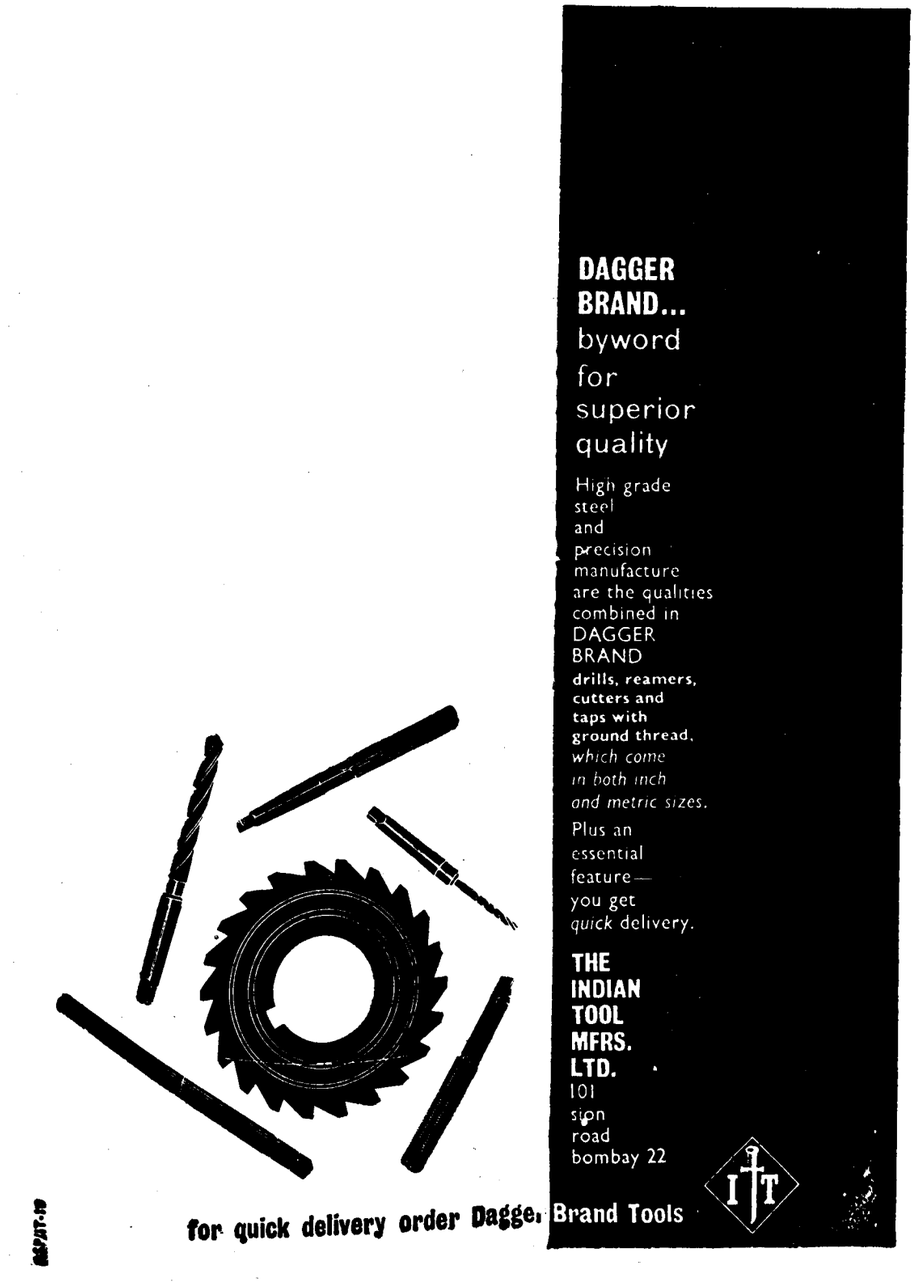
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Economic Report from the U.S.

COMMON MARKET AND COMECON

By GUY SIMS FITCH

WASHINGTON August 8.

THE dream of an effective Atlantic partnership is coming ever nearer to reality. And as the United States and Western Europe, with their prosperous and vibrant societies, draw closer in economic and political co-operation the dream apparently is becoming something of a nightmare for Mr. Khrushchev and his communist cohorts. The economic and social performance of the industrialised free nations has just about annihilated the most cherished tenets of Marxist dogma. The competitive enterprise economies of the United States, Western Europe, Japan and other free lands are thriving, not dying as the communists have so often and mistakenly predicted. The fruits of expanding production are widely shared, and living standards are mounting steadily. On top of this, the emergence of the Common Market as a dynamic and probably growing group clearly contradicts the Marxist premise that so-called capitalist nations are destined to destroy one another in a battle for shrinking world markets. This Western European integration, in friendly association with the United States, offers the best evidence that democratic societies with enterprise economies, far from forcing governments into conflict, can contribute to the closest and most constructive type of international co-operation among themselves and with all nations.

What must make all this particularly galling to the communist leadership is the fact that communist-dominated lands by and large have been unable to keep up with even their most essential needs. They have not come close to solving the basic problem of food production. And the vainglorious boast of overtaking the free nations industrially is even further removed from reality today than it was when made by the Kremlin four years ago. Unable to arrest the tide of free world economic and social progress, and with the communist performance falling far short of propaganda claims, Moscow apparently is attempting to set up a sort of common market of its own. It is using for this purpose a grouping of Moscow's East European satellites, and Outer Mongolia, with the Soviet Union under the council of mutual economic assistance, popularly known as Comecon. Actually, Comecon was set up back in 1949. It never really worked, however, as each East European nation, following the Soviet lead, strove for self-sufficiency, and was subject to considerable Soviet trade domination. But the underlying obstacle to effective communist economic integration and progress, one that has never been overcome and is not likely to be overcome within the limits of accepted practice, remains the inherent inability of communist systems to cope with changing demand, supply and cost situations. This is a lingering, and to some experts a fatal, weakness of central totalitarian planning.

In the EEC, for instance, the play of market forces is vital basis for knitting together the economies of member nations in a workable manner. With the help and guidance of public policy, each economic sector in each country is able to make any necessary adjustments to new situations. But in Eastern Europe, with the Soviet Union as the prime example, state planners try to organise everything for everybody in advance. Not only does this ignore the human factor and weaken personal initiative and incentive, but as experience has so amply demonstrated, it leads to costly rigidities and miscalculations in economic policy. These inefficiencies then pervade every aspect of communist economic life. It is small wonder that it is the Common Market, and the vast potential inherent in an Atlantic partnership with the United States, that is capturing the imagination of the world. The demonstrated achievements of the free nations, and their still greater promise for the future, are pointing the way to economic and social satisfaction for all peoples in a world of peace and freedom.

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Special Article

INDIAN ILMENITE—ITS SCOPE IN THE WORLD MARKET

By P. V.

TITANIUM-DI-OXIDE is one of the whitest substances known. The brilliance of this oxide and its covering power and inertness to atmospheric action have made it a first class material as pigment for paints and varnishes. It is also used as a filler and sizer for paper, rubber, plastics etc. The titanium pigment industry has become a vast one on account of the increasing and diverse uses to which it is put.

Its main source is a black mineral, ilmenite which occurs distributed widely over many parts of the world. It occurs in two forms, one as sand and the other as rock. From the small beginnings of a few hundred tons, in the early twenties of this century, the production of titanium pigments has now exceeded one million tons. It is interesting to recollect how the small stretch of of the beach at Manavalakurichi in the south-west tip of India contributed the raw material for the extraction of titanium-di-oxide and continued to do so for many years. Over 90 per cent of the requirements of the U.S.A. — the major producer in the world — was supplied from this source. The requirements of the European manufacturers were met by supplies from the rock ilmenite from Norway.

Table I below indicates the growth of world production of ilmenite. Except for the war years between 1941 and 1944, on an average India produced and exported 250,000 long tons of ilmenite every year. Peak production of over 300,000 long tons was attained in 1949. But by then World War II was on and shipments could not be maintained at the normal rate. The manufacturers in the U.S.A. who had till then relied on shipments of ilmenite from India faced a very difficult situation of shortage of supplies; although reasonable stockpiles were maintained, it appeared imminent that unless other sources of raw material were tapped, the manufacturing plants may have to close down. The manufacturers had therefore to explore the possibility of procuring ilmenite from indigenous sources nearer at hand. The National Lead Company of New York who are the largest consumers of titanium ores explored successfully the rock ores in the MacIntyre Mines in the area round Sanford Lake, Essex County, New York, which yielded both ilmenite and iron ore. The lean beach deposits and dunes at Florida were exploited by another major consumer of titanium ores, E. I. du Pont de Nemours and Company. When production from these sources stablised, India became a secondary source of ilmenite. But still, the high quality of Indian ilmenite and its easy beneficiation from very rich sources made it still able to stand competition with other sources and soon after the war when shipping conditions became normal, exports regained to almost the pre-war levels.

TABLE I

WORLD PRODUCTION OF ILMENITE

('000 Short Tons)

Year	Canada	India	Malaya	Norway	USA	Others	Total
1935	2	142	3	42	9	2	200
1940	5	294	3	57	21	11	391
1945	14	193	—	31	309	19	566
1950	4	238	28	116	468	2	856
1955	164	281	60	174	583	143	1405
1958	167	346	84	234	563	325	1719

Source: U.S. Bureau of Mines Information circular 7791.

Along with the changes in the international field, other changes within India also affected the exports of ilmenite. Although ilmenite production in the State of Travancore had stabilised itself for nearly 20 years, the State derived only a very nominal royalty of one rupee per ton of the mineral exported. The mining companies were not paying any value for the sands mined. The then Dewan of the State, Mr. C. P. Ramaswami Iyer, took concrete steps to reorganise the industry by framing new rules for these mines. According to these regulations the operating companies had to sign what was known as a Mining Agency Agreement by which the companies were agents of the State Government. This arrangement was a very satisfactory one because if the State itself took over and tried to run the plants the international contacts of a long-standing nature as well as the goodwill built up by the companies would have suffered a great deal. An effective system of calculating the royalty on minerals exported was worked out in consultation with the producers of minerals. First of all a basic cost of production for each mineral was agreed upon. Royalty was fixed at 75 per cent of the difference between the selling price of the mineral and its basic cost. This system limited the profits of the companies and yielded good royalty from the export of minerals which are after all a wasting asset of the country. The State had no problems of investing capital, or finding markets for the minerals; besides, the system was an inducement to the companies to sell the minerals for the maximum prices so that they could maximise their profits.

It would have been very wise to leave the matter at that. But soon after the signing of the Mining Agency Agreement, steps were taken to acquire the companies so that they may be run by the State itself. It was not realised that the terms of the Mining Agency Agreement were very satisfactory from the point of the State. Ownership and day-to-day administration of the plants involved many responsibilities such as investment of capital, administrative and technical control, international contacts for sales etc. All the benefits of the previous goodwill and efficiency which the industry had built up suffered a great deal under the new set-up. As later developments have disclosed the step to acquire the companies has proved wrong and harmful to the industry. To add confusion to the whole picture, the acquiring of the mineral plants was not carried out fully, and was left half way.

As it has been mentioned already the terms of the Mining Agency were satisfactory enough for safeguarding the prices for the minerals. The way in which the

price for ilmenite was increased year after year had a fatal effect on the industry. The following table (Table II) gives the prices for ilmenite fixed by the State. It may be seen how within a period of 15 years the price of ilmenite had risen from 30 shillings per long ton, naked at works, to 90 shillings.

TABLE II

PRICE CHART OF INDIAN ILMENITE

Year	Price per long ton naked at Works
1946	30 shillings
1947	-do-
1948	-do-
1949	-do-
1950	50 shillings
1951	65 „
1952	68 „
1953	70 „
1954	75 „
1955	80 „
1956	89 „
1957	90 „
1958 onwards ..	90 „

The chemical process of extracting titanium-di-oxide from ilmenite is an extremely complicated process, which has been worked out by a few world manufacturers after extensive research and investment of millions of dollars on manufacturing plants. Production and sales are planned years ahead. The quality of ilmenite for the process, particularly the ratio of ferric and ferrous iron in the ilmenite — which varies in ilmenite from one source to another —, has to be maintained at steady levels in order to obtain maximum efficiency from the plants. In other words, the reliability of continuous supplies of a uniform grade of known composition is very important. With a control on State level having no definite policy of pricing, it became apparent that the manufacturers had to turn to other sources which they considered more reliable. Hence after a hectic buying at any price — which was sadly mistaken for correct pricing — the major buyers closed their doors to Indian ilmenite after stock-piling for an interim period. The position is now that, in the U.S.A. the consumers who purchased three-fourths of ilmenite produced in India, have completely stopped buying the Indian ilmenite although they are well aware of the fact that the ilmenite from Indian sources is the richest in titanium and is easiest to produce.

Meanwhile very huge deposits of iron-titanium ores were discovered by the Quebec Iron & Titanium Corporation in the Allard Lake region in Canada. Development of these deposits began in 1948. An entire-revolutionary process of working these ores in the electric furnace was standardised by which titanium slag containing 70 per cent titanium-di-oxide as well as pig iron were obtained. 700 tons of slag are produced per day. Thus with many other world sources going into production Indian ilmenite had to face severe competition. Hence if Indian ilmenite had to hold the market, it was a question of readjustment in its economic production and price control because one great disadvantage it had to face was, the distance from the consumers which meant heavy shipping freight. As long as the material could be had at a competitive cost, no consumer would have liked to stop using the material.

Analysing the economic aspects of costs, the price of Indian naked at works is now 90 shillings per long ton. Adding shipping charges, ocean freight, insurance, unloading etc. it would cost the purchaser not less than $30.00 per ton at the receiving works. The cost of raw material obtained from indigenous sources in the U.S.A. is believed to be higher, because the sources of ilmenite in the deposits in Florida are very low in ilmenite content. As for the titanium slag, the process is a chemical one and has involved very heavy capital investment of nearly 35 million dollars. The utilisation of the titanium ores from Florida and the slag has apparently proved economical as they are being consumed by the industry. The continuance of the import of ilmenite from Indian sources will be possible only if its cost compares favourably with the cost at which indigenous material can be had.

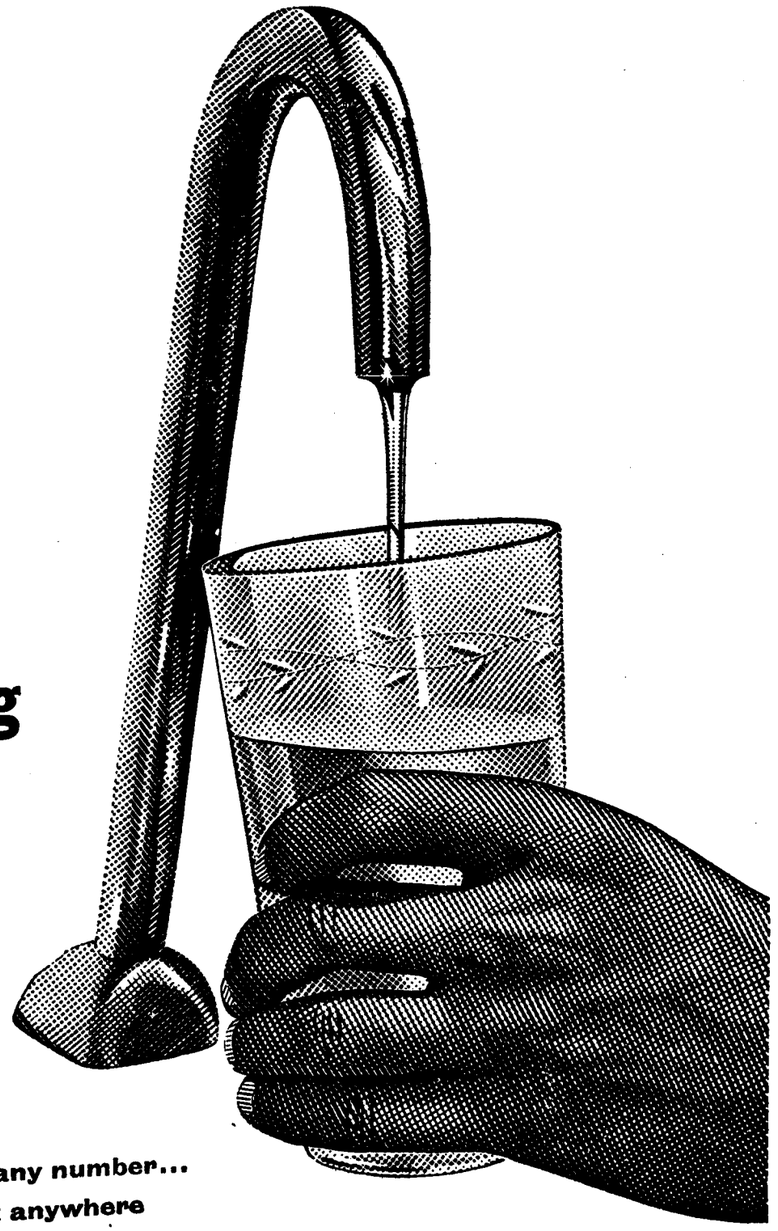
In the case of British consumers, particularly the British Titan Products, there is no possibility of obtaining titanium ores from the U.K. But the rock sources of Norway and Finland as well as titanium slag from Canada are suitable alternatives for Indian ilmenite. It seems as if even the British importers are likely to stop using Indian ilmenite because of the high cost.

The question then arises, is there no remedy? The answer is simple. The remedy lies in a thorough re-organisation of the set-up of the production pattern of Indian ilmenite.

There is little doubt that the beach deposits of Kerala are still the richest and the oldest in the world containing besides ilmenite no less than four other precious minerals, namely, rutile, zircon (which contains 3 per cent hafnium too), monazite and sillimanite. If only all these minerals are also extracted from the basic feed to the plants, ilmenite can be produced at perhaps half the cost or even less. It will then be possible to market the ilmenite at attractive prices and the other minerals also will fetch good prices. The only way to re-establish the old market is to offer the mineral at lower prices in order to mitigate the high shipping freight involved.

All the four dressing plants which have been producing ilmenite consumed about 2,000 tons of mined raw sand from the beach. Every one hundred tons of raw sand can yield at a very conservative estimate 65 tons of ilmenite, 2 tons of rutile, 3 tons of zircon and 2 tons of sillimanite. These figures will be higher if good raw material is used. Working out at rock bottom figures, the 2,000 tons of raw sand should yield 1,300 tons of ilmenite per day which is all that is being produced now. If all the other minerals too are recovered, there would result besides the ilmenite another 40 tons of rutile, 60 tons of zircon and 40 tons of sillimanite per day. This is in addition to any monazite that can also be produced. Since the export of monazite is banned the income from this is not included in the estimate of returns. Working 300 days in the year the additional source of income from the bye-product minerals alone in one year will be equivalent to £7,50,000. There is therefore no reason why ilmenite could not be marketed at any price to attract buyers.

It is therefore very obvious that if the industry is reoriented on proper lines there will be no difficulty in recapturing the lost markets and at the same time earn for the State an appreciable amount as foreign exchange.



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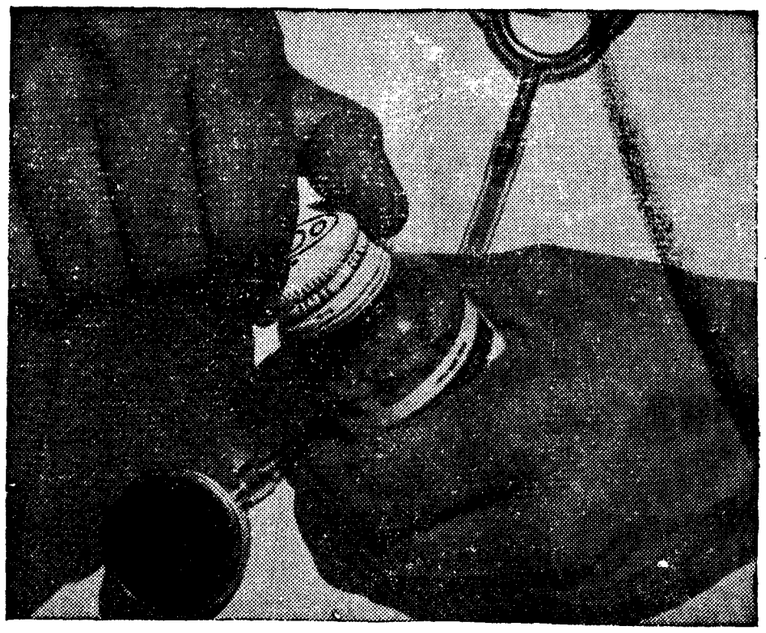
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THE BUSINESS WORLD

Exports, A National Obligation

By CROESUS

NO one who has been in Bombay for the past week or ten days should possibly have failed to note that the question of exports dominated practically every meeting that took place during these days. Whether it was the annual general meeting of the Indian Council of Foreign Trade or the Symposium on Export Promotion organised by the Junior Chamber of Commerce, Bombay, the main theme was exports and more exports and how to bring that about. As expected, Mr. Manubhai Shah, Union Minister for International Trade, who inaugurated the meeting of the Cotton Textiles Fund Committee (C.T.F.C.) on August 11, and the Symposium on Export Promotion on the following day, availed himself of both the occassions to stress the need for not only more exports but also quality exports. Indeed, he called for the eradication of the ugly image that the Indian exporter, by and large, has left so far in the overseas markets and to recapture the thrill of being the most prized exporters of the good old days that India was. Then, if Dr. A. Ramaswami Mudaliar called for an export crusade at the Indian Council of Foreign Trade meeting, Mr. Ratilal M. Gandhi appealed to the business community, at the annual general meeting of the Indian Oil and Produce Exporters' Association (I.O.P.E.A.) to consider export promotion as a "national obligation". It is further significant that the meeting in Bombay, which stressed the importance of exports thus, followed closely on the heels of the Rajya Sabha debate on the Import and Export (Dr. Mudaliar) Committee Report. Of course, nothing new, or what has not already been said on the subject, was said at these meetings, but one could not help noticing a supreme sense of urgency and imperativeness about export promotion all round.

In appealing to the industry, trade, and the Government alike for a combined effort to launch a national crusade for exports, Dr. Mudaliar made a few striking observations which merit the most careful consideration, if only because, behind these observations, there lies not only the long experience of a veteran administrator but also a fresh and intimate knowledge of the subject as Chairman of the Import Export Policy Committee, whose recommendations form the basis of the present trade policy of the Government of India. He did not spare either the Government or the business sector. While he took the Government to task for some of its policies, he had no good word either for those who brought a bad name to the country by exporting sub-standard goods, thereby importing a bad name for the entire trade. He was also extremely critical of those business men who are content to sell only in the internal market and make profits, while not caring for establishing an export market for their goods abroad. "There is nothing I hate more," he said, than some people saying: "why should we at all export when we have good and hungry local markets for our goods" He described this attitude as "illogical, immoral and anti-national." He also called upon chambers of commerce not to countenance such people and even went to the extent of suggesting to them to bring to book all those exporters who erred and perpetuated the stigma of unreliability on this country. Without enforcing such a moral sanction on the erring trader and inculcating in him a degree of self-descipline, he said, they could not tone up the export trade. Significantly enough, Dr. Mudaliar also urged business men to accept the State Trading Corporation as an established entity of the Government of the day, although this did not prevent him from reiterating his Committee's outspoken criticism of the Corporation's woeful lack of experience.

A point that has received general acceptance is that it is not possible for this country to export except at a loss and that, therefore, incentives are absolutely necessary. At the Symposium on Export Promotion, although, Mr. Manubhai Shah declared that the packer of incentives could never be a permanent solution and the country had to break through the vicious circle of incentives and losses, he did not dispute the thesis that incentives should be there to neutralise the losses suffered. Incentives, he said, were offered everywhere in the world to make up the gap between internal and international prices. But, at the same time, as Dr. Mudaliar underlined, it is no less important to remove dis-incentives and avoidable obstacles in the way of exports. In this connection, he said he was amazed that the Union Government has not yet given any directive to State Governments to show a greater awareness of the need for exports by forging sales tax and other levies on exported goods. Similarly, Mr. Ratilal Gandhi, the I.O.P.E.A. President raised his voice against the present system of the compounded levy scheme of excise duty on vegetable oils. He said that the excise duty scheme on vegetable oils needed to be looked into and revised on a rational basis with a view to giving a greater fillip to the production of vegetable oils and oilcakes. How important action along these lines is necessary should be evident from the very creditable export performance of oilcakes and extraction meal (deoiled oilcake) over the past few years, as also the considerable scope that exists for the further expansion of these exports. According to Mr. Gandhi, exports of groundnut extraction meal, which amounted to only 27,000 tons in 1957, successively rose to 1,31,246 tons in 1958, 2,68,609 tons in 1959, 2,95,176 tons in 1960, and 3,88,402 tons in 1961. In his opinion, the capacity of the solvent extraction industry (which is about seven lakh tons at present) does not lack raw material, what with the production of about 11 to 12 lakh tons of groundnut expeller oilcake within our country. With the expanding world demand for oilcakes and meal, therefore, it is his belief that there are better prospects of earning additional foreign exchange through increased exports of extraction meal from our country by utilising the idle capacity of the solvent extraction industry. While on this subject, it is noteworthy, Mr. Gandhi referred to the growing quantum of our export trade with the communist countries of this commodity

and cautioned against a barter deal for, as he maintained, groundnut extraction meal could move on its own without any incentives.

The I.O.P.E.A., President's optimism with regard to exports of oils and oilcake, however, was somewhat tempered by his apprehensions about the probable effects of the surprise increase in freight rate on oilcakes and meal with effect from 1st October recently announced by the Karmohan conference. The way in which the Conference has done this has angered not only the I.O.P.E.A. but the entire business community. Several representations have already been made to the Government describing the increase, which by the way, has been effected without consulting the trade, as being "ill-conceived" and against the spirit of liaison which the business community is having with the Conference. In any case, the decision could not have been more ill-timed. Notwithstanding the explanation which it has given for the increase (which is hardly convincing), the action of the Conference has caused resentment as an attempt to undo the all-out efforts of the Government and private agencies actively engaged in the promotion of exports. When the Indian public as a whole would have appreciated a gesture from the Conference by way of a reduction in freight rates to bring down the export prices of Indian goods the proposed increase in freight rates is, to say the least, a psychological blunder. Apparently, as Mr. Gandhi remarked, the Conference has forgotten that "the shipping lines also have to play a helpful role in furtherance of the country's export trade by providing regular and adequate shipping facilities at competitive rates."

To turn now to the work of the Cotton Textiles Fund Committee. Evidently, Mr. Manubhai Shah is thoroughly satisfied with it. He complimented the Committee not only on having rendered a good account of itself during its 17 years of existence but also on having executed satisfactorily its functions — of supervision and promotion of exports of cotton cloth and yarn, of devising ways and means of developing technical education and research, and of exhibiting a commendable sense of awareness in the discharge of its duties. Handling, on an average 50 lakh yards of cotton textiles per month, or about Rs. 5 crores worth of textiles per month, the inspectorate of the Committee, he claimed, had established a climate of confidence in the overseas market regarding the quality of Indian textiles. It is a pity that the maximum advantage of the free inspection facilities provided by the Committee which are responsible for this is not taken by our manufacturers and exporters. Inasmuch as a large bulk of our cotton textile exports continues to leave the country without prior and adequate inspection, the authorities have been obliged to approve and put into operation a scheme drawn up by the C.T.F. Committee for ad hoc survey inspection and also for considering whether compulsory inspection is not necessary in certain cases. This cas come not a day too soon, because "we have not only to sustain and improve the overseas markets we already have for our various exportable items but have also to exert to the utmost to find out and establish new markets". These new markets are highly quality-conscious, and, in many of them, we have to face severe competition, especially in textiles, at the hands of Japan, Hongkong, China and other textile-exporting countries. As Mr. Shah rightly remarked: "Trade will flourish only if complaints are obviated. Dissatisfaction either regarding quality or price will lead ultimately to reduction in volume of business. Maintenance of quality standards is accordingly a 'must' for establishing and continuing a successful export trade."

Mr. Shah gave concrete evidence of his appreciation of the work of the C.T.F. Committee not only by entrusting it with the inspection of textiles manufactured from fibres other than cotton — such as art-silk, synthetic fabrics, pure silk, and woollen — meant for export, but also by deciding to confer on the Committee a more broad-based and independent status by replacing the present Cotton Textile Fund Ordinance, 1944 with a comprehensive bill which will shortly be placed before Parliament for enactment. The Union Minister for International Trade also blessed the Committee's agreement with the Cotton Council International (U.S.A.) for conducting market research studies for Indian cotton textiles based doubtless on its experience of the three distributive studies already completed in this connection. In fact, he wanted the Committee to take the utmost advantage of the technical guidance and other facilities afforded by the C.C.I .through its experts and consultants and make its programme of market research an eminently successful one.

The unqualified praise as above of the activities of the C.T.F. Committee by Mr. Shah, it is needless to say, is, in a large measure, due to the dynamic leadership of the Committee by a veteran business man in the person of Mr. R. G. Saraiya, which prompts me to ask: "Can this not reasonably be interpreted to mean that, where business men and Government work together purposefully, the results are bound to be most beneficial to the country?"

Business Notes

Trade

SEVEN-POINT PLAN TO STIMULATE EXPORTS

ALTHOUGH NOT at the same rate, in line with the expansion of world trade generally, India's foreign trade also has been expanding. Thus, between 1955 and 1961, while the value of total world trade expanded by over 40 per cent, our foreign trade increased by about 37 per cent. Paradoxically, nevertheless, although the total value of our foreign trade has recorded a gradual increase, the net result has been a growing deficit in our balance of trade. Thus, the deficit, which was Rs. 97 crores in 1955-56, rose to as much as Rs. 427 crores in 1960-61. In other words, as Mr. Murarji Vaidya, President, The Indian Council of Foreign Trade (I.C.F.T.), noted, whereas our exports increased only by 25 per cent since 1953-54 till 1961, our imports rose by as much as 65 per cent. This is the outcome, as he said, again, of heavy imports of plant and machinery, as also of defence equipment.

Dwelling at length on this problem, in his presidential address at the ninth annual general meeting of the I.C.F.T., held in Bombay recently, Mr. Vaidya said: "The only rational conclusion that can be drawn is that we have failed as a nation to plan our productive capacity for our requirements of capital goods or defence equipment in a manner which would enable us to meet our needs to a much greater extent." He also maintained, in this connection, that dependence of as much as a fourth of our total plan outlays on loans and assistance would have to be reduced. Dr. A. Ramaswami Mudaliar, who inaugurated the proceedings of the meeting, also sounded a similar note of warning when he drew attention to what he described as a unique feature in the world today for many a country, namely to come forward with crores of rupees of assistance to help





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INDIAN TUBE

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industrialise an under-developed country like India, and stressed the need for this nation not to fail in honouring its commitments of repayment of either the interest on the loans or the instalments in amortisation thereof on the due dates. This only serves to underline how imperative the need for export promotion, as also a progressive reduction in our increasing dependence on foreign assistance, is.

As though to disprove the charge lightly made so often by the critics of the Swatantra Party that the party is totally opposed to planning, Mr. Vaidya (who, by the way, is a leading member of the Swatantra Party) suggested a seven-point programme of "realistic" planning embodying the following features:

(a) Greater attention to the expansion of our agricultural production (most of which can be achieved without much foreign exchange expenditure) which, in turn, would enable us to earn more foreign exchange by larger exports of our traditional items;

(b) greater utilisation of the existing indigenous capacity for production of capital goods by importing more of engineering designing, wherever it is not available in the country, rather than importing actual capital goods;

(c) fuller utilisation of our productive capacity for consumer goods and durable goods so that the additional production could be made available for exports to earn more foreign exchange;

(d) judicious and balanced reduction of imports in value by replacing the imports of basic materials which can be processed to a greater extent to provide the raw materials and semi-finished products required by our industries rather than continuing to import the semi-finished products and components;

(e) a scheme of automatic export incentives which would replace the existing intricate and dilatory methods of providing these incentives against exports.

(f) Encouragement of export houses without attaching too many strings;

(g) extending the benefits of export incentives without any discrimination to manufacturers as well as to exporters.

Plastics

FURTHER PROTECTION?

WHEN PROTECTION was granted to the plastic industry in 1950, for the first time, the benefit covered phenol formaldehyde moulding powder (P.F. Powder), buttons, (made of dumnut, mother of pearls, metals, and plastics) and electrical accessories, but only P.F. powder has continued to enjoy tariff protection to this day. However, this also is due to expire at the end of this year, though the chances of its continuance for a further three-year period seem to be bright. For, as was disclosed by Mr. J. N. Dutta, Member of the Tariff Commission, who began the public inquiry into this question a few days ago, this industry has not only taken rapid strides to improve its position by expanding its capacity and increasing and diversifying its production, but has also contributed perceptibly towards our export trade, though not directly.

The aggregate capacity (on a single-shift basis) has increased from 1,500 tons per annum in 1959 to 2,640 tonnes per annum at present. The units engaged in the production also have risen from four in 1959 to six in 1962. Out of these, three units have technical collaboration with foreign manufactures, and, in the case of two more, negotiations for such agreements are reported to be in progress.

The indigenous production of P.F. moulding powder, which amounted to 1881 tonnes in 1959, increased to 2219 tonnes in 1960; in 1961, it was higher still at 2245 tonnes. Out of the five grades produced, production of the G.P. grade has remained predominently high, accounting for about 66-67 per cent, with the G.X. grade following as a distant second. The output of other grades (namely, telephone, radio cabinet and others) remained negligible.

The domestic demand for P.F. moulding powder of all grades was estimated at 1800 tons in 1959 by the Tariff Commission, which also anticipated a 20 per cent increase per annum during the following years. According to the T.C's latest investigation, however, the demand is believed to range between 2500 to 3100 tonnes for 1962, 3300 to 3750 tonnes for 1963, 3700 to 4700 tonnes for 1964 and 4000 to 6000 tonnes for 1965. In this connection, Mr. Datta stated that an examination into the substitution of P.F. moulding powder by other plastics, e.g. urea formaldehyde moulding powder, polythene, polystyrene, would be made before deciding to continue the protection to this industry.

Three firms have been licensed to manufacture phenol (19,600 tonnes capacity), two to manufacture formaldehyde (13,200 tonnes capacity), and two to produce hexamine manufacture (600 tons), all of which have been imported so far. Besides these three chemicals, cellulose, pulp, carbon black and some dyes are still being imported by the industry, while some other raw materials, such as sulphuric acid, stearic acid, lime and pigments, are available indigenously.

P.F. moulding powder articles, such as electrical accessories, have been exported to East Africa, Middle East and South-East Asia. Such exports amounted to Rs. 2.78 lakhs in 1959, Rs. 8.39 lakh in 1960, and Rs. 7.80 lakhs during 1961. This, according to Mr. Datta, is the main justification for continuation of protection as sought by the industry. With its low productivity, small capacity and high prices it has to pay for its raw materials vis-a-vis the industry in other countries, the Indian Plastics Industry is naturally at a handicap in the export markets where it has to compete with its stronger and more entrenched European rivals.

Finance Corporations

BHARAT CHAMBER'S CRITICISM

THE BHARAT CHAMBER OF COMMERCE, Calcutta, in the course of a communication to the Reserve Bank of India has made a pointed reference to the fact that the State Finance Corporations have been making available very little funds to the small-scale producers. All the Corporations put together upto June 1961 had advanced only 20 per cent of the funds to the small-scale industries. There is no doubt that the progress made by the corporations in respect of loans and advances has been very encouraging. For instance, the corporations increased their overall aggregate amount of loans and advances from Rs. 2.72 crores at the end of 1955-56 to Rs. 17.12 crores at the end of 1960-61. Thus during the period of the Second Five-Year Plan there was an eightfold increase. During 1961-62 again the increase was to the extent of Rs. 6.04 crores, which is a significantly encouraging development. But it appears that the objection raised by the Chamber is fairly

genuine. By way of illustration it may be observed that in the case of the West Bengal Finance Corporation the aggregate of loans and advances of Rs. 2.13 crores was distributed 44 per cent to large industries with assets over Rs. 20 crores, 47 per cent to medium industries with assets between Rs. 5 lakhs and Rs. 20 lakhs and the remaining only 9 per cent to small industries with assets less than Rs. 5 lakhs. It is quite true that the small producers always have difficulty in terms of sureties, as well as proper schemes about which all the corporations have to be particular. It is to be remembered that the resources of finance for larger units are varied and it is only the smaller units which need special attention.

The chamber also was of the opinion that the services of the State Finance Corporations should be expanded and diversified so that they help in the promotion and development of small-scale industries in other ways than providing finance. It was suggested that each of these Corporations should have a guidance service particularly for the smaller enterprises so that the probability of rejections and withdrawals of applications may be brought down. This is necessary because small industries involving an investment of not more than Rs. 5 lakhs are generally operated on the basis of the proprietorships, partnerships or private limited companies. Such industrial units need more sympathetic treatment. The corporations can also relax some of their rules in respect of lending so that these units could make themselves eligible. It is suggested, for instance, that instead of 50 per cent margin requirement the smaller industries should be allowed to take loans upto 75 per cent of the value of their assets and the rate of interest charged should also have some reference to the earning capacity of the borrowing units. In view of the special role assigned to the smaller units in the expansion of the industrial sector in the years to come, it would be worthwhile if the Finance Corporations took special care of the smaller units.

Investment

GAPS IN INDUSTRIAL STRUCTURE

MR. G. L. MEHTA, Chairman, Indian Investment Centre, while addressing the first meeting of the Advisory Committee of Industrial experts held in Bombay recently, drew its attention to the need for a programme of industrial surveys and feasibility studies of industries which have a high priority in the Third Plan. In spite of fairly rapid industrialisation, the country is still depending upon imports of vital raw materials and parts and components which exceed Rs. 100 crores every year. This naturally shows that there are certain gaps in the industrial structure which remain unfilled. There are certain items for which the production is lagging behind and there are other items the manufacture of which has not yet been undertaken. Mr. Mehta stressed that whatever the causes for the gaps in the industrial structure and lack of development in such specific fields, the situation definitely called for a detailed investigation. He requested the Committee to suggest methods of carrying out the preliminary studies and the subsequent implementation of the whole programme. This suggestion by Mr. Mehta is quite timely because the country seems to have achieved fair success in the field of industrial expansion and it is time that a proper assessment is available for further achievements. To attain a properly balanced growth such surveys are bound to prove valuable.

Mr. Mehta also referred to ancillary industries, the growth of which has also to be assessed properly. Parts and components of machinery valued at crores of rupees are being imported. It would be advisable to have surveys of different industries and on their basis finally select products which can be manufactured indigenously economically. Once such surveys and studies are available, the Chairman of the Indian Investment Centre was of the opinion that it would be possible to elaborate them in specific investment opportunities. Thus the Indian producers will be able to move forward in the spheres where they will be most effective.

Banking

ADVANCES AGAINST WAREHOUSE RECEIPTS

WAREHOUSES HAVE started playing a significant role in the field of bank advances during the last few years. A recent study undertaken by the Reserve Bank of India on warehouses in India indicates that advances against the receipts of the Central and State Warehousing Corporations amounted to Rs. 9.24 crores at the end of March 1962 and this figure compared favourably to the corresponding figures in last two years. Advances against such receipts at the end of March 1961 and 1960 were Rs. 5.69 crores and Rs. 2 crores respectively. It may be added that individually these figures are not very substantial when compared to the overall advances provided by the scheduled banks. But as a new source this is a very important development. The commodities against which the advances were given mostly are foodgrains, groundnut and other oil seeds.

Apparently, this source of banking advances will continue to grow but the study reveals that there are certain problems that hamper this development. Perhaps the most important is the problem of imparting to the warehouse receipts all the attributes of free negotiability, a fact which had been examined by th Law Commission. Warehouse receipts do not have all the attributes of free negotiability in the same way as promissory notes, bills of exchange or cheques and advances against them were generally made to borrowers who had full title to the goods as original depositors or first transfree of the relative receipt. This naturally reduces the chances of warehouse receipts being utilised for such benefits. Incidentally the study reveals that the storage capacity of Central and State Warehouses increased markedly from 44,000 tons and 1.30 lakh tons in 1959-60 to 73,000 tons and 2.78 lakh tons in 1960-61 respectively. Maximum capacity was available in Uttar Pradesh, followed by Maharashtra, Mysore, Madhya Pradesh, Andhra and Rajasthan. In the coming years when the storage capacity will be available to a large extent the chances of banking advances being taken against warehouse receipts are fairly bright. It is time that methods of advances against such receipts are simplified.

Tata Engineering

ONWARD MARCH

PROGRESS IN sales and earnings of the Tata Engineering and Locomotive Company Limited was encouraging in the year 1961. Not only that, in a way, manufacturing facilities have also been further increased and its capacity for the efficient production of high engineering products has been substantially enhanced. Various schemes approved for expanding and diversifying the company's activities are also under way. The manufacture of Tata-P. & H. power shovels has been firmly established and high grade capacity created for the production of machinery for paper and pulp. Apart from the major expansion of the automobile division,

the construction of factory buildings and services and the enlargement of capacities of company's foundries and forge shops are taking a concrete shape. With vigour efforts are being directed towards increasing the productivity and reducing company's dependence on imported materials and components. The Agency for International Development has under consideration a loan to this company of $13.65 million required for implementing the first stage of the automobile division expansion programme which, when completed, will step up the capacity of this division from 12,000 to 18,000 units per year. Funds will be available from retained earnings and it is proposed to bear the balance partly from a long-term foreign credit and partly from an issue of Rs. 5 crores convertible debentures.

So far as exports are concerned, the company has secured full orders from S. Vietnam, Malaya, Ceylon, Pakistan and Sweden. Although the company's export field for commercial vehicles is restricted to certain territories in terms of company's agreement with Messrs. Daimler-Benz, it is to be hoped that the company before long will be in a position to achieve a suitable volume of export business. The company has started with the production of 2½ cubic yard machine (excavators) and the present manufacture of three such machines a month will be increased to 4 from September this year. The heartening factor is that the demand is large and a growing one, so there would not be any difficulty in disposing of company's total output. In nutshell, company's progress has been quite substantial and it is making an onward March.

Heavy Water

COMMERCIAL PRODUCTION STARTS

TO THE Fertilizer Corporation of India goes the credit of commissioning the first plant in Asia to produce heavy water on commercial scale. Since this water is one of the essential materials used as a moderator in atomic reactors, its production at Nangal brings a step nearer the harnessing in India of atomic energy to provide electricity to industries situated far away from the main coal-belt of the country.

It is, indeed, encouraging that the entire Nangal Plant is now being operated by Indian personnel under the supervision of only a few German technicians, made available by the collaborators, Messrs. Linde of West Germany. Some parts of the plant such as the compressor house, the deriming station etc., are being operated independently by Indian personnel.

The process employed for the production of heavy water is that ordinary water is electrolytically decomposed in electrolysers to produce pure hydrogen and oxygen. These electrolysers are so arranged that hydrogen is produced in two streams, one containing higher amount of deutrium (heavy hydrogen) and another containing lower amount of deuterium. The former stream is purified, cooled and distilled to separate hydrogen and deuterium in a separate plant. The separated deuterium is burnt in pure oxygen to form heavy water.

The total cost of the project is now put at Rs. 2 crores. Its annual output would be 15 million grams of heavy water, valued at approximately Rs. 45 lakhs. In spite of the high cost of electricity, the cost of production of the Nangal Plant is stated to be one of the cheapest among the existing heavy water plants in the world. This presumably is due to heavy water being a co-product from the Nangal Fertilizer Factory.

Woollen Machinery

R.K. GROUP'S NEW VENTURE

THE R. K. GROUP OF INDUSTRIES, Ludhiana, has plans to set up a Rs. 1 crore project for the manufacture of machinery for the woollen and waste spinning industry and also some other preparatory equipment. The Union Government is understood to have already approved of the proposal.

The project will be executed by a public limited company being floated for this purpose. It will have an authorised capital of Rs. 1 crore. A substantial part of the issued capital is proposed to be offered for public subscription. The total cost of machinery and equipment required for the project is estimated at Rs. 50 lakhs. Foreign exchange component is put at half of this, since a part of the machinery is to be obtained from domestic sources. Technical collaboration is being arranged with a Japanese firm well-known in the field of woollen and worsted machinery manufacture.

The project is the first one in the country going in for the manufacture of waste spinning plants. It is envisaged to relieve the difficulty experienced by several units already licensed to set up cotton waste spinning plants in obtaining machinery from abroad as the two rupee-payment sources of such machinery, East Germany and Poland, are said to be fully booked up to 1965. The difficulties being encountered in meeting the replacement needs of woollen spindles in the country should also be mitigated to a very great extent when this project goes into production by mid-1963.

Indian Copper

PROGRESS AND FUTURE PROSPECTS

THE AFFAIRS of the Indian Copper Corporation Limited were discussed in a concrete form at the annual general meeting of the Indian Copper Corporation Limited held recently in Calcutta. Mr. J. W. Eason, chairman of the company pointed out that costs during the year 1961 increased a good deal and output declined. The fall in production may be attributed to a reduction in the number of days worked. The shut down was mainly caused by the shortage of coal. Certain essential stores, in particular explosives and drill steel, were in short supply and development had to be suspended or curtailed in a number of areas. Although power difficulty was not very extreme, yet the coal and transport shortages were sufficient enough to stand in the way of the company to achieve overall good results. The overall increase in production costs may be principally attributed to the lower output but the fact that the raw materials were more expensive and the labour costs were higher and the mining was generally being carried out at great depths can also be said to have added to the increase.

Modifications to the equipment of existing plant and equipment continued according to the schedule in conformity with the plans to increase the production and it is heartening to note that alterations necessary to increase the capacity of the air ropeway were successfully completed during the year. A particularly satisfactory achievement of the year was the settlement by way of compromise, of the long outstanding dispute with the State of Bihar over the company's lease to mine kyanite. Electrical project is also now making satisfactory progress. So far as the financial position of the company is concerned, it may be noticed that the profit for the year 1961 before providing for taxation, depreciation and reserves amounted to £1,222,163 compared to £1,307,982 for 1960.

FROM THE CAPITAL'S CORRIDORS

EXPORT PROMOTION

THE Rajya Sabha debate on the Mudaliar Committee report developed into a fairly agonizing reappraisal of the country's export policy and performance, although some issues continued to remain clouded. It brought into sharp focus the basic weakness of the entire structure of export promotion.

Both Mr. Avinashlingam Chettiar of the Congress and the Communist leader, Mr. P. Ramamurty, quoted chapter and verse to prove that official exhortations as well as material incentives had failed to add appreciably to India's exports, and in fact the exports had lately declined. The reason, they added, was simple: To export may be a patriotic obligation or duty, internal sales were easy and much more profitable. The traders therefore preferred profits to patriotism.

Mr. Chettiar suggested that every industry should be compelled to export a specified proportion of its products at competitive prices. Mr. Ramamurty thought that this would not do. He said the Government should look into the cost structure of every industry, and requisition a specific portion of each industry's production at cost, to be exported by the State Trading Corporation. Many other members pleaded that unless internal prices were controlled, exports will not improve, for the traders will sell in the profitable internal market rather than compete in overseas markets.

The Union Minister of International Trade, Mr. Manubhai Shah, apparently agreed with the diagnosis of the speakers, but did not show any enthusiasm for the suggestions made by them. Instead, once more with feeling, he appealed to industrialists to divert a part of their high-profit sales in the country to the "losing business of the export trade" in national interest. He relied on the traders' patriotism. They will, he hoped, forego the high profits ensured by India's protected market to help the Government in the "single most important task"—export promotion!

Mr. Shah took the opportunity provided by the debate to announce acceptance of almost all the recommendations of the Mudaliar Committee as well as other export promotion measures. An important announcement he made was that he would establish a Rs. 10-crore Export-Import Bank in India to provide help to exporters.

He did not explain, however, as to what precise purpose such a bank will serve. In most countries, export-import banks have been established, largely, if not exclusively, to finance the export of capital goods. India is unlikely to export any capital goods for a long time to come.

Mr. Shah also announced that a full-time committee of experts will be set up shortly to study the cost structure of all major industrial and agricultural products that figure in foreign trade. Another committee which Mr. Shah has lately appointed will advise the Government on the development in the country of a number of "free trade" zones at important ports. The committee is headed by the distinguished economist, Prof. G. R. Gadgil.

Meanwhile, observers in the capital have been disheartened by official attempts to play down and explain away the decline in the export trade during the first six months of 1962. The country is being told, for instance, that the fall in exports was primarily due to the Hooghly pilots' strike in Calcutta, and a decline in the world prices of jute. If that were so, what accounts for the steep fall in the cloth exports? There has been no official explanation.

INDIA'S TRADE WITH BRITAIN

From Mr. Morarji Desai's recent statement in Parliament it appears that the outlook of Indian trade in the event of Britain's entry into the European Common Market at present is even more bleak than appeared a week ago. All the assurances given to Mr. Desai during his European visit, or which he thought had been given to him, have not been borne out by the result of the inconclusive negotiations at Brussels.

Firstly, the list of items, which are proposed to be allowed duty-free entry into the European Community after it is enlarged by the accession of the UK, excludes many items of vital interest to India. In this connection, it is emphasized that Indian interest is not confined to primary products or raw materials. It extends to some processed and manufactured goods, especially vegetable oils, handloom cloth and cotton textiles, jute goods, East India kips, and handknitted carpets.

Secondly, and this seems to be the most important cause of concern, the Six now insist that the Common External Tariff of the Community should begin to apply, in stages, to Indian exports to the UK from the day of UK's accession to the European Community.

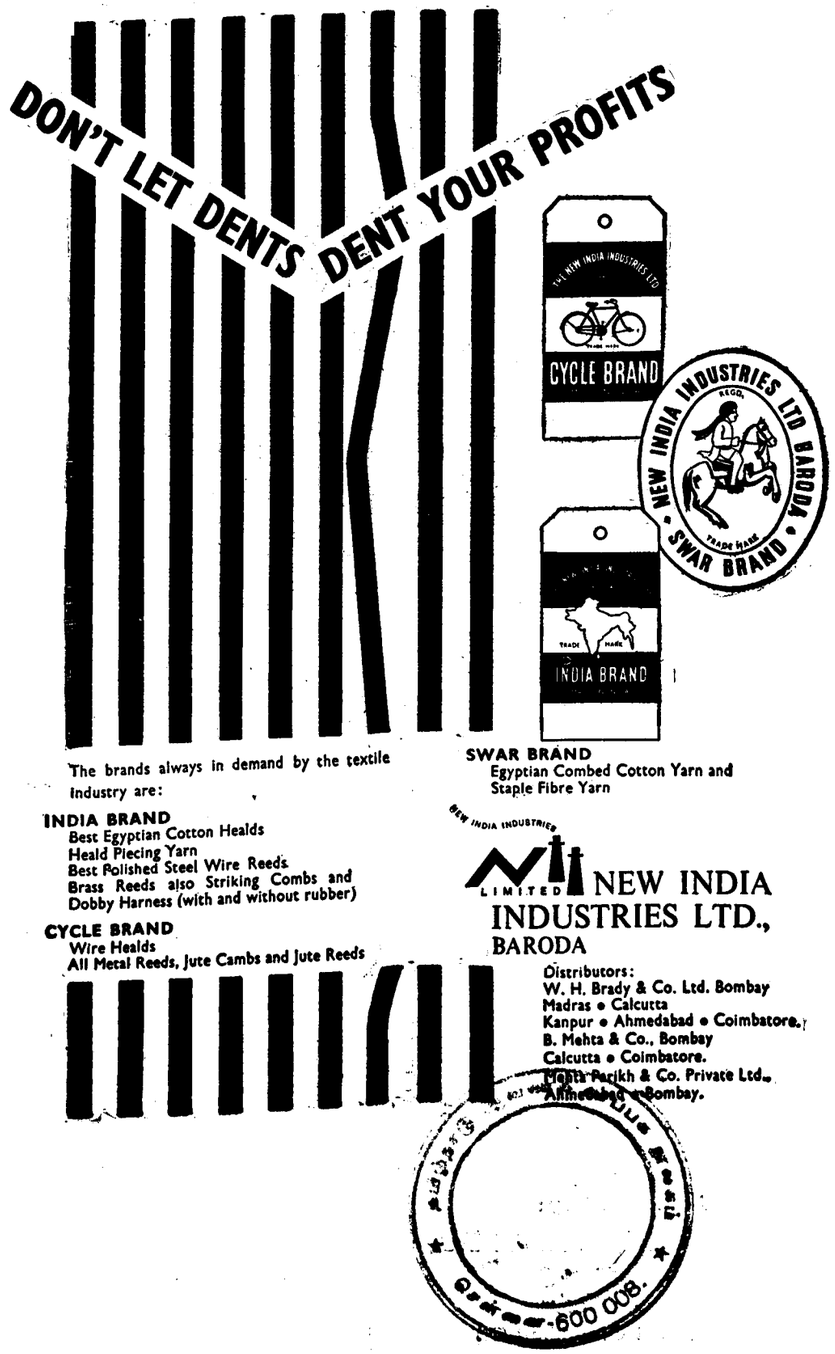
Such an abrupt disruption of India's right of duty-free entry into the British market is bound to have a serious effect on India's export trade and development plans. For the next many weeks, the Indian Ambassador to EEC, Mr. K. B. Lall, has his work cut out. He must convince the negotiators at Brussels that until India has negotiated a comprehensive trade agreement with the enlarged Community, her existing trading rights in the UK market must be left undisturbed and unimpaired.

PEOPLE'S CAR

A decision has been taken virtually to drop the "People's Car" project. Four major reasons have been given by the Union Minister for Steel and Heavy Industries, Mr. C. Subramaniam, for deferring the "consideration" of this project to a day "until we can see more propitious conditions." These reasons are as follows:

"(1) In the context of our current economic situation both in regard to internal and external resources, the question is not whether the project is a good or sound one on merits but what its priority should be. Although the small car project had been approved by Government in principle before the Third Five-Year Plan was finalised, it had not been found possible to include the project in the Plan because projects which were then judged to be of a higher priority added up to a larger figure than the resources in terms of rupees and foreign exchange which we could foresee. The position has not improved since. If anything, conditions have become more difficult. Consequently, the small car project cannot be moved up in any list of priorities.

"(2) The priority in the field of automobiles should, for some time to come, be definitely and overwhelmingly in favour of the manufacture of commercial vehicles



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which will provide the base for the transport of goods and for public passenger transport.

"(3) Although resources, particularly external resources, for this project appear to be in sight, the expectations in regard to exports of cars abroad and of non-traditional goods to France are not absolutely certain; and, in the latter case, would impose a strain on our export surpluses which, on considerations of the priority of the project, it would be difficult to justify.

"(4) Although the credit offered for the project might be outside the French Government credits available to India under the Aid-to-India Consortium arrangements, the size of present and future credits available to us from all sources would be based on the lenders' judgment of our overall capacity to make interest payments and payments on account of capital repayment. On this reckoning, any outgoings, whether in terms of foreign exchange, or in terms of goods on account of the small car project, would be a debit against our overall capacity to make payments."

"I should like to recall further," the Minister continued, "that the immediate implementation of the project would involve not only money resources — of which we are short enough, in all conscience, especially in terms of foreign exchange — but also physical resources like building materials, steel (for production), power and transport. These are all in short supply and I do not see that we can expend any of these on what is, after all, not a project meriting high priority in our present situation".

COAL-MINING IN WEST BENGAL

Details have been announced of the agreement arrived at between the Central Government and the Government of West Bengal in respect of coal-mining rights in this State. The following is the text of this agreement, negotiated by the late Dr. B. C. Roy and the Union Minister for Mines and Fuel, Mr. K. D. Malaviya:

"(1) The Government of India decides, on the advice of the Planning Commission, what the plan and programme regarding coal production for the Plan-period should be. It also fixes the target in this respect. In drawing up the plan and programme or in fixing targets, the Government of India takes into account the requirements of all the States including the requirements of industries in the public sector and the private sector, as well as requirements for domestic or other consumers. Coal is a basic commodity, supplies of which have to be ensured to consumers in all parts of the country, though its production may be concentrated in a few States. In order to ensure this, as a matter of national policy, the Central Government undertakes control over production distribution and price of coal and must continue to do so. It is also essential that any organisation in the public sector engaged in the development and production of coal should conduct its operation with due efficiency and economy.

"(2) Any scheme of development of coal production by the State Government of West Bengal should, therefore, be consistent with the all-India policy and should form an integral part of the all-India programme. Keeping this in view it is possible to evolve a formula for development of coal production by the State Government of West Bengal.

"(3) The following agreement has been accordingly arrived at between the Government of West Bengal and the Government of India in the matter of mining of coal in the public sector in West Bengal, without prejudice to the legal issues before the Supreme Court:

"(i) The State Government shall produce coal of the requisite type and quality only for the purpose of feeding their own projects in the public sector, and only for such projects in the all-India plan, as finalised by the Planning Commission.

"(ii) For the purpose of coal production as contemplated in (i) above, the State Government will assess its requirements for its own coal-based industries in the public sector. On the basis of such assessment, the State Government should specify precisely the areas in which they propose to take up operations. The potentiality of each such areas should be assessed by the State Government or its agency. The requirements so assessed, the data regarding the potentiality of each such area and the State Government's plan and programme should be submitted to the Government of India. The Central Government will examine for approval the plan and programme so submitted, with particular reference to the State Government's requirements in respect of their Plan projects, the potentiality of the areas of mining selected and the administrative arrangements proposed. The plan and programme so approved will not be changed except by mutual agreement between the Central Government and the State Government, but may be subject to periodical reviews jointly by the Central and the State Governments at such intervals as may be agreed upon.

"(iii) On approval by the Central Government of the plan and programme of the State Government the State Government will undertake mining operations in the approved areas. The State Government agrees that such operations would be conducted wholly in the public sector by a Corporation formed for the purpose, in consonance with the provisions of Central laws or rules governing mining operations.

"(iv) In undertaking mining operations, the objective would be not merely production for the immediate requirements but also optimum production on the basis of the assessment of the potentialities of the areas selected for operation by the State Government. The distribution of the coal raised by the organisation referred to in clause (iii) above, will be governed by the appropriate Central legislation, rules and orders issued by the Central Government from time to time. It is, however, understood that the requirements of the projects referred to in sub-para (i) above have priority in the matter of allocation of coal from this source. Any production from such areas, which may be surplus to the immediate requirements of the State Government, would be made available by the State Government to the Central Government or its agency for distribution.

"(v) The State Government will meet the requirements of its own public sector approved industrial projects from the coal mines operated by them in accordance with the programme of production. If however, in any particular year, the quantity of coal raised is not sufficient to meet the requirements of the approved industries, the Government of India will through the Coal Controller, endeavour to meet such deficit subject to the general scheme of distribution of coal by the Coal Controller and provided the requisite transport is available. In case, however, when the phased target of production of coal by the State Government is not reached in a particular year, the Central Government will not be held responsible for meeting such deficit.

"(vi) Prospecting of the proposed area of mining will be undertaken through the agency of the State

Government and not by any foreign agency, unless authorised to do so by the Central Government. It is expected that the State Government would speedily build up their own prospecting organisation. The Central Government would be happy to render such assistance as is possible to the State Government to build up such an organisation.

"(vii) The finances required for the mining of coal by the State Government would be met entirely from the resources of the State. As regards the foreign exchange facilities, it would be a matter for settlement between the Government of West Bengal and the Department of Economic Affairs of the Ministry of Finance, Government of India, although the Ministry of Mines and Fuel will, as usual, help the State Government in its efforts with the Department of Economic Affairs to obtain such facilities.

"(viii) The State Government may seek assistance of the Government of India in technical and other matters. The Government of India will be glad to render such help to the extent possible."

SOLVEEN REPORT ON ROURKELA STEEL PLANT

The report submitted by the six West German experts who visited the Rourkela Iron and Steel Works between March 14 and 21, to diagnose its malady, has now been made available. The more important conclusions outlined in this report are reproduced below:

"The defects observed by the Commission are serious and their elimination is one of the most urgent tasks. Action in the field of personnel which has been recognised as necessary cannot be successful unless the operational organisation in the metallurgical plant is fundamentally improved. Measures planned by the management are to be quickly implemented and the further measures suggested are to be pursued urgently.

"Shop Discipline: The shop discipline in the plants is unsatisfactory. The Commission satisfied itself that the operating staff often stands about in groups and keeps away from work. Obviously this situation should be remedied quickly. The abnormally high percentage of absentees which, according to data of the Energy and Economy Department, temporarily reached 20 to 25 per cent of the full strength in important departments is also disquieting. Such conditions are not apt to secure a continuous smelting mill operation and call for a review of the shop regulations and personnel policy. It was pointed out that absenteeism in India ran generally high, and a 10 to 15 per cent allowance is provided in staffing. Since experienced men are so short, it would pay to bring down absenteeism by all means.

"The unsatisfactory willingness to work and productivity of labour can only be counteracted, according to the opinion of the Commission, if (a) unqualified and insubordinate workers are released and replaced by suitable personnel and (b) the general factory atmosphere is not burdened, also in the future, with continuous wage disputes resulting in open strikes or in go slow tactics.

"In order to reach this goal the Hindustan Steel Limited should immediately decide on drastic measures. It does not suffice to take disciplinary action in the case of particularly serious infractions and as the cases present themselves .... On the other hand, the skilled and willing workers should be encouraged to good performance by corresponding wages. It must be doubted whether the recently adopted bonus system will suffice to reach also the necessary 'individual' increased performance. This must be secured by a suitable promotion policy.

"Delimitation of Responsibilities. The machinery also suffers from the fact that the machinery department reports to the production department. A clear separation of responsibilities between the production and maintenance departments must be secured. The maintenance department must be entitled to order 'immediately' repairs which it deems necessary.

"Equipment of the Central Workshop: The Central Workshop of the metallurgical plant is insufficiently equipped, though all that was planned has been given. The mechanical workshop is, above all, short of machine tools, tools and auxiliary tools. There is also a shortage of raw material (forgings, rounds, etc.) which must be available in sufficient quantities because of the isolated location of Rourkela in order to be able to manufacture spare parts in the plant itself. Also the electric workshop is insufficiently equipped and consequently it is not possible to repair and test motors of any size as well as transformers and switching appliances of any type. Small workshops attached to units are also necessary and should be provided as early as possible.

"Drawings for Repair Purposes: There is a shortage of drawings for repair purposes. The drawings delivered by the suppliers along with the equipment obviously do not always meet the needs of a plant situated far away from the supplier. The supplying firms should be induced to supply suitable drawings.

"Storage: The works have a great central store for spare parts and consumables. The organisation of the storage is, however, insufficient. There is no standardised list of available spare parts and consumables. There are only individual lists of the supplying firms with a differing nomenclature. An overall inventory of the stores and a standardisation of the nomenclature of spare parts and stores are therefore most important. The Commission recommends urgently to erect an additional storeshed with a crane so that heavy material which is subject to deterioration when exposed to weather can be sheltered.

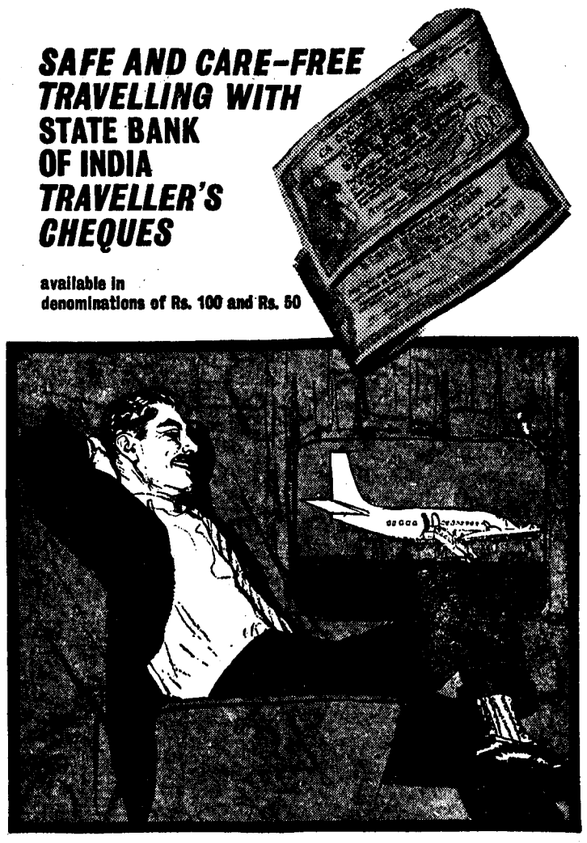
"Telephone Network: The absence of an in-plant telephone system is a handicap. There are only a few direct lines which are absolutely insufficient for an urgently necessary communication between the factory departments. A large automatic exchange is under commissioning and this should give considerable relief.

"Ordering of Spares: The handling of the orders placed by the individual plants with the purchasing department in respect of urgently required spare parts and accessories threatens seriously the production operations. In some cases urgent requisitions of the plants were not forwarded by offices which are not in a position to judge the necessity or urgency of the purchases. Repeated requests of the plants were unsuccessful. These organisational nuisances should be immediately abated, as otherwise obstacles to production cannot be avoided. Emergency powers for urgent purchase which the General Superintendent has for short circuiting some of these procedures are alone not sufficient.

"Transport: In general the present track system is considered to be good. The rolling stock is in extremely bad condition and has to be replaced by new



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wagons, above all special wagons are required. For the supply of nearly 400 wagons and 6 more engines, 20 million D-Marks are required. A wagon repair shop has to be built as soon as possible. The costs are estimated within one million D-Mark.

"Personnel for Production Plants: The German technical personnel available at present for Dr. Mintrop for the operation of the plant must immediately — and at least for one year to begin with — be supplemented by additional qualified workers from Germany. (a) It is necessary to make available for the blast furnace plant 9 skilled men for one year. (b) It is necessary to make available 16 qualified men for the LD-steel plant.

"Personnel for Maintenance and Repair: The upkeep and the maintenance routine of the plant are so faulty at present that a sufficient number of qualified skilled workers must be made available in order to prevent considerable future production obstacles. The Commission is of the opinion that a total of 168 skilled German men are necessary for repair and maintenance work, and they understood that the majority of these personnel are already in position in Rourkela.

"Transport Personnel: The operating troubles of the steel plant can, to a considerable extent, be explained by an insufficient flow of material which is due to an unsatisfactory availability of means of transport. In order to be able to do away with the recognised deficiencies at least 4 more German railway workers from German steel plants must be sent to Rourkela to give the necessary assistance.

"Selection of Personnel: It is expressly stated here that all men to be sent to Rourkela as well as assembling personnel must be very highly qualified as far as technical knowledge and character are concerned.

"Earmarking of Funds for Urgent Purchases: In order to facilitate the procurement of necessary repair and spare parts and to adjust the equipment of the workshops to the requirements of the plant the Commission estimates that roughly DM 25 million would be necessary, of which DM 22 million are for spare parts and DM 3 million for workshop equipment. An additional sum of DM 11 million is necessary for the urgently required special rolling stock and for the erection of a wagon repair shop. In addition ordinary rolling stock equivalent in value to DM 11 million should be purchased from Indian sources.

"Training of Indian Qualified Workers in Germany: In order to make it possible that the operation of the plant be transferred to Indian personnel as soon as possible, it should be considered whether additional qualified Indian workers should not be sent to German steel mills for training purposes. If this is done, care must be taken to safeguard that the training of those men is conducted at working places similar to those which they are to fill in Rourkela and the men actually work on the jobs as part of the German crews.

"Conclusion: It is the opinion of the Commission that difficulties arisen in the steel mill could have been avoided if during the initial period the Hindustan Steel Limited had employed a sufficient number of German personnel authorised to give instructions and carrying the full responsibility; the more so as technical procedures find application in Rourkela which are new for the Indian steel industry and difficult to be carried out (LD-process, hot and cold wide strip mill). The German men should have Indian counterparts so that management and operation can be transferred to the Indian personnel as soon as possible."

RICE AND FISH EXPORTS

The Government of India is considering the prospects of exporting some small quantities of superior quality rice for consumption by Indians abroad. This was disclosed last week by Mr. V. Shankar, the Union Food Secretary, in the course of an informal talk with newsmen here.

The reason why rice exports, which in the initial stages are expected to be of the order of 15,000 to 25,000 tons, will be restricted to the Indians living overseas is that as a recepient of large quantities of foodgrains from the United States under the P.L. 480 programme of that country, India normally cannot be expected simultaneously to effect exports of her own foodgrains.

The major markets which are being explored for this purposed are: Kuwait, Kenya, East Africa, Persian Gulf territories and Mauritius, which have a large number of Indians settled their as permanent residents. The foreign exchange to be earned through rice exports is estimated to be of the order of Rs. 2.5 crores.

The Government is also considering the feasibility of setting up a Fisheries Corporation in collaboration with some foreign firm of repute to enable the Indian fishing industry to gain a stable and permanent foothold in the world marine fish market. There is said to be a good scope for export of Indian marine fish, but there are three factors which have stood in the way of exploiting this source of earning foreign exchange to any appreciable extent. The first factor has been the lack of adequate mechanization of the Indian fishing industry. Then there has been the drawback of absence of refrigeration facilities in the initial stages of transporting the catch which leads to some deterioration in its quality. The third factor has been the absence of any big organisation to handle exports on competitive basis. The proposed Fisheries Corporation would aim at elimination of all these drawbacks. A couple of experts from the United States are expected here in the near future to gain a first-hand knowledge of the prospects of fish exports from here. They are coming on their own.

Mr. Shankar, during his recent tour of the United States, is stated to have discussed with the U.S. authorities the question of cutting down imports of wheat on commercial account in view of the acute foreign exchange situation faced by India. The U.S. authorities, it is understood, have expressed sympathy with India's plea and have promised to take up the matter with the principal wheat-exporting countries. Some reduction in wheat imports on commercial account may, therefore, be expected in the near future.

With the steady improvement in the foodgrains storage capacity effected during the last year, wheat imports under the U.S. P.L. 480 programme are envisaged to be stepped up from 1,80,000 tons to about 3,00,000 tons per month. This stepping up of wheat imports, it is stated, should not stand in the way of India's cutting down imports on commercial account.

SUGAR EXPORTS

According to present indications, India would be able to export during the current calendar year about 4,00,000 tons of sugar. Next year these exports may be stepped up to 5,00,000 tons. Malaya, Japan and Canada are likely to be the major markets for Indian sugar, although the prospects of exporting sugar to both sides of the Iron Curtain in Europe are also rated fairly high. As far as the European Common Market

is concerned, Britain, it is stated, may ask for some special treatment for her sugar imports from her colonies and from the Commonwealth countries in the event of her joining the European Economic Community, because a good deal of investment had been effected in this industry by the British nationals during the period of the British rule in the Commonwealth countries and some of the colonies which are now gaining independence.

In view of sugar exports going up this year and an ambitious programme having been chalked out for exports next year, the Government is not likely to continue the 10 per cent cut on the manufacture of sugar which had been imposed at the beginning of the last season owing to heavy carry-over from the previous year.

The problems of the sugar industry caught the spotlight last week when the annual general meeting of the Indian Sugar Mills Association was held here. In his presidential address, Mr. D. D. Puri pleaded for reduction in excise duty on sugar and also for utilisation of the cane cess in various States for the specific purpose of development of cane for which it is levied. He also called for the restoration of the cut in sugar mills' quota of hard coke.

With a view to maintain sugar prices in the domestic market at a stable and remunerative level for the industry, Mr. Puri pleaded that the industry should be consulted by the Government at the time when monthly releases for domestic consumption are determined.

Mr. Patil, Union Food and Agriculture Minister, who inaugurated the meeting, categorically ruled out any cut in excise duty on sugar, at least for another couple of years, since, according to him, it would not be desirable to create any artificial demand for this commodity in the country. Further, he said, large funds were needed to meet the loss on exports of sugar. The Government, which has undertaken to meet this loss, is doing so out of this high excise duty.

Mr. Patil dwelt at great length on the recent formula evolved by his Ministry for linking cane prices with sucrose content. The present formula, he stated, had been worked out with a view to encourage the agriculturists to produce better cane.

Dealing with the increase in acreage under sugarcane that has been brought about since the raising of the cane price from Rs. 1.44 per maund (delivery factory gate) to Rs. 1.62 per maund in 1959, Mr. Patil gave an indication of a scheme which his Ministry has under consideration at present. The scheme relates to regulation of area under various crops so that balanced development of Indian agriculture could be fostered. The regulation, it is stated, is not sought to be brought about through legislation. What other measures should be taken to achieve this end is the problem that is engaging the attention of the Government.

Dealing with manufacture of raw sugar (recently a barter deal has been negotiated to export 3,00,000 tons of raw sugar to Japan) which the ISMA President had opined to be not an easy task, Mr. Patil observed that if India had to embark on any large-scale sugar exports, she had to go in for this sort of manufacture since it was the foreign importers' preference which had to be catered to.

IDA CREDIT FOR KOYNA PROJECT

The International Development Association has made available a credit of $17.5 million to India for financing the second stage of the Koyna hydro-electric power project which will increase its capacity to 5,80,000 kilowatts. The credit will be passed on by the Government of India to the Maharashtra State Electricity Board which is handling the project.

This IDA credit, like all others, is for a term of 50 years. Repayment of the principal will begin on January 15, 1973. Thereafter, one per cent of the principal will be repayable annually for 10 years and 3 per cent will be repayable annually for the final 30 years. The credit is interest-free, but a service charge of ¾ per cent per annum on the amount withdrawn and outstanding will be made to meet IDA's administrative costs.

The Koyna project when its second stage will be completed by late 1967, will meet most of the future demand of electricity in the Bombay-Poona-Koyna area, which is estimated to go up from 5,14,000 kilowatts at present to about 10,60,000 kilowatts by the end of 1967. Another interesting development in this connection, however, has been that the Union Territory of Goa has approached the Central Government with a request that some of the Koyna power should be earmarked for Goa's development.

POWER FROM DVC

The largest thermal power station in India is now under construction at Chandrapura for the Damodar Valley Corporation, and will come into operation late in 1964. The Chandrapura station is in the 280 megawatt bracket and will feed power to the Railways, new projects and to collieries in Bihar and Bengal.

Though most of the equipment is being imported, the order for the clarification and filtration plants has been placed jointly with Messrs. Paterson Engineering Co. (India) Private Ltd. and Messrs. Bird & Co. (Private) Ltd., while the order for the demineralisation plant has been placed with Bird & Co., who are the leading designers and manufacturers of this type of equipment, having built similar plants for several other power stations in India. These plants will give, daily, a continuous supply of 8 million gallons of clarified, and 1.8 million gallons of filtered water and 1,50,000 gallons of water demineralized down to the equivalent of 'triple distilled' quality for make-up to the boilers operating at 2,150 lbs. per square inch pressure.

The total value of the equipment ordered is Rs. 30 lakhs. A considerable saving of foreign exchange has been effected as most of the equipment is designed and manufactured indigenously.

IN BRIEF ....

The net collections of small savings in India in 1961-62 amounted to Rs. 91 crores as compared to Rs. 105 crores in 1960-61. The fall in collections in 1961-62 is attributed to the reversal of the trend of diversion of deposits from the commercial banks to post office savings bank which had been induced in 1960-61 by the failure of the Palai Central Bank and some other small banking companies.

*

The West Germany Government has agreed in principal to grant a credit for meeting the foreign exchange cost of Rourkela Steel Plant's expansion. But this credit is conditioned on a certain action being taken to bring the existing plant to full working. The total cost of expansion programme is estimated at Rs. 90 crores, of which about Rs. 50 crores would be in foreign exchange. Tenders for the plant and equipment needed for the expansion programme have already been receiv-

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ed and are being scrutinised by the Government. Preliminary work at the site is said to be in progress.

*

The Mysore Iron and Steel Works has been assured by the Union Government that its proposal for the manufacture of alloy and special steels would be considered favourably.

*

The Government has set up a technical committee to consider the setting up of a pig iron plant in Andhra Pradesh. The recommendations of this committee are expected to be available in the near future.

*

The Government of India has decided to set up the Madhya Pradesh fertilizer factory in the public sector. This decision has been taken as a sequel to the surrendering of the licence taken out earlier by a private sector company. The project is now envisaged to be executed by the Fertilizer Corporation of India which has been asked by the Government to work out its details. The execution of the project is likely to commence by January next.

*

According to a communique issued by the Government of India, the Bhilai Steel Plant has reached its rated capacity. The capacity in some jobs is stated to have been even exceeded. The work is under way for the expansion of this plant to a capacity of 2.5 million tons of steel per annum. The Soviet Union is assisting in this expansion programme.

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COMPANY AFFAIRS

LARSEN AND TOUBRO

The Larsen and Toubro Limited has reported all-round improvement during the year ended March 31, 1962. The sales invoiced by the company have increased sharply from Rs. 3.51 crores to Rs. 5.71 crores, while the income from commissions, compensations, engineering fees, and other sources have risen from Rs. 19.48 lakhs to Rs. 25.88 lakhs. This has naturally resulted in raising the net profits from Rs. 18.03 lakhs to Rs. 19.26 lakhs. The Directors have decided to pay a gross dividend of Rs. 1.40 per equity share and Rs. 6.50 per Preference share.

Though sales are substantially higher, the profits comparatively show a maderate rise. The general increase in expenses, mainly on salaries and wages and costs of raw materials, the delay in shipment of goods owing to the last minute changes in procedures for importing equipment from Development Loan Fund allocations, and the large orders secured in the face of severe competition at narrow profit margins, account by and large for the relatively small increase in profits.

Allocations include Rs. 12.20 lakhs for Depreciation (against Rs. 11.52 lakhs), Rs. 2.96 lakhs for Development Rebate Reserve (against Rs. 4.82 lakhs), Rs. 21 lakhs for taxation (against Rs. 17.40 lakhs), the same amount of Rs. 2.50 lakhs for general reserve, an equal amount of Rs. 1 lakh for Dividend Equalisation Reserve and Rs. 16.38 lakhs for dividends (against Rs. 15.38 lakhs). A sum of Rs. 1.51 lakhs has been carried forward to the next year's account as against Rs. 0.99 lakhs brought in.

The company has completed satisfactorily the contracts for erection of the Gauhati Oil Refinery and the installation of machinery and equipment for the Worli Dairy Project. The Madras Harbour Extension Works, in which the company is associated with Engineering Construction Corporation Ltd., is progressing satisfactorily and is nearing completion.

The company is negotiating for new contracts for the erection of factory structures, machinery and equipment which are expected to be secured shortly.

During the year the company has been granted an industrial licence for the manufacture of flour milling, feed milling and grain silo plant in collaboration with Messrs. Buhler Brothers of Switzerland.

The workshop of the company and its subsidiaries are working to full capacity and the company has a satisfactory backlog of orders.

BAJAJ AUTO LIMITED

The working results of Bajaj Auto Limited for the year ended March 31, 1962, show a significant improvement over the preceding year. Gross profits (before providing for depreciation and other provisions) show a rise of more than 57 per cent, increasing from Rs. 13.17 lakhs to Rs. 20.74 lakhs. In sharp contrast to the small appropriations made last year, the allocations for the current year indicate substantial improvements. In the case of General Reserve, for example, the appropriations for the year at Rs. 6.25 lakhs show a rise of Rs. 5 lakhs. Similarly, the appropriations for Development Rebate Reserve at Rs. 2.49 lakhs is more than four times the allocation made last year. The salient results of the working of the company for the current year as compared with the preceding year are set out in the table below:

	Year Ended 31-3-1962	Year Ended 31-3-1961
	(Rs.)	(Rs.)
Gross Profit (before providing for depreciation and provisions)	20,73,933	13,17,022
Depreciation	3,37,547	27,823
Provision for taxation	6,00,000	5,20,000
General Reserve	6,25,000	1,25,000
Development Rebate Reserve	2,49,052	65,000
Dividends	3,19,600	4,45,500

After the appropriations and adjustments the position of Reserve and Surplus remains as under:

	As at 31-3-1962	As at 31-3-1961
General Reserve	7,50,000	1,25,000
Development Rebate Reserve	3,16,052	67,000

NEW ISSUES

Tata Hydro Electric Power Supply Co. Ltd., Bombay, and Tata Power Supply Co. Ltd., Bombay, have obtained permission from the Controller of Capital Issues to raise Rs. 100 lakhs and Rs. 85 lakhs, respectively, by issuing debenture stock.

The following are the details:

Tata Hydro Electric Power Supply Company will issue debenture stock of the value of Rs. 100 lakhs. The debentures will carry interest not exceeding 6¾ per cent and will be offered to the public through a prospectus.

The proceeds of the issue will be utilised for the company's programme of modernisation, improvements and rehabilitation, etc.

Tata Power Supply Company has been permitted to issue debenture stock of the value of Rs. 85 lakhs. The debenture will carry interest at a rate not exceeding 6¾ per cent and will be offered to the public through a prospectus.

Other companies granted permission to raise capital are as follows:

Ahmedabad Manufacturing and Calico Printing Company will issue bonus shares of the value of Rs. 6,25,000 on capitalisation of the company's general reserve.

Parle Products Manufacturing Company has obtained the CCI's sanction to issue bonus shares of the value of Rs. 11.76 lakhs on capitalisation of reserves.

Ahmedabad Kaiser-i-Hind Mills has been granted consent to the issue of Rs. 2.75 lakhs bonus capital on capitalisation of the company's reserves.

Bombay Steel Rolling Mills will raise new capital of Rs. 15,59,900 in 1,55,990 equity shares of Rs. 10 each at par. The capital is required for the establishment of a rolling mill at Kalyani, district Nadia.

The Assam Gas Company, a State Government undertaking, incorporated for carrying on the business of transporation and distribution of natural gas for domestic and commercial use, has been allowed by the CCI to issue Rs. 15 lakhs divided into 15,000 equity shares of Rs. 100 each to be subscribed by the State Government at par. The proceeds will be used for the payment of technical consultancy fee.

Company Meetings

INDIAN SUGAR MILLS ASSOCIATION

Need to Reduce Excise Duty on Sugar to ensure Stability in Sugar Industry.

In his Presidential Address at the 29th Annual General Meeting of the Indian Sugar Mills Association, held at New Delhi, on the 8th August, 1962, Shri D. D. Puri, President of the Association said:-

DETERMINATION OF SUGARCANE PRICE

For a realistic assessment of the problem of the Sugar Industry, it has to be borne in mind that the production of sugar in the world is much more than its consumption. The potential is even bigger than the production achieved hitherto. That is why most exporting countries and some importing ones, notably the U.S.A., have imposed statutory restrictions on cane and beet acreages. In India, however, control of this type would present insurmountable administrative problems because of the large number of growers involved. Here the only way to stabilise the production of cane is to fix its statutory price at a level that is not so low as to be unremunerative as that would inevitably discourage cane cultivation and affect sugar production, and not so high as would divert additional land to cane cultivation and thereby disturb the economy of other food crops. Experience has proved that whereas the price of Rs. 1.44 was too low resulting in shortages in sugar production, the price of Rs. 1.62 was definitely too high and caused the crisis of over-production. The price was raised from Rs. 1.44 to Rs. 1.62 in 1959-60. Within two years, area under cane registered an increase of about 20 per cent in the Northern zone alone. Thus in 1960-61 we produced 3 million tons of sugar when we consumed only 2.1 million tons. This rapidly expanding area under cane unless checked would lead to disaster. It would bring about a collapse of the Sugar Industry and with it wide-spread suffering to the millions of cane growers all over the country. That is why production of sugar had to be statutorily controlled in the last season. We have, therefore, to strike a balance between these two extremes to avoid measures like restrictions on production becoming a recurring feature.

BASIS FACTS OF SUGAR INDUSTRY

The basic concept of a statutory price of cane, irrespective of its sugar content, has been a major obstacle in the way of cane development. It has acted as an incentive in the wrong direction; it has encouraged the grower to grow cane without regard to the sugar content thereof. There is no getting away from some basic facts of life in sugar economy. Let me state these as clearly as I can.

One, sugar is produced in the field; the factory only processes it. If India is one of the highest cost sugar producers in the world, the causes and the cures will have to be sought in the field.

Two, when cane is sold, it is the sugar in cane that is or should be paid for. The rest is trash, literally and metaphorically;

And three, the grower has to be helped into a correct concept of the common objective and provided with the wherewithal to achieve it.

In the light of these observations, I venture to suggest that the recent policy of Government fixing Rs. 1.50 per maund as the minimum price of cane up to a recovery of 9 per cent and increasing it corresponding to increase in recovery is a welcome first step. One might be tempted into suggesting improvements even in this first step. For instance a mechanism could be built into the scheme whereby factories should be compelled to pay a higher than minimum price for cane at a time when competition from gur is particularly fierce and adjust this additional payment later on without in any way deviating from the average minimum price payable to the growers. The Industry, however, has an open mind on the scheme and is prepared to give it a fair trial so as to be able to make constructive suggestions after working it for one season. Later on the scheme of incentives will have to be carried further to groups of growers and ultimately perhaps the individual grower.

CANE DEVELOPMENT

Alongside the quality incentive price scheme, we have to provide the grower with the wherewithal to improve the production of sugar in cane. State Governments raise crores of rupees every year on account of cane cess. They have done so for decades now. By and large these monies have not been spent on cane development. Let it be understood clearly and without doubt that diversion of cane cess to general revenues is carried out almost entirely at the expense of the grower. There is no getting away from the fact that cane cess was first proposed and levied in the name of cane development. The most important single factor that can put sugar production on a sound footing is the utilisation of cane cess for cane development. The biggest beneficiary, if this ever happens, will be the cane-grower. And this step will bring about stability to all aspects of the Sugar Industry, including exports.

I am happy to acknowledge here the welcome step taken by the Punjab Government when they announced that the entire cane cess would be spent on cane development in the State and sincerely hope other States will emulate the example,. . I also welcome the announcement of the Chief Minister, U.P., for setting up a high power committee to suggest ways and means of improving the position of the Industry in the State. I hope this committee will be formed soon, will go deep into the problems and suggest a corrective that could be implemented expeditiously.

SUGAR EXPORTS

Moving now from sugarcane to sugar, I may express that an export target of 5 lakh tons for 1963 is a safe figure to start with. This could be improved upon progressively in the following years. Our national economy is entering a difficult phase. As time passes the foreign exchange position is getting more and more difficult and there is no hope of checking the strain at least in the next few years. We, therefore, must export. Our failure on this front would rob our hard-won freedom of its content and meaning and deal an irreparable blow to our economic growth. We have passed the stage of ifs, buts and whethers and must get on with the job. My appeal to every one concerned is to make an all-out effort to promote exports.

NEED TO PRODUCE RAW SUGAR

For the Sugar Industry, which is relatively a new comer in this field, exports on a large scale will present many difficulties. Take raw brown, to start with. Technologically, switching over from the production of direct consumption white to raw brown which has to undergo further refining may appear to be a retrograde step. It may appear very easy. It may or may not be retrograde but it is certainly not as easy as may appear at first sight. We have to recognise the fact that a large part of the sugar that sells abroad is in the raw state. As more and more countries establish refineries, the raw market is expanding at the cost of white. The seller has no choice. He has to produce what the buyer wants.

This Association has given a very close look to the production of raw brown sugar. We convened two seminars followed by two meetings where the technologists discussed the problems involved. We have received valuable advice and assistance from the National Sugar Institute. As a result all this, it is clear that with the exacting specifications demanded by some of the importers, the switch-over is not an easy matter. Apart from production, there are the problems of storage, handling and deterioration in transit. Nevertheless. I am confidence that with co-operations and understanding at the hands of Government, the industry will and it must make an all-out effort to produce 2 lakh tons of raw sugar in the next season. Personally I have no doubts whatsoever, that the target will be achieved and valuable experience gained for expanding this production in later years.

SUGAR EXPORTS DURING LAST YEAR

During the last year we exported about 2.47 lakhs tons of which more than half was for the U.S.A. and the balance for Malaya and other destinations in East and West Asia and East Africa. This was by far the largest quantity ever exported from India. Apart from affording some relief to the Industry in disposing of its stocks, exports of sugar have enabled the country to earn a substantial amount in foreign exchange. Its contribution to the foreign exchange resources last year was about Rs. 13 crores at a time when the most unsatisfactory aspect of the country's economic situation, according to the Finance Minister, was "the persistent attrition of our foreign exchange resources".

EXPORTS IN THE CURRENT YEAR

This year, we have already exported about 2.25 lakh tons and according to the sales already contracted should ship 1.10 lakh tons before the start of the next session. We have this year also made a first entry into the Canadian market by selling about one lakh tons there. This has given us confidence in being able to develop markets in far-off places also.

U. S. QUOTA

I would also like to make a brief mention of our efforts to obtain a quota for our sugar under the new U.S. Sugar Act. I am sorry that our expectations in this regard have remained unfulfilled and that we have been able to secure only a nominal quota of 20,000 tons per annum for the next two and half years. We have not won a better quota in spite of our having successfully overcome the difficulties involved in shipping, bulk handling and making supplies available at short notice. I make bold to say, the performance of Indian sugar — and we have exported 1.37 lakh tons to the American continent in a short span of three months — will bear comparison to that of any nation in the world, including those well established over decades in this business of exporting sugar to America.

REGULATION OF RELEASES

Coming now to releases for sale within the country, we are at one with Government that a fair and stable price for sugar is desirable in national interest. We recognise that in a large country like ours, transport and other problems tend to create bottlenecks leading to ups and downs in prices here and there. These limitations are inherent and have to be borne with patience, without panic. We believe that regulation of releases can help build a statutory corrective to the forces of instability. We thus state that the Industry should be consulted at the time these releases are determined.

REDUCTION IN EXCISE DUTY ESSENTIAL

Excise duty on sugar was first levied in 1934 at 97 Naye Paise per maund. Over the years it was increased to Rs. 4-12 per maund. In May 1957, this basic excise duty was doubled to Rs. 8.25 per maund. Further, an additional excise duty was levied in December, 1957, in replacement of sales-tax which together with the basic duty, amounted to Rs. 10.70 per maund.

About one-third of the cane grown in the country finds its way to the vacuum pan sugar factory. The rest goes into the manufacture of gur and khandsari. There is no duty on gur. The duty on khandsari is nominal. Vacuum pan sugar alone bears this heavy burden. Whenever there is shortage of cane, the factories are unable to pay the price that khandsari and gur manufacturers can. In times like these, cane which is normally supplied to factories is diverted to gur and khandsari manufacture. This is a national loss, for the factory is able to extract between 33 and 50 per cent more than the gur and khandsari manufacturer is able to. And it leads to idling of capacity on the one hand and an over-all loss of sugar on the other. This phenomona acts most acutely when there is a shortage and aggravates this shortage. This situation leads to control and control in its turn inhibits production.

Sugar has swung between regularly recurring cycles of shortage, control, decontrol, glut and control again. In the three seasons ending 1955-56 we have imported 13.17 lakhs tons sugar and later had over a million tons to export.

A major factor in this instability is the heavy excise duty on sugar and the economic disparity it generates between the different users of cane — vacuum pan factories on the one hand, gur and khandsari manufacturers on the other.

The only way to get out of this vicious cycle is to reduce excise duty on sugar. If the basic duty is reduced to the 1957 level, a part of the loss of revenue would be off-set by increased consumption. And yet the increase in production would easily take care of the increase in consumption, so that our export programme would not be endangered.

If the present disparity perpetuates itself, the Indian Sugar Industry will never be able to get out of regularly recurring cycles of surplus and shortage. Vagaries of weather are bad enough by themselves. The man-made disparity created by the excise duty,

aggravates the climatic variations, in both directions. This keeps every one connected with the Sugar Industry, the cane grower, the Industry, the trade and the consumer in a perpetual state of instability, almost of crisis. Pray do not imagine our sugar export programme can remain immune from these crisis. Excise duty has to be reduced drastically. This Gordian knot has to be cut. No cheaper solution is available.

INSTALLATION OF NEW UNITS — VS — EXPANSION OF UNECONOMIC UNITS

Another matter which I must touch is that before licences for new factories are issued, the small uneconomic units must be allowed to expand to economic capacities. The latter must rank prior to the former.

COAL SHORTAGE

The country has been passing through a period of acute coal shortage due to which the coal quota of the Sugar Industry was drastically reduced to 185,000 tons for the season 1961-62 against its demand for 250,000 tons. It was with considerable difficulty that the Industry was able to carry on the season. For the year 1962-63 a drastic cut was again effected in the steam coal and hard-coke quotas of the industry from 711 wagons to 365 wagons per month. However, I am glad to state that on repeated representations made, the cut in respect of steam coal has now been restored. But the cut on the hard-coke quota has yet to be restored. Hardcoke is essentially required by carbonation factories in the actual process of manufacture without which the factories cannot work. I would, therefore, like to urge upon the Mines and Fuel Ministry of Government of India to reconsider the matter and arrange for early restoration of the cut in the hard-coke quota to enable the carbonation units to have sufficient supplies ensuring smooth and uninterrupted working during the coming season.

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S. T. SADASIVAN
GENERAL MANAGER

INDIAN COPPER CORPORATION LIMITED

Address delivered by the Chairman, Mr J. W. Easson, C.A., at the Annual General Meeting of the Company for the year ended 31st December, 1961, held on the 8th August, 1962.

Gentlemen,

The Annual Report of the Directors and the Accounts for the year ended the 31st December, 1961, were submitted to you several weeks ago and I am sure you will agree that the results are not unsatisfactory despite the economic hazards which your Company, in common with many others, experienced during the year. This is the first occasion on which I have had the pleasure of addressing you and I would like to continue the practice of my predecessors and tell you something about your Company's trading throughout the year, the progress achieved and future prospects.

GENERAL REVIEW

From June 1961, Copper prices on the London Metal Exchange have been remarkably stable and the difference between the highest and lowest quotations has been as little as £5 per ton. This compares with a fluctuation of £61 in 1960 and £33 in the first half of 1961. This unusual stability is the result of a balance between supply and demand which has been achieved by some of the largest producers who have reduced their output and given some support to the London Metal Exchange price. The cut back in production now stands at 15 per cent of capacity and there is no reason to suppose that this percentage will not be varied to keep the world Copper output in balance. As long as there is no violent fluctuation in the demand for Copper or labour unrest among the larger producers I expect the price of Copper to remain around the present level of £234 per ton.

The selling prices of your Company's products are linked to the world prices of Copper and vary in accordance therewith. Thus the price stability in the world markets which I have mentioned has been reflected in the steadiness of the price structure of our products in the Indian markets. At the present selling rates and if our production is maintained at approximately the current level the profit margin can be regarded as satisfactory and I think we can view the immediate future with confidence.

WORKING REVIEW

You will have noticed from your Directors' Report that production of Copper dropped by 574 tonnes in comparison with 1960, in which year you will recall production reached a record level. The fall in production during the year was due to a reduction in the number of days worked as the 1960 annual overhaul, when the plant has to be shut down, was postponed to January 1961 and had to be extended by several days in order to modify the Ropeway. A further shutdown of a few days later in the year was caused by a shortage of coal.

I am however pleased to be able to tell you that due to an improvement in the Copper recovery percentage the rate of production was actually higher than in the previous year.

Development and prospecting continued throughout the year but on a considerably reduced scale. Certain essential stores, in particular explosives and drill steel, were in short supply and development had to be suspended or curtailed in a number of areas. Nevertheless I am glad to be able to report that despite the reduction in footage developed, the ore reserves increased by over 110,000 tonnes during the year. These reserves at the 31st December, reached the record figure of more than 4 million metric tonnes.

Last year your Chairman drew your attention to the adverse effect on production of cuts in import licences. Your Company's output of Brass and Yellow Metal Sheets and Circles depends entirely on the availability of Zinc, which must be imported and as a result of the serious foreign exchange position our full requirement of Zinc was not sanctioned in 1961. The output of rolled products, therefore, fell substantially in comparison with the previous year and with India's foreign exchange position still critical, the prospects of any improvement this year are rather remote.

Like most industrial undertakings your Company has been greatly concerned with the serious shortage of power, coal and transport but overall the effect, I am pleased to say, was not as bad as had been expected. Nevertheless the threat remains and it is to be hoped that every effort will be made to bring about a definite and permanent improvement in the supply of these utilities on which all industry depends.

Your Company is fortunate in that it possesses its own generating plant to augment the Electric Power supply from the Damodar Valley Corporation and thereby has largely been able to counteract power cuts. As a result the Company suffered no serious power shortage during the year but I trust that there will be a considerable improvement before the end of 1963 when we shall require substantially more power.

Your Company has suffered an acute shortage of coal throughout the year and despite full co-operation received from suppliers and the Coal Controller it has been impossible to build up stocks which have remained at dangerously low levels. The facts of the national coal shortage are well-known to you all and need no repetition here. Suffice it is to say that energetic action is now being taken by the authorities concerned and while the scarcity will undoubtedly remain with us in the immediate future, I hope that it will get no worse.

The shortage of coal has been aggravated by the difficulties of rail transport and in an effort to avoid a recurrence of a stoppage of work it has become necessary to augment supplies by the far more expensive method of road transport.

The rail transport problem has also been reflected in a decrease in the despatches of finished goods from the Works and in consequence there has been a further increase in Stocks. This accumulation of Stocks is, I am afraid, locking up more of the Company's finances than is desirable but I am pleased to say that there have recently been signs of an improvement in the wagon allotments and if this is maintained despatches should improve and the stocks should come down to a more satisfactory level.

The overall cost of production has increased principally due to the lower output but the facts that raw materials are now more expensive and labour costs are higher and mining is generally being carried out at greater depths, have also added to the increase.

Modifications to and replacement of existing plant and equipment continued according to schedule in con-

formity with the plans to increase production and I am pleased to tell you that alterations necessary to increase the capacity of the Aerial Ropeway were successfully completed during the year.

I am happy to inform you that in place of Consolidated Goldfields of South Africa Ltd. who, for domestic reasons had to relinquish their appointment as the Company's Technical Consultants, we were most fortunate in being able to appoint John Miles & Partners (London) Ltd. as Consulting Engineers and Technical Advisers for a period of five years from the 1st July, 1961, and the appointment has received the approval of the Government of India. John Miles & Partners (London) Ltd. have already been of considerable assistance in the progressing of our expansion programme.

I am pleased to report that good relations between the management and labour were maintained throughout the year.

KYANITE

A particularly satisfactory achievement of the year was the settlement, by way of a Compromise, of the long outstanding dispute with our Superior Landlord, the State of Bihar, over our lease to mine Kyanite. Our thanks are due to all those persons who have brought these negotiations to a successful conclusion. I am pleased to report that the State Governmest has granted to your Company a fresh lease of the property to mine Kyanite ore for a period of 20 years from the 1st September, 1961 with an option of renewal. The claim of the Bihar Government on your Company including mesne profits for the period between the date that the old lease expired in 1955 to the date that the new lease was granted in 1961, was Rs. 1 crore which, in terms of the Compromise Settlement, stands satisfied by the Company undertaking to pay agreed annual instalments throughout the period of the lease.

Despatches of Kyanite increased from 21,659 tons in 1960 to 27,460 tons in 1961. The export of Kyanite continues to earn much-needed foreign exchange and with this in view we have increased our efforts to improve overseas trade and we now have contacts in most countries of the free world.

ELECTROLYTIC PROJECT

I am happy to report that work on the Electrolytic Copper Refinery is now progressing satisfactorily. Work has suffered from the shortage of cement and certain delays in the issue of licences for equipment being imported from overseas but these difficulties have now largely been overcome and there is no apparent reason why the Project should not be completed by the end of 1963.

ACCOUNTS

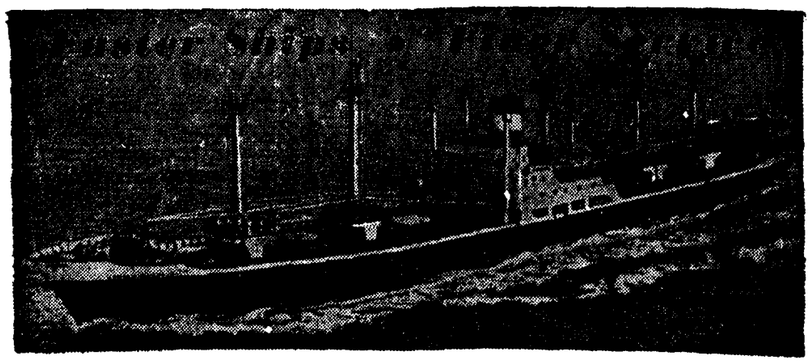
Turning now to the Accounts, the results disclosed reflect the conditions under which the Company has operated during the year and which I have outlined in my remarks to you today. The Profit for the year before providing for Taxation, Depreciation and Reserves amounts to £1,222,163 which compares with £1,307,982 for 1960. The provision for Taxation requires £504,512 while your Directors have decided to place £165,000 to Depreciation and £100,000 to General Reserve. This year £56,250 goes to Development Rebate Reserve.

I mentioned earlier the settlement of the Kyanite Suit and you will no doubt have noticed in the Balance Sheet that a sum of £280,964 has been transferred from General Reserve to make provision against the Decretal amount for previous years. In addition £68,465 has been appropriated out of the profits for the year under review.

The balance available for disposal, including the amount brought forward from the previous year, is £442,561 and your Directors are recommending the same Dividend distribution as last year, namely 27 per cent subject to tax. This will absorb £370,251 leaving a sum of £72,310 to be carried forward to next year.

STAFF

In conclusion, I am sure you will wish to join me in thanking Mr. N. A. B. Hill, the General Manager and the staff at the Mines and at the Works and all the workers for a year of loyal and industrious effort.



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.

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
May 1961 ..	117.2	104.1	121.6	153.2	136.9	125.3	126.9	125.4
June " ..	120.6	100.1	123.3	148.8	139.7	123.9	126.2	126.2
July " ..	124.2	98.6	122.1	151.4	141.9	125.3	127.6	128.8
May 1962 ..	124.2	102.0	122.3	134.9	137.3	125.9	127.5	126.3
June " ..	125.4	99.7	123.4	136.1	139.5	127.1	128.8	127.4
July " ..	128.4	98.5	124.5	138.8	142.6	127.2	129.4	129.6
June 30, 1962 ..	127.6	99.1	124.1	137.1	140.3	128.3	130.0	129.1
July 7, 1962 ..	126.6	99.1	124.2	137.4	142.1	127.7	129.8	128.6
July 14, 1962 ..	128.3	99.1	124.4	138.5	142.2	127.3	129.4	129.5
July 21, 1962 ..	128.7	97.9	124.6	139.3	142.5	126.8	129.0	129.7
July 28, 1962 ..	129.9	97.9	124.7	139.9	143.5	126.9	129.3	130.4

* 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 December	416	435	302	171	410	499	493	175	481	178	177	177
1962 January	415	436	295	170	399	513	495	178	482	177	174	175
February	417	438	295	170	399	513	492	—	480	177	177*	175
March	418	439	300	170	403	503	493	—	480	179	175*	175*
April	418	439	300	170	410	491	492	—	480*	182	175*	175*
May	422	443	—	167	417	491	496	—	480*	180	177*	177*
June	426	447	—	171	—	505	497	—	484	—	—	—
July	—	—	—	—	—	—	—	—	487	—	—	—

† Base 1944 = 100. * Provisional.

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

	10-8-1962 High	10-8-1962 Low	10-8-1962 Average	3-8-1962 High	3-8-1962 Low	3-8-1962 Average	27-7-1962 High	27-7-1962 Low	27-7-1962 Average	20-7-1962 High	20-7-1962 Low	20-7-1962 Average
Gold (per 10 gram)	125.60	124.75	125.21	125.90	125.20	125.50	126.35	125.10	125.83	126.75	125.50	126.24
Silver (per kilogram)	214.20	212.95	213.41	213.65	212.00	212.63	214.05	212.45	213.38	213.90	212.70	213.36

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										
May 1961 ..	1,989,60	16,63	2,006,23	117,76	113,01	230,77	11.50	118,51	1,656,95	2,006,23
June „ ..	1,958,79	30,43	1,989,22	117,76	108,01	225,77	11.35	118,54	1,644,92	1,989,22
July „ ..	1,922,49	24,13	1,946,62	177,76	93,01	210,77	11.83	121,30	1,614,54	1,946,62
May 1962	2,143,74	24,94	2,168,68	117,76	102,00	219,76	10.13	115,05	1,833,87	2,168,68
June „ ..	2,111,73	33,72	2,145,45	117,76	92,48	210,24	9.80	113,75	1,821,43	2,145,45
July „ ..	2,070,65	20,54	2,091,18	117,76	92,14	209,90	10.04	117,27	1,764,01	2,091,18
Week-Ending										
6-7-1962 ..	2,094,77	23,77	2,118,54	117,76	91,77	209,53	9.89	114,79	1,794,22	2,118,54
13-7-1962 ..	2,090,32	14,15	2,104,47	117,76	91,09	208,85	9,92	115.61	1,780,01	2,104,47
20-7-1962 ..	2,060,76	16,31	2,077,07	117,76	89,34	207,10	9.97	118,13	1,751,83	2,077,07
27-7-1962 ..	2,036,73	27,91	2,064,63	117,76	96,34	214,10	10.37	120,56	1,729,97	2,064,63
3-8-1962 ..	2,045,20	18,72	2,063,92	117,76	92,84	210,60	10.20	119,83	1,733,49	2,063,92

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	36,19	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														
May 1961 ..	61,60	16,21	78,38	116,50	272,69	144,08	501,78	16,72	41,65	21,40	83,99	125,25	191,55	21,22
June „ ..	64,96	13,55	84,67	123,86	287,04	134,21	506,25	30,47	39,78	14,49	68,97	121,34	208,22	22,97
July „ ..	58,61	18,56	93,24	111,63	282,04	94,38	461,41	24,17	26,26	9,98	40,10	117,43	221,75	21,72
May 1962 ..	50,54	15,77	86,11	150,91	303,30	158,79	547,11	24,96	64,10	5,79	111,26	129,86	174,46	36,65
June „ ..	56,84	11,35	91,78	149,74	309,71	168,06	562,78	33,77	52,34	8,62	98,64	126,68	203,05	39,67
July „ ..	51,34	20,63	102,86	196,73	371,57	121,12	577,67	20,59	63,99	5,86	37,96	130,85	280,80	37,71
Week-Ending														
6-7-1692 ..	48,16	25,19	109,23	193,42	376,00	120,06	581,06	23,83	58,89	6,78	37,88	133,58	279,04	41,35
13-7-1962 ..	53,27	17,46	90,51	192,22	353,46	119,08	557,55	14,20	74,69	5,37	38,17	133,08	252,29	39,75
20-7-1962 ..	49,33	14,28	108,60	193,64	365,85	121,86	572,71	16,36	67,45	4,51	41,73	128,69	278,46	35,51
27-7-1962 ..	54,58	25,59	103,08	207,63	390,88	123,49	599,37	27,97	54,92	6,76	34,05	128,05	313,40	34,24
3-8-1962 ..	49,08	36,07	94,88	203,80	383,83	117,22	586,06	18,80	60,16	6,22	27,77	131,33	308,19	33,59

† 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.

TRENDS IN DIRECTION OF INDIA'S FOREIGN TRADE: 1955-56 — 1961-62

(Rs. Lakhs)

Country		1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62
E.E.C.								
Germany West	Imports	60,28	90,00	124,07	94,50	114,87	122,52	118 21
	Exports	14,92	15,03	15,52	15,18	21,06	19,90	20,68
	Balance of Trade	—45,36	—74,97	—108,55	—79,32	—93,81	—102,62	—97,53
France	Imports	15,54	21,41	25,54	17,64	19,08	21,13	15,98
	Exports	7,11	8,01	8,84	7,28	8,39	8,83	8,08
	Balance of Trade	—8,43	—13,40	—16,70	—10,36	—10,69	—12,30	— 7,90
Belgium	Imports	12,08	24,53	20,02	15,98	14,56	15,22	11,47
	Exports	9,00	6,85	5,96	4,42	5,77	5,26	5,94
	Balance of Trade	— 3,08	—17,68	—14,06	—11,56	— 8,79	— 9,96	— 5,53
Luxembourg	Imports	36	2,18	1,91*	77*	29*	52	4
	Exports	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
	Balance of Trade	— 36	— 2,18	— 1,91	— 77	— 29	— 52	— 4
Italy	Imports	16,50	26,31	32,26	27,49	22,79	25,97	23,68
	Exports	9,59	6,93	6,66	5,30	6,08	9,22	9,39
	Balance of Trade	— 6,91	—19,38	—25,60	—22,19	—16,71	—16,75	—14,29
Netherlands	Imports	14,13	13,92	12,15	9,78	14,55	10,54	12,51
	Exports	15,42	10,71	7,67	7,04	9,01	8,56	8,05
	Balance of Trade	+ 1,29	— 3,21	— 4,48	— 2,74	— 5,54	— 1,98	— 4,46
Total E.E.C.	Imports	118,89	178,35	215,95	166,16	186,14	195,90	181,89
	Exports	56 04	47,53	44,65	39,22	50,31	51,77	52,14
	Balance of Trade	—62,85	—130,82	—171,30	—126,94	—135,83	—144,13	—129,75
E.F.T.A.								
United Kingdom	Imports	172,69	212,92	226,93	158,63	181,98	217,15	194,52
	Exports	166,16	181,89	151,62	164,22	179,90	172,61	161,15
	Balance of Trade	— 6,53	—31,03	—75,31	+ 5,59	— 2,08	—44,54	—33,37
Norway	Imports	3,11	3,36	4,86	2,98	2,39	2,85	2,30
	Exports	1,12	47	84	1,17	1,31	1,02	1,26
	Balance of Trade	— 1,99	— 2,89	— 4,02	— 1,81	— 1,08	— 1,83	— 1,04
Sweden	Imports	7,86	11,89	11,12	9,76	10,65	11,88	13,93
	Exports	1,55	1,51	1,71	1,55	1,49	1,54	1,62
	Balance of Trade	— 6,31	—10,38	— 9,41	— 8,21	— 9,16	—10,34	—12,31
Denmark	Imports	4,18	4,02	4,54	3,08	1,57	1,94	1,84
	Exports	2,06	1,88	2,11	2,01	2,40	1,64	1,68
	Balance of Trade	— 2,12	— 2,14	— 2,43	— 1,07	+ 83	— 30	— 16
Switzerland	Imports	12,07	16,31	16,49	9,05	8,00	10,38	10,64
	Exports	99	1,11	1,03	82	79	1,36	1,73
	Balance of Trade	—11,08	—15,20	—15,46	— 8,23	— 7,21	— 9,02	— 8,91
Austria	Imports	2,59	4,49	4,74	1,88	2,19	2,93	4,33
	Exports	40	28	23	20	23	29	39
	Balance of Trade	— 2,19	— 4,21	— 4,51	— 1,68	— 1,96	— 2,64	— 3,94
Portugal	Imports	43	43	49*	35*	38*	38	29
	Exports	20	19	19	17	29	16	31
	Balance of Trade	— 23	— 24	— 30	— 18	— 9	— 22	+ 2
Total E.F.T.A.	Imports	202,93	253,42	269,17	185,73	207,16	247,51	227,85
	Exports	172,48	187,33	157,73	170,14	186,41	178,62	168,14
	Balance of Trade	—30,45	—66,09	—111,44	—15,59	—20,75	—68,89	—59,71

* Relates to calendar year.

TRENDS IN DIRECTION OF INDIA'S FOREIGN TRADE: 1955-56 — 1961-62 (CONTD.)

(Rs. Lakhs)

Country		1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62
East European Countries								
U.S.S.R.	Imports	6,21	16,91	24,47	17,21	16,05	15,87	35,32
	Exports	3,26	15,50	16,66	25,90	30,62	28,84	32,07
	Balance of Trade	— 2,95	— 1,41	— 7,81	+ 8,69	+14,57	+12,97	— 3,25
Germany, East	Imports	37	49	63	2,00	2,58	3,31	5,58
	Exports	2	46	1,50	1,17	2,94	3,27	4,46
	Balance of Trade	— 35	— 3	+ 87	— 83	+ 36	— 4	— 1,12
Poland	Imports	43	4,44	3,00	2,30	4,12	4,42	8,31
	Exports	33	1,24	92	88	4,93	3,88	4,57
	Balance of Trade	— 10	— 3,20	— 2,08	— 1,42	+ 81	— 54	— 3,74
Hungary	Imports	41	66	79	1,29	1,95	2,02	5,60
	Exports	8	49	38	76	71	1,37	4,85
	Balance of Trade	— 33	— 17	— 41	— 53	— 1,24	— 65	— 75
Rumania	Imports	32	19	63	54	1,40	4,95	3,83
	Exports	1	22	56	44	2,38	1,38	2,61
	Balance of Trade	— 31	+ 3	— 7	— 10	+ 98	— 3,57	— 1,22
Czechoslovakia	Imports	2,80	7,27	5,48	5,78	4,57	8,76	14,20
	Exports	1,33	3,26	3,38	4,02	5,12	7,12	8,10
	Balance of Trade	— 1,47	— 4,01	— 2,10	— 1,76	+ 55	— 1,64	— 6,10
Bulgaria	Imports	3	22	13	8	24	54	96
	Exports	2	5	2	14	19	19	88
	Balance of Trade	— 1	— 17	— 11	+ 6	— 5	— 35	— 8
Total East European Countries	Imports	10,57	30,18	35,13	29,20	30,91	39,87	73,80
	Exports	5,05	21,22	23,42	33,31	46,89	46,05	57,54
	Balance of Trade	— 5,52	— 8,96	—11,71	+ 4,11	+15,98	+ 6,18	—16,26
Asia								
Iran	Imports	14,44	31,03	56,09	32,24	37,54	29,55	47,35
	Exports	5,21	4,55	6,21	5,60	4,30	5,41	4,55
	Balance of Trade	— 9,23	—26,48	—49,88	—26,64	—33,24	—24,14	—42,80
Japan	Imports	33,37	47,89	50,77	41,89	38,28	60,78	58,61
	Exports	30,22	29,38	23,71	28,38	35,21	34,88	40,33
	Balance of Trade	—3,15	—18,51	—27,06	—13,51	— 3,07	—25,90	—18,28
Saudi Arabia	Imports	15,16	14,21	17,92	17,65	24,29	14,18	18,90
	Exports	6,07	5,72	4,20	4,02	4,86	3,28	3,33
	Balance of Trade	—9,09	— 8,49	—13,72	—13,63	—19,43	—10,90	—15,57
Pakistan	Imports	27,11	15,76	11,66	6,02	8,56	14,02	13,86
	Exports	8,41	7,98	7,20	6,34	7,23	10,25	9,55
	Balance of Trade	—18,70	— 7,78	+ 4,46	+ 32	— 1,33	— 3,77	— 4,31

TRENDS IN DIRECTION OF INDIA'S FOREIGN TRADE: 1955-56 — 1961-62 (CONTD.)

(Rs. Lakhs)

Country		1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62
Burma	Imports	9,58	9,41	13,34	42,93	15,92	13,65	10,64
	Exports	12,53	11,37	11,09	7,84	12,64	6,58	5,31
	Balance of Trade	+3,05	+ 1,96	— 2,25	—35,09	— 3,28	— 7,07	— 5,33
Singapore	Imports	13,84	14,58	12,10	8,77	10,44	10,44	9,00
	Exports	8,02	7,63	8,25	11,18	6,99	7,19	8,30
	Balance of Trade	—5,82	— 6,95	— 3,85	+ 2,41	— 3,45	— 3,25	— 70
Bahrein	Imports	8,16	6,87	5,31	3,15	4,00	5,03	4,35
	Exports	2,28	2,38	2,32	2,93	2,19	2,35	2,08
	Balance of Trade	—5,88	— 4,49	— 2,99	— 22	— 1,81	— 2,68	— 2,27
Ceylon	Imports	9,41	7,91	5,33	4,97	5,31	4,13	4,42
	Exports	20,54	18,01	17,51	20,12	22,40	18,48	17,11
	Balance of Trade	+11,13	+10,10	+12,18	+15,15	—17,09	+14,35	+12,69
China	Imports	4,38	7,53	4,23	6,06	4,27	2,57	1,51
	Exports	6,54	2,88	3,78	3,38	8,03	5,27	20
	Balance of Trade	+2,16	— 4,65	— 45	— 2,68	+ 3,76	+ 2,70	— 1,31
Aden	Imports	2,07	1,16	76	86	1,16	2,02	2,45
	Exports	6,28	6,52	6,04	7,49	5,20	5,33	5,35
	Balance of Trade	+4,21	+ 5,36	+ 5,28	+ 6,63	+ 4,04	+ 3,31	+ 2,90
Federation of Malaya	Imports	4,48	10,30	13,62	10,26	10,91	13,50	13,03
	Imports	4,38	3,91	4,01	5,30	4,52	5,78	6,80
	Balance of Trade	— 10	— 6,39	— 9,61	— 4,96	— 6,39	— 7,72	— 6,23
Afghanistan	Imports	4,38	4,21	5,17	4,58	5,91	5,02	1,90
	Exports	2,40	1,68	2,23	3,79	4,81	6,38	5,00
	Balance of Trade	—1,98	— 2,53	— 2,94	— 79	— 1,10	+ 1,36	+ 3,10
Iraq	Imports	2,27	2,31	2,02	2,41	1,87	2,20	2,33
	Exports	2,20	2,82	2,05	1,83	3,00	2,98	3,03
	Balance of Trade	— 7	+ 51	+ 3	— 58	+ 1,13	+ 78	— 70
Indonesia	Imports	1,46	2,08	4,13	3,65	3,97	3,58	1,77
	Exports	11,66	7,70	4,18	2,98	4,84	3,11	7,00
	Balance of Trade	+10,20	+ 5,62	+ 5	— 67	+ 87	— 47	+ 5,23
Thailand	Imports	48	63	39	46	65	66	2,04
	Exports	3,22	2,45	3,36	2,37	2,14	3,25	2,71
	Balance of Trade	+2,74	+ 1,82	— 2,97	+ 1,91	+ 1,49	+ 2,59	+ 67
Kuwait	Imports	4,31	7,00	12,00	8,38	3,13	8	43
	Exports	3,49	3,36	3,90	4,02	3,68	3,43	3,72
	Balance of Trade	— 82	— 3,64	— 8,10	— 4,36	+ 55	+ 3,35	+ 3,29
Africa								
Mozambique	Imports	4,50	3,95	6,21	6,30	5,68	5,39	5,69
	Exports	75	84	85	1,04	34	1,20	92
	Balance of Trade	—3,75	— 3,11	— 5,36	— 5,26	— 5,34	— 4,19	— 4,77
Nigeria	Imports	48	Negl.	8	27	26	50	1,78
	Exports	8,18	6,94	2,09	5,66	4,19	5,76	7,03
	Balance of Trade	+7,70	+ 6,94	+ 2,01	+ 5,39	+ 3,93	+ 5,26	+ 5,25
Sudan	Imports	12,68	9,28	9,51	6,21	10,31	9,41	10,57
	Exports	5,62	9,47	9,69	5,02	15,47	9,53	10,34
	Balance of Trade	—7,06	+ 19	+ 18	— 1,19	+ 5,16	+ 12	— 23

TRENDS IN DIRECTION OF INDIA'S FOREIGN TRADE: 1955-56—1961-62 (CONTD.)

(Rs. Lakhs)

Country		1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62
Egypt	Imports	23,10	8,32	8,12	6,70	13,71	16,42	12,04
	Exports	9,57	10,97	10,97	8,25	10,38	13,44	12,92
	Balance of Trade	—13,53	+ 2,65	+ 2,85	+ 1,55	— 3,33	— 2,98	+ 88
Ethiopia	Imports	4	4	..	..	1	3	5
	Exports	3,76	3,91	3,71	2,30	2,22	2,43	2,77
	Balance of Trade	+3,72	+ 3,87	+ 3,71	+ 2,30	+ 2,21	+ 2,40	+ 2,72
Kenya	Imports	21,85	17,19	10,02	12,16	11,74	12,36	11,63
	Exports	6,06	7,40	7,40	4,62	4,92	4,96	5,49
	Balance of Trade	—15,79	— 9,79	— 2,62	— 7,54	— 6,82	— 7,40	— 6,14
Uganda	Imports	28	50	1,53	1,54	54	1,55	1,60
	Exports	1,06	56	82	73	59	59	74
	Balance of Trade	+ 78	+ 6	— 71	— 81	+ 5	— 96	— 86
Tanganyika	Imports	2,27	3,96	3,37	2,28	3,34	6,68	2,47
	Exports	3,68	3,28	3,37	2,37	2,27	2,29	2,84
	Balance of Trade	+1,41	— 68	..	+ 9	— 1,07	— 4,39	+ 37
Zanzibar and Pemba	Imports	2,25	2,32	2,21	2,80	2,48	1,90	2,15
	Exports	61	37	65	37	39	34	33
	Balance of Trade	—1,64	— 1,95	— 1,56	— 2,43	— 2,09	— 1,56	— 1,82
America								
U.S.A.	Imports	89,30	1,05,26	1,70,32*	1,69,14	1,87,58	3,27,56	2,33,51
	Exports	87,12	90,74	1,31,87*	86,01	96,39	1,02,93	1,16,75
	Balance of Trade	—2,18	—14,52	—38,45*	—83,13	—91,19	—2,24,63	—1,16,76
Canada	Imports	6,84	9,71	13,00	35,20	20,45	19,86	16,61
	Exports	14,02	15,64	13,82	14,86	15,14	17,66	17,40
	Balance of Trade	+7,18	+ 5,93	+ 82	—20,34	— 5,31	— 2,20	+ 79
Argentina	Imports	6	5	3	1	7	9	17
	Exports	11,09	6,40	9,79	9,27	8,70	4,53	5,00
	Balance of Trade	+11,03	+ 6,35	+ 9,76	+ 9,26	+ 8,63	+ 4,44	+ 4,83
Cuba	Imports	67	18	..	Neg.	Neg.	8	Neg.
	Exports	4,49	5,21	6,20	4,66	2,61	7,33	5,18
	Balance of Trade	+3,82	+ 5,03	+ 6,20	+ 4,66	+ 2,61	+ 7,25	+ 5,18
Oceania								
Australia	Imports	13,47	12,72	15,75	14,89	13,51	17,79	22,73
	Exports	24,82	23,43	23,06	21,13	18,55	22,44	16,03
	Balance of Trade	+11,35	+10,71	+ 7,31	+ 6,24	+ 5,04	+ 4,65	— 6,70
New Zealand	Imports	2,48	2,44	2,13	83	1,12	1,54	1,22
	Exports	4,58	4,89	6,88	4,65	5,34	7,42	7,40
	Balance of Trade	+2,10	+ 2,45	+ 4,75	+ 3,82	+ 4,22	+ 5,88	+ 6,18

*Relates to calendar year.

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THE EASTERN ECONOMIST

AUGUST 24, 1962.

Masters of Space

THE tremendous feat of Russia's "twin" cosmonauts who have filled the world again with wonder at the capacity of men to triumph over nature has led to universal exaltation in the wisdom and courage of *homosapiens*. It has also led, less happily, to invidious comparisons of political environments in which these tremendous feats of intellect and endurance are accomplished. Sir Bernard Lovell, Director of Britain's Jedrell Bank Radio Telescope Station, credited with being a great neutral observer of these operations, allowed himself to be drawn into the vortex of these Cold War reflections when he said that the Russians were now masters of space and could knock down American 'spy' satellites. It is obvious that the West considers the wonderful achievement of the Russians a new military danger, resulting largely from the capacity to accomplish in space with precision many tasks hitherto believed impossible. Observers in India have not yet been able to grasp either the technical scientific advance implicit in these flights or their military potential. It is probable that the scientific side has been exaggerated, and the military side underestimated in this country. There is ground for believing that the increased secrecy with which the Soviet Union guards its new techniques is a measure of the military possibilities that they contain. If so, the original exaltation of the world at the wonders of spacemanship must be tinged with a new sadness that our methods of destruction are still running ahead of our capacity for peaceful discovery and self-preservation.

This is not, however, the time to look morbidly on the terrible possibilities of new vistas of spacemanship which Soviet daring and skill have opened out to an astonished and admiring world. The demonstration that men could remain in orbit for four full days in a state of weightlessness seems to prove that the flights to the moon believed a decade away might take place within two to three years. The *rendezvous* which seems to be another purpose of this flight does not seem to have been an equally conspicuous success, since, while close contact was once achieved (and the reports say that the two cosmonauts could see one another's spaceships), the control of proximity is obviously not within immediate reach. Nevertheless, what the Russians have done is far and away the highest feat in spacemanship yet accomplished. If it had no immediate military significance and was capable only of assisting the paths of peace and discovery there would be no reason why the Western world should not applaud much more loudly than it has done.

In the Indian Union, whilst we pay our full tribute to the wonderful success of our Russian friends, we must not fail to remember that the vast military potential of satellites is being used by both sides to develop new sources of espionage as well as of attack and defence. Convinced as we are that nuclear tests serve no useful purpose, in that they engender an endless chain-reaction of destructive experiments, one might perhaps argue that we should view with equal fear the wonderful discoveries of space which conceivably might have the same long-run disastrous effect upon the relations between nations. It is possible at this moment to wonder whether or not the wonders of space are being bought at too heavy a price for the human race. There are many, at least in India, who would feel that the spirit of men exalted unduly by their own capacity to fly like gods in outer space might be humbled by their notorious incapacity to keep their rivalries, scientific and military, within the bounds of wisdom, which they have applied so effectively to other ends.

A Great Success in West Irian

THERE is no one in India who will not rejoice as, indeed, has most of the world, at the West Irian Pact signed last week by Dr. Subandrio, Indonesia's Foreign Minister, and Dr. J. H. van Rougen and Mr. C. W. A. Schurman, for the Netherlands. It was appropriate that the signatures to this historic document were affixed in the U.N. Security Council Chamber, for it is, undoubtly, a U.N. - created peace. By a happy accident, this remarkable success of the U.N. Secretary-General has come on the eve of his departure for a historic visit to Moscow. Those who know the trials of his predecessor may well, in congratulating him on his great success in West Irian, wish that his present laurels might be a forerunner of many difficult negotiations that he will be called upon to undertake.

A United Nations Secretary-General, like every great dignatory, needs success even more than imagination and hard work. It is still true in the international world, whatever is true elsewhere, that nothing succeeds like success. But U Thant will be the first to give the main credit to Mr. Ellsworth Bunker, who patiently over many months worked at the details of what are appropriately now called the Bunker proposals, which contain the elements of the solution which finally obtained. Mr. Ellsworth Bunker is widely remembered here as U.S. Ambassador to India and thus by reflection there is large Indian interest in the Bunker proposals. This is the time when his many friends in India would wish to convey to him their warmest congratulations on a great mission of peace, patiently and most skilfully accomplished.

A cease-fire has now been in operation, and with a small military unit of a thousand men to be drawn particularly from Malaya with only six Indian officers to help, it is believed that peace will be maintained over an area three times the size of England. The small United Nations force will be paid for, as is appropriate, by the Netherlands and Indonesia equally. The Bunker proposals call for approval in the U.N. General Assembly of a Joint Dutch-Indonesian resolution

for transfer of the control of the Island to the Secretary-General, who, immediately upon the adoption of the resolution by the Assembly, will depute his representative to take over. Within one year all the Dutch officials are to be withdrawn from the island's administration and for the second year the administration is to be manned by officials of non-Dutch and non-Indonesian nationality. At the end of the second year the administrative control is to be passed over to Indonesia, subject to the stipulation that before 1969 the Indonesian Government will hold a plebiscite of opinion of Papuans. Thus has the image of self-determination been given concrete form and shape.

No one on this day of accord wishes to consider the possibility that the Indonesians will be asked to withdraw, after the plebiscite, and thus it looks as though a stable situation has at last arrived in an area held in dispute for no less than thirteen years. It is in work such as this that the constant striving of the United Nations for peaceful solutions commends itself to the people of Asia, who have too often cynically denied its capacity and power to bring peace where there has been dissension and strife.

Safety on the Railways

IT is idle to pretend that the confidence of the railway user in the safety factor in railway operations has remained unshaken despite the heavy recurrence and high toll of accidents to railway trains, with an ominous accent on accidents to passenger trains, during the last seven months. But by an extraordinary twist of reasoning, Mr. Swaran Singh tried to impress upon the Lower House that the gravity of the recent accidents was being magnified out of all proportion to the truth of the situation. He initiated the debate with the tactless and erroneous observation that the incidence of the accidents that occurred in the recent past was light as compared to what happened in the earlier years not quite remote and, with a dryness that so ill-fitted the occasion and the mood of the House, the quoted extensively from the official statistics to lend corroboration to his thesis. This made an indignant House all the more indignant, driving it to demand the Minister's resignation and the imposition of capital punishment on the culprits.

Facts give a lie to Mr. Swaran Singh's thesis. During the first decade of planning, the year 1956-57 stands out as the worst in casualties with a toll of 276 killed and 335 injured. But the record of the first seven months of 1962 surpassed this hazardous peak with its incidence of casualties—180 killed and 710 injured, out of them 136 grievously injured. To come to still another exacting toll, in the seven weeks between June 23 and August 15 this year, 23 accidents took 74 lives, letting 162 escape with injuries. Surely the truth of the situation demanded precision in facts. The grave concern felt in the country over the serious erosion of safety in railway travel urged that the issue of human failure as a major cause of the accidents should be faced boldly and remedies discussed for its elimination fearlessly.

But the Railway Ministry's, rather the Railway Board's, supine attitude of evasiveness when it comes to confronting labour was exhibited again on this occasion. It is nobody's case that in railway traffic operations acute stresses and strains of duty, particularly night duty, do not produce quicker fatigue than in many other industrial operations. Work schedules and relieving staff are being provided on a progressively rationalised scale to counter fatigue. The Railway Minister is rightly undertaking an investigation into the prevalence of fatigue during duty and he was also right in declaring that the proposition of providing facilities for change-over in engine crew at non-scheduled points was being actively considered. Curbs must also be put on the confirmed tendency to create overtime for earning allowances in spite of fatigue. When all this is conceded, the blunt truth remains that, in the official analysis of railway accidents, fatigue has not emerged as a contributory factor worth the name.

There was a good deal of emphasis placed on the condition of the rolling stock and references were made to grievances against obligation to operate locomotives with defects. Several of such complaints may be true, but the ratio of defective engines being continued on the track cannot on any reckoning but be small — negligible. Efficiency and turn-over at the workshops have improved considerably and this trend is being sustained. During the decade beginning in 1950-51, the proportion of locomotives awaiting or undergoing repairs at the shops was reduced from 18.95 per cent to 14.90 per cent of the total on line daily. The corresponding figures for freight wagons are a reduction from 7.28 per cent to 3.79 per cent and for passenger coaches they are a drop from 14.17 per cent to 8.07 per cent. To lay the blame on the rolling stock is to harp on the old order of things which has ceased to exist on that scale. On the contrary, replacements and additions to stock represent modernised engines and vehicles with superior efficiency. The condition of the track, however, is not satisfactory and furthermore track usage, as measured in train miles per running track mile per day, increased during the decade from 16.5 to 20.2.

If accidents are to be prevented and minimised to the extent it is humanly possible to do so, there can be no escape for the Railway Ministry from the stark reality that human failures must be dealt with drastically. Human failure is a significant factor responsible for 40 per cent of the accidents over a period of sixteen years covered by their analysis. It was astonishing to find the plea raised that the increase in the staff is not proportionate to the increase in the volume of traffic. No such direct correlation can be presumed between the two. Additional staff is required at points where additional pressures are created by the increasing traffic and not all over the railway systems. This is not to suggest that isolated points remain understaffed. But the Railway Ministry is liberal in its estimates of additional requirements of staff and cases are on record where the traffic anticipated does not materialise and surplus labour of a spectacular size is maintained to be absorbed in the following years. It is a matter of common experience that in the recent past efficiency and discipline have figured as casualties in railway operations. To evade this challenge is to accept defeat. But can defeat be accepted where human lives and property are concerned?

Guest Editorial

Education—for Whom and for What?

By PEGGY HOLROYDE

[This article has been specially sought to indicate where a fetish for academic excellence by itself can lead—Ed.]

A PECULIAR malaise has afflicted the British spirit until recently. This began with the last election appeal of never having had it so good and was reinforced by the ethos of the "I'm all right, Jack" attitude. But suddenly we have sprung to life again with a political groundswell of dissatisfaction taking shape in a remarkable liberal revival. The momentum gathers, so much so that a Cabinet guillotine has thrown forward the youngest and most intellectual Minister of Education we have had in a long time. This is symptomatic. If there is one subject which exercises more passion and soul-searching unease in Britain today it is education.

A political reshuffle, however, does not in itself constitute a safe sea-wall against the force of the incoming tide — and the ordinary Britisher has just about had enough of what still amounts to a clear-cut class differentiation in educational opportunity. Dr. Michael Young, Cambridge sociologist and founder of the Advisory Centre for Education, recently commented on this phenomenon in the course of a review of Anthony Sampson's new and penetrating dissection of our body politic—The Anatomy of Britain. He pointed out that the traditional ruling classes, coming from the aristocracy, public schools and Oxbridge, continue to dominate and stultify government with their amateurishness, their cliques and their resistance to innovation. These old style rulers, Dr. Young goes on are out of touch with the new people and the new forces coming to the fore in science, education and industry.

Only a few days later this observation was further underlined by Mr. Macmillan knotting the old schooltie (as the *Daily Mail*, erstwhile Conservative paper now showing signs of defection, astringently put it) with considerable fervour. Among twenty four new appointments seven were Etonians, three were Wykamists, two were Harrovians and eight more were from other public schools. These reinforcements were gathered in to a Cabinet already manned by six resident Etonians.

It is precisely this stratification at the top and the consequent repercussions at all levels of English society especially, in comparison with American, Russian, European or even for that matter Scottish, that perturbs a growing number of people here who regard good education for a wider spectrum of children as an essential component of healthy democracy.

But attidues change more slowly than policies and overt methods of reform. It will take a long time to dislodge an inherent and distinctive attitude bred of the Oxbridge tradition—that is, a deep-seated suspicion of real education for the masses. Education in depth, yes. Education in the mass, no. What both America and Russia proudly proclaim—a free and high-geared educational programme leading on to widespread educational facilities for an eventual fifty per cent of the population—we in no way wish to emulate even if financially we had the resources to do so. On the part of both academic and Government leaders there is this unconscious, hardly-expressed belief that what Oxbridge still stands for—education for the meritocratic elite—is right and proper.

Oxbridge stands upon the pinnacle of our educational edifice. All the nerve-racking grind of an exam-ridden process which we now see from the eleven-plus in State schools through the Common Entrance in the public schools, the General Certificate of Education, Ordinary and Advanced levels, are hurdles to be taken unhesitatingly up this steep gradient. As education progresses to higher reaches the path narrows into the dangerous groove of over-specialisation in order to squeeze through the passage of university entrance. Of course this is happening in all the technologically advanced countries; nevertheless the average brain is catered for by them and acknowledged as of use to the community in a way that we still regard only the first or second class mind.

The eleven-plus examination in the State school system is the agonising result of this attitude and our greatest bugbear to date. It is a stumbling block of undemocratic magnitude and increasingly arbitrary (depending more on where you live than on your IQ) in its selection of pupils for grammar schools. Education still being a local authority affair, some counties allocate far more finance towards educational expansion than others. Therefore more finance and more places can be allocated to grammar school education. Even for those who can afford to break the system by opting out and using the public school (so anomalously named) neglect of the school building programme and of the teaching profession has led to a tremendous demand on even these schools. Here Common Entrance is the same nightmare as the eleven-plus, creating another invidious meritocracy. I have been reliably told that to gain entrance to one of London's best private schools for girls, applicants have to achieve an average of 85 per cent in every subject. This makes nonsense of true education and creates a snobbery of its own which is hard to eradicate in later life and which sees no merit in the third or fourth class mind at University — yet often these very people turn out to be the backbone of the community.

If ever there was a prime example of this it is Sir Winston Churchill. Looking back on his early academic career, his hatred of formal learning, and his inability to acquire Latin, it is salutary to speculate on how he would have fared with the hurdles we now place in the way of the present generation.

Fortunately a new generation of educationists are in revolt against the Oxbridge view of the

academic life. Directors of Education at London University, Reading, Manchester and Cambridge have all in the last few months deplored the existing rat-race. Croydon Borough Council have thrown a bomb into the State school edifice by passing a scheme for the setting up of Sixth-form colleges to break the invidious segregation at 11. This Education Committee was perturbed at the wastage of those children denied grammar school places who show academic promise in later maturity; their plan is to create high schools for all with autonomous Sixth-form colleges for those who have the aptitude and the desire to continue their higher education. As Mr. Lionel Elvin, Director of the Institute of Education at London University, pointed out in his advisory role to the Borough Council, there is nothing wrong with selection so long as it is self-selection — in fact the only answer is to provide many more better grade schools for all children up to the age of 15. If then they show no academic leanings, apprenticeships in industry and technical colleges can provide the equality of status which is at the moment so lacking, creating a desperate inferiority among those streamed away from grammar and public schools.

The Crowther report of 1959 (still unimplemented) stated that there was some danger "of English education lagging behind the times .... We do not think that the figures of about 12 per cent of the age group still in full-time education at the age of seventeen and of 6 per cent at twenty are nearly good enough. The education that is provided for the great mass of children is inadequate both in its quality and duration." The Robbins Committee is still hearing evidence on the whole subject of further education, but at the moment one has the disturbing sense of niggling restraint, of diminution and stunted growth with many teen-agers haunted by a vague sense of humiliation and apathy born out of inferiority created by the system. "We are the rejects" is the succinct way a class of secondary moderns put it to their new teacher.

Obviously the moral of this is that we have to spend far more on education than we have been willing to do in the past if we are to widen the opportunities for more children of every background to experience better education. And even from the point of view of expediency we have to do this if we are to train the scientists and technologists to expand the nation's industrial capacity. Otherwise we shall find ourselves in a vicious spiral without the wealth to plough back into the intangible cultural aspects of our national life.

Fortunately in Britain public opinion is mature enough to exercise itself with remarkable elasticity. A group of parents discovered that it was easier within present credit restrictions to build a cinema or a Bingo hall than a new school. They did the very British thing of forming themselves into an Association for the Advancement of State Education in order to deal more effectively with their local education authorities. Carping complaint without co-operative effort makes of democracy an acrimonious and negative freedom. To anyone who has known Asia and the lethargy of individual effort this is one of the more rewarding aspects of Western life — people can and do come together in order to force authority into action rather than directing verbal broadsides alone — a private and besetting sin of the individual in India.

So the ferment has grown to the present state of widespread discontent. And here is the crux of the matter, of concern as much to Indians whose present educational system rests upon foundations laid by British thinking over one hundred years ago, as to English people. Perhaps Oxbridge sufficed in the past for a race of administrators and highly cultivated guardians of Empire. But this is the age of technocrats and astronauts born of illiterate peasant stock, of American Cabinet officials such as Ribicoff and Rusk whose parents were poor immigrants, of unorthodox Afro-Asian politicians moved by different thought processes and other values of scholarship, of inquiring young Russians increasingly reaching to the fringes of dissent, and their American counterparts who regard education as a vast humanising process.

To what end then, we ask ourselves, should true education be aimed? This is our problem, but it is yours too in India. All schooling leads in the final analysis to the product of good citizen who understands the world in which he lives and recognises the forces that are at work in shaping the future. Ideally this should be so. At the moment it is not. But there are signs that the spirit of our new universities only just beginning to emerge upon our island scene is in tune with the needs of the time. Sussex, York, Norwich and Essex are all formulating exciting and dynamic new ideas. These new places of learning may well shape a whole new educational pattern for Britain — a pattern which is at the heart of the whole painful evolutionary process that is unfolding itself in India.

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THE WEEK'S NOTES

Rajasthan

THE STOP-GAP

AFTER A protracted period of tiresome activity and indecision a "solution" has been found to resolve the crisis in the Rajasthan Congress Party as well as the Congress Legislature Party. The threat which was held out for some time past about the appointment of a tribunal to reopen the enquiry against Mr. Kumbharam Arya was removed when the High Command eventually came to the decision that any further enquiry would be pointless. This was a realistic recognition of the consequences likely to ensue in case matters were allowed to be worsened still further by an enquiry involving, perhaps, several defections. Mr. Arya has bowed before the Disciplinary Committee and resigned his membership of the State Congress Executive Committee as well as the more important Pradesh Elections Committee. This action on the part of the rebel dissident leader should not be misconstrued as a surrender in the scramble for power. He and his group are biding their time. When the elections to the State Congress Executive will be held in November next, Mr. Arya and his supporters will use their freedom to wage a bitter struggle for the capture of key positions in the Party organisations. What may follow thereafter, it is difficult to speculate. But the revival of internal party strife seems to be a high probability.

The Rajasthan Legislative Assembly is being convened for a short monsoon session sometime in the middle of September. Although the internicine warfare has been stopped for the time being, Mr. Sukhadia's cabinet must be prepared for repeated onslaughts from the opposition groups and parties in the legislature. Already the administration of the State has been demoralised by the uncertainty prevailing in the Legislature Party as well as inside the Ministry where members of Mr. Arya's group have been lodged. This intolerable situation needs to be ended. For that purpose Mr. Sukhadia has sought the permission of the Central Parliamentary Board of the Congress Party to obtain a vote of confidence of the Legislature Party in his leadership. As we go to Press, the decision of the Board, which was likely to be taken up on August 22, is not known; but Mr. Sukhadia would get the permission he seeks. There are thick reports of a "reshuffle" of the State ministry. The probabilities are that it will not be confined to a change in portfolios, but will significantly take the form of the expansion of the cabinet to ensure stronger support to the Chief Minister.

C.P.I.

A MIXED BAG

THE RESOLUTIONS adopted by the National Council of the Communist Party of India at its recent session held at Hyderabad, have produced a mixed bag of the Party's attitudes to the Government. At long last, the CPI has realised the futility of trying to swim against the current with a tenacity for an anti-national ideology and changed its China policy. The resolution on the subject is free from any equivocal positions and it extends unqualified support to the Prime Minister's policy on China. There is, of course, a compliment paid to China for her readiness to localise the dispute, not to allow it to assume wider dimensions and to reopen negotiations. But what is significant is that there is no more any tacit or disguised support to China's territorial claims. The Government's policy to go headlong with the defence build-up, while the olive branch is being held out, has been endorsed by the CPI.

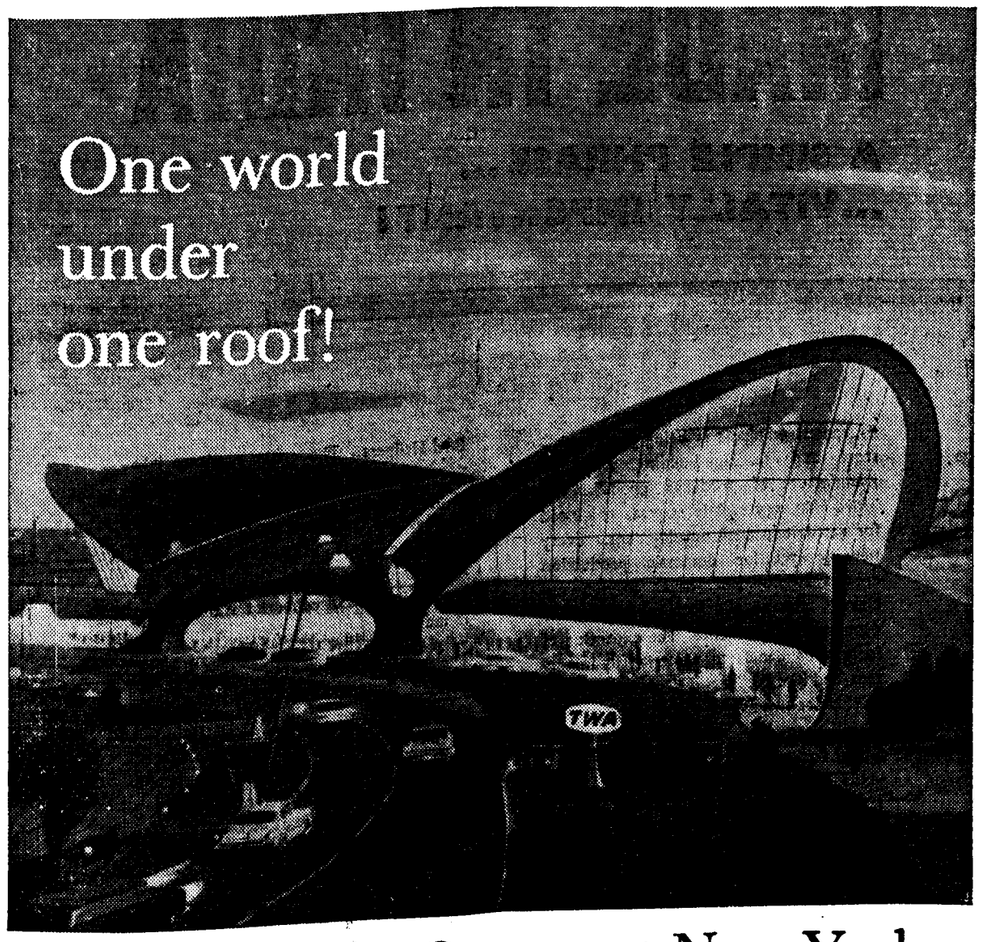
In regard to prices and taxation, however, particularly the latter, the policy of an agitational approach, which appears to have been approved in the resolutions on the two subjects, discloses the ulterior purpose. The ground which the CPI has so damagingly lost in the last general elections is being attempted to be recovered by this unusual tactic against taxation. The burdensome rise in prices is blamed on the "monopolists, bankers, landlords and speculators" in the hackneyed communist style. While the State sector is exonerated from responsibility in this behalf, there is a thrust at the Government for making a bad price situation worse by imposing excise duties and sales taxes on a wide range of consumer goods. This is a concealed imputation of responsibility for higher prices directed against the Government. Taxation has been the centre of attack in sectors where it impinges on the incomes of the masses. But if taxation is to be opposed, the Party has to furnish an explanation how financial resources for planned development are to be raised internally. Verbal support is lent to the principle of no opposition to planned development, but opposition is aimed at the burden of taxation on the working people. The public has a right to demand an unequivocal exposition of the CPI's policy on indirect taxation which is bound to emerge as the source of increasing importance in future tax-revenue. It will be no surprise if the no-tax campaign recommended in the resolution will be concentrated, in the first instance, in Kerala, Andhra Pradesh and Orissa where mid-term elections are approaching.

Kenya

TRIBAL PRESSURES

IT IS not without significance that Mr. Jomo Kenyatta has somewhat despairingly uttered the warning that the "Congo signs" are beginning to be ominously visible in Kenya. This deplorable development, if it takes any shape at all, will be due to the domestic political factors alone. These factors are strongly rooted in the tribal rivalries and mutual suspicions. Nevertheless, the timing of the upsurge in the tribal pressures cannot be without an explanation. That explanation appears to be no other than that the Boundary Commission got off to a start in its delicate and difficult assignment on August 9. This Commission has been charged with delimiting the boundaries of the six regions which will constitute the administrative units. The constitution envisages a wide measure of autonomy to the regions as a safety-valve against the emergence of any dictatorial trends at the Centre in the name of a strong national government. The different tribes will no doubt strive to secure the delimitation of the regional units to ensure their individual rights and safety. Even while the Commission has now only touched the preliminaries of its work, it is being pressed with diverse kinds of demands.

The target of attack in this crucial phase of the demarcation of the regional boundaries is the dominant majority tribe, the Kikuyu led by Mr. Kenyatta. This is also the tribe which leads the majority partner in the coalition government — the Kanu. If within such a short time the minority groups and tribes are making themselves bold to raise protests against Mr. Kenyatta's authority, it is perhaps due to the apprehensions generated by some of his actions in the Government. The labour and youth wings have also joined the present resistance to what they call Mr. Kenyatta's dictatorial attitudes. The Luo tribe, which owes its allegiance to the Kanu, has declared its support to the party as on a basis of trial, depending on a modification in the policies of Mr. Kenyatta against which it nourishes its main grievances. It has threatened defection in case the modifications are not brought about. In view of the regional reorganisation, it may be easy to exaggerate these tensions and pressures. Ultimately, however, the well-being of the nationals of the country unity and cohesion.



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The World Abroad

INSIDE ENGLAND

By

ODYSSEUS

DOES BRITAIN FACE a glorious past? Is she a played-out country of stately homes in advanced stages of picturesque dilapidation, peopled by colourful, anachronistic aristocrats and snobbish country gentlemen, educated in barbaric public schools, a backward looking nation, lacking the drive to be in the vanguard in this age of electronic industry and atomic power?

These are some of the questions in Anthony Sampson's new book "The Anatomy of Britain" (Hodder & Stoughton. London. 1962. 35sh.), which is today's best seller in the UK. My guess is that it will be widely read throughout the English-speaking world, because it is topical, packed solid with inside information about personalities in parliament, the political parties, the press, the cabinet, churches, schools, universities, civil service, the City, business, industry, science, trade unions, nationalised industries, and so on: It is well written in the lively personal style popularised by John Gunther's "Inside Europe" and "Inside the USA". With all British public life as his landscape, some parts are inevitably better than others, but as a guide book to contemporary Britain, the book, as a whole, is well worth reading.

Mr. Sampson offers no solution of his own for the UK's lack of dynamism, but his sympathies are obviously with the Labour party rather than with the Conservatives, and his general tone implies that Britain's future would be brightest with Labour in office.

ETON AND OXFORD V. "THE PEOPLE"

Mr. Sampson rightly argues that a nation can only forge ahead by the constant adaptation that leads to change and growth. In his view, however, the domination of class distinctions and caste taboos, which uphold snobbish Victorian ideals of the "gentleman" and nostalgic reverence for a vanished imperial past, impede innovation. The traditional ruling classes, coming from the aristocracy, the upper middle classes, the public schools typified by Eton and Harrow, the ancient universities of Oxford and Cambridge, and the world of exclusive London clubs, all combine, Mr. Sampson thinks, to stultify progress by their ideals of the amateur, their old boy networks and their instinctive resistance to the new forces coming from the "people" and from the "red brick" universities, with their educational emphasis on science and their social emphasis on egalitarianism.

Now, although Mr. Sampson greatly exaggerates the snobbery, reactionary attitudes, and lack of adaptability of the British upper middle classes, I readily concede that these weaknesses exist. They are not, however, as you would suppose from Mr. Sampson's pages, peculiar to the UK. All societies resist change. All have their classes and vested interests, not least the USA, usually upheld as "classless" and ever restlessly changing. If you don't believe me, read John Gunther's "Inside the USA", which shows the extent to which all Americans seek to conform to the pattern of "regular Americanism." See, for example, what John Gunther says about "social pressures" on page 266 of "Inside the USA" (H. Hamilton. London). See John Gunther and also Philip Wylie ("Generation of Vipers") on anti-semitism in the USA—another symptom of reaction and conformity. See, again, Mr. J. K. Galbraith's witty appraisal in his "Affluent Society" of the conservatively minded majority in the USA, where "originality is taken to be a mark of instability" and where "the bland lead the bland."

However, to suggest that you find resistance to change in all countries does not dispose to Mr. Sampson's belief that dynamism in the UK is frustrated by British reactionaries.

How, then, would the Labour Party make the UK dynamic? For them, the panacea is to abolish what they regard as privilege, particularly in education, and to spread the ideals of egalitarianism, "fair shares" and Socialism. Mr. Sampson speaks of "the new and potentially exciting institutions which control large areas of the future" and (apparently in all seriousness) offers among examples of these "new and potentially exciting" institutions — the nationalised industries! He blames the Conservatives for tarnishing the ideals of public service (which he asserts, inspired these industries under the Labour government) by beginning at long last to insist that they shall try to lose fewer millions and aim at a profit. He observes that the state has been landed with many of the most unprofitable industries in the country, "because they have apparently become unworkable by anyone else." This contradicts his argument that it is the Eton and Oxford ruling classes who are impeding innovation. If the coal mines and the railways, for example, cannot be made to pay by anyone else why should they be kept alive, as museum pieces, by the state? As I said here on June 22, if you regard the social "establishment" in the UK as a moth-eaten survival, you must recognise that the economic "establishment" is a vigorous political force, alive and kicking hard. The economic "establishment" is largely made up of obsolescent industries surviving from the Victorian era, which employ so many thousands that governments shrink from letting them be pushed aside by new and expanding industries. This is because the unions fear unemployment, although since the war unemployment has averaged 1.7 per cent a year and employers have never ceased to bid against each other for workers.

The Labour party would like to substitute the new state-sponsored, comprehensive modern schools for the traditional public schools. Mr. Sampson asserts that the public schools "remain as they were designed by the Victorians, a device by which the new rich can become absorbed with the old rich, and the sons of tradesmen can be removed from the taint of trade. But in contemporary Britain...what is needed is to turn the sons of gentlemen into businessmen: the sons of amateurs into professionals." The Labour party believes that the future lies with the state schools, which provide what has come to be known as the "meritocracy"—the new cast of men "owing nothing to family influence or money, sifted out by intelligence tests, separated from the rest, and groomed for positions of influence." The "most spectacular" of the UK's postwar educational experiments has been the state-maintained comprehensive schools which group all kinds of children under one roof for secondary education. They have "become firmly associated with Socialism and egalitarianism."

Now, I am not arguing that the traditional public schools are fully adjusted to modern requirements. No institution in being is ever perfect. It is possible that the UK's future does lie with the classless, state con-

trolled, comprehensive schools. Nobody knows. There is only one way to find out and that is by trial and error. Let the public schools and the comprehensives continue to compete for pupils. In this contest, the dice is loaded in favour of the state schools, which are free, and against the public schools, which ask substantial fees. Whichever of the two systems prevails will thus have been proved to correspond to modern requirements —as defined not by planners and bureaucrats but by parents.

THE HISTORICAL BACKGROUND

If Mr. Sampson will read Vivian Ogilvie's scholarly history, "The English Public School" (Batsford. London. 1957. 30sh.), he will find that an outworn educational system has, in the course of English history, several times been transformed by private enterprise responding to demand. Grammar schools were originated in the Middle Ages by the Church as training centres to meet the pressing need for clerks in minor orders, the professional class of the day from which civil servants, lawyers, teachers, doctors, and others, were recruited. The essential professional qualification was a knowledge of Latin, which was the language of administration and of international communication. Then, after Henry VIII's dissolution of the monasteries, many of these schools disappeared. The Tudor period was one of great commercial and industrial expansion, and the rising class of merchants, yeomen, lawyers, and country gentry, were active in launching new schools in place of those destroyed. The grammar schools were mostly re-started by the initiative of local people, who formed committees and enlisted the aid of wealthy businessmen.

Then, in the course of time, the grammar schools gradually lost touch with current needs, as Engli h pushed out Latin. The 18th century saw English education at its nadir, just as the industrial revolution began to create new problems and requirements. A new emerging middle class found the grammar schools fossilised by ancient statutes which prescribed an obsolete curriculum. They took the obvious step: they started new schools in accordance with their new ideas. Dr. Arnold of Rugby was but the best known of a host of reformers and innovators. It is hindsight to criticise the new public schools as "class" foundations. There could, as E.L. Woodward says in his "Age of Reform" (Oxf. Univ. Press. 1962), be no question in the early 19th century of secondary education for the poor because no elementary schools existed as yet. The technique itself of elementary education was unknown. Secondary education was therefore confined to the middle and upper classes. The reforming headmasters provided different kinds of education in different schools.

Those parents who disliked a particular kind of education were neither asked to pay for it, nor to assist through taxation in enforcing it on others.

Thus, the public school system was evolved, by trial and error, to meet the contemporary demand. The difference today is that, if they could, the Labour party would transform all existing schools into their "comprehensive" schools, and by allowing no other kind of schools, force all pupils into one standard machine.

That the British social "establishment", the products of the older public schools typified by Eton and Oxford, are resistant to change is true. But every country in the world has its established social system, which dislikes innovations. If, therefore, Britain is lacking in dynamism today, we must look elsewhere for the major causes. This we will do next week.

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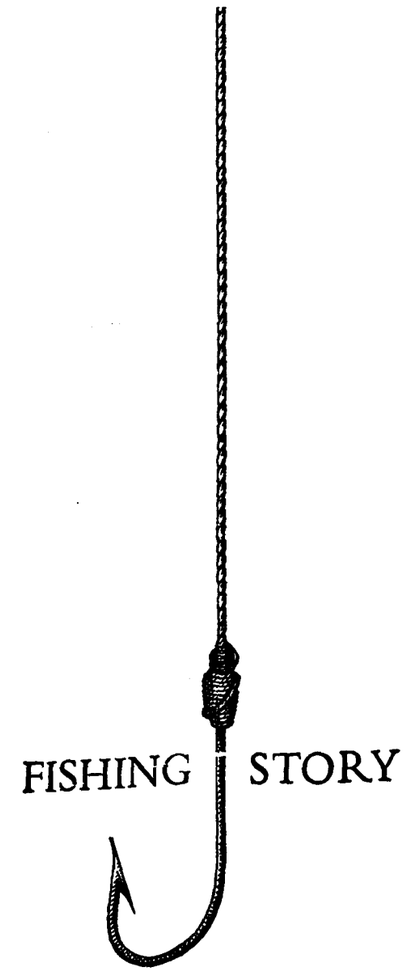
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The European Scene

ITALY'S PLANNING BOARD LAUNCHED

From Our Special West European Correspondent

PARIS, August 19.

ITALY this month set up a "national commission for economic programming", or in plainer language a planning commission. The name "plan" was avoided, as in Belgium's "economic programming bureau", not only because there is opposition to any method whatsoever of global forecasting in certain quarters, but because opponents exploit the totalitarian reputation of "national planning" to give a false idea of what is in view. An example is to hand this week in an article on Belgium's economy by Professor Baudhuin, a well known economic liberal who teaches at the University of Louvain. Claiming (in contradiction of the latest OECD study, incidentally) that Belgium's economy was expanding satisfactorily, the professor concluded with this shaft: "All this shows the vanity of planning of the sort some people want to foist on us. In fact we have noticed that the enthusiasm with which some young gentlemen in certain seats of learning embrace the idea of planning probably comes from the fact that they have the ambition to play a great role in it. No doubt it is much easier to settle down in an office and give orders after studying columns of figures, than it is to co-operate with the producers, whose task is much more arduous". Planning, that is, for this eminent liberal means careerism for idlers who like to boss others. The Italian and Belgian Governments, then, are wise to call their planning boards by another name, for they have very different objectives.

The Italian organism has 31 members: nine from the workers' unions, nine from employers' associations and 13 experts named by Government but not all from its own services. It is presided by Mr. La Malfa, the Budget Minister and one of the leaders of the Republican Party. This fact is significant, as suggesting that the allocation of public resources will continue to be made annually in the normal budget, instead of being made on a pluri-annual basis in a plan that is independent of traditional finance-ministry procedures; at most then, the plan will aim to provide a long-term prospective within which annual budgetting could hope to be more rational, less empirical. Thus planning does not presage a revolution, but simply — it is already a great deal — the desire to get budgetting off a hand-to-mouth basis and to take a longer view of the nation's possibilities. Such a long view requires consultation with others who are making long-range plans, i.e. industrialists whose capital investments take years to arrange and to mature, and with all those who have considered ideas about more remote national objectives, e.g. trade union leaders and university economists.

Any ideas that this conclave produces on long-term development will have to be submitted, as democracy requires, to the approval of the usual political organisations representing shorter-term and sectional interests. Thus the Italian commission has been charged to prepare "the outlines of a plan of national economic and social development". That plan will then pass to the Cabinet, be submitted to the National Council for Labour and the Economy (a sort of embryo third house of parliament like the French Economic and Social Council), and finally be debated by Parliament itself. We are a long way from Professor Baudhuin's picture of idle and ambitious bureaucrats bossing other people around on mere statistical considerations.

Nor does the Italian experiment indicate any shift to the Left in economic policy. True, it follows the widening of the parliamentary support of the governing coalition to include the Socialist Party of Signor Nenni but an Italian imitation of French planning had been on the way long before the Christian Democrats were obliged to accept this alliance in order to maintain a stable Cabinet. It coincides, too, with the nationalisation of electric supply companies, which was certainly the price paid by the Christian Democrats for Socialist support. The majority party, however, has just given an assurance that this is not the thin edge of a wedge; it has no intention of proposing further nationalisations. In any event, one has to set these developments in the Italian context. The State in that country already controls about 40 per cent of total industrial production. It inherited this large public sector from fascism and the war, and has since 1946 followed a generally free-enterprise doctrine, only extending its operations in fields where private capital (private Italian capital at least) was hesitant, such as the search for oil and natural gas. As for electric supply, the State already controlled much of this industry, through its big holding company IRI. It is completing its control, to satisfy the demands of the Socialists, but is thus doing nothing not already done in Britain and France many years ago.

The setting up of a planning body, then, does not foreshadow any extension of governmental hold over the economy. In fact, since the State already has so large a hold, what will be planned in the first place is its own manifold activities. In countries with a big public sector, it is usually found that the most disorderly and contradictory sector of the economy is precisely the zone that is theoretically responsible to the State but which in reality is subject to no general control. (In France last year, when there was talk of putting teeth into the plan and "forcing" enterprises to meet their targets, it came out that the worst offenders in falling short of targets were exactly certain nationalised companies. The fact is not unknown in India). If the Italian planners succeed in harnessing that 40 per cent of industrial power that is public property to some general philosophy of national development, private concerns will know better where they stand and will find their profit in adjusting their programmes accordingly without being ordered to do so by anybody.

Instead of seeing the cautious Italian venture in economic planning as a sinister political portent, one might notice that there are good economic reasons for wanting to take a broader view of the country's capacities as just this moment. The fact is that the extraordinary Italian boom has to date been easy going for several very special reasons — mainly, the existence of many unemployed people and a persistent payments surplus — but from here on it could be more difficult or even dangerous to rely wholly on unplanned initiative. The first warning has taken the shape of a marked rise in prices and in wage costs.

Up to this year, Italian prices were remarkably stable. The wholesale price index is still around the 1948 level, having reached a peak because of Korea in 1957 and falling by 1 per cent each year since. Retail prices in that time rose, but very moderately as compared with other Western countries. In recent months

the charm has been broken. The cost of living has risen by 3.4 per cent in six months. Behind this is a new and unfamiliar pressure on wages. These have been rising in the past decade more slowly than productivity, because of the existence of a substantial pool of jobless hands: between 1950 and 1960 they rose by 5.3 per cent a year, which is not only modest in comparison with West Germany and France but less than the parallel increase in production per man-hour. Just lately, however, and exactly because of the striking success of Italian economic development, skilled labour has become harder to find — and the unions have lost no time in exploiting this situation to increase wages. In six months wage costs rose by 5.2 per cent, or as much as in any previous 12 months.

These developments are signs that Italy is beginning to encounter the problems of more developed economies — for what the country has known in the past decade was not so much expansion as transformation, a veritable mutation from a backward agricultural economy to an industrialised nation. Throughout that period of change, Italy won what seemed like a dangerous gamble on inflation. Whereas expansion in West Germany and France was founded on tight credit control, Rome was able to open the gates of money-creation with apparent abandon: the supply of money (circulation plus deposits) increased by no less than 12 per cent yearly for 12 years! Interest rates were kept low for a developing country (they were lowered at the peak of the expansion in 1958) and banks' statutory reserves were lowered this year. The reason this lavish infusion of credit was consistent with stable prices is evident: ample manpower was available to be drafted into industry, keeping its costs low while it gained the advantages of large-scale production, so that Italian exports (notably mechanical goods and chemicals) could score spectacular success. Meantime substantial invisible earnings from tourism (19 million foreign visitors a year, no less) and from remittances sent by expatriates, enabled the country to import freely the raw materials it needed for its growing industry and the flow of consumer goods necessary to maintain pressure on domestic living costs. The country appeared to have found the secret of economic development without tears, for at the end of a period of fantastic growth its central reserves were exceeded only by the USA's and West Germany's, and the lira was one of the world's strongest currencies.

The game is up, or at least it becomes much harder to play, when the flow of labour diminishes and when wages and prices begin to rise as fast as they do elsewhere. Italy has by no means run into a dead-end, and I believe that it will remain the West's fastest growing economy for several years yet. But it has surely reached a point where the disposal of resources requires more forethought. It is just that measure of forethought that the economic programming commission is asked to provide, and to provide not in the shape of a ukase handed down from on high, but in the form of a joint decision taken by the people concerned: the State sector, private industrialists and labour when they have discussed alternative possibilities in the light of the information provided by the best official and independent experts. If "some young gentlemen in certain seats of learning" imagine that this opens the prospect of cosy command posts — that is, if they think there is no difference between advance discussion among economic agents, and the rule of technocrats — the further development of Italian planning will no doubt disillusion them.

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THE BUSINESS WORLD

The Neyveli Complex

A FORTNIGHT ago, while offering comment on the power aspect of the Neyveli Lignite Project, it was proposed to deal with its other aspects subsequently. An attempt is made here to assess the economics of this multi-purpose scheme, both in respect of the investment involved and the benefits that South India would derive from it.

The project is an integrated one in the sense that the products of the various units constituting it would provide the raw materials or an essential utility for one or more of the other enterprises included in this complex. For instance, the mining scheme, which envisages an annual output of 3.5 million tons of lignite by the open-cast method under the first stage of its execution, would be making available 1.5 million tons of this tan brown inferior type coal for the generation of 250 MW of electric power, 0.6 million tons for producing 152,000 tons of urea (70,000 tons fertilizers in terms of nitrogen) and the remainder for producing 380,000 tons of carbonised briquettes for domestic and other purposes. Another by-product of the mining operations will be clayey earth which will provide raw material for the Clay Washing Plant of the project for producing high-class China clay. Electricity produced in the power-house would provide the energy for running the various enterprises included in this integrated complex as also for running a multitude of other industries in the southern region. The Briquetting and Carbonisation Plant, besides turning out smokeless and odourless fuel for household and other non-industrial consumption, will yield a number of bye-products such as chemical grade carbolic acid, ortho cresol, meta-para cresol, xylenols and ploy valent phenols which would provide the base for a number of chemical and plastic industries. This plant would also produce kerosene and middle oils, two other essential fuels.

The total capital outlay on the first stage of the project, which consists of five schemes, is estimated to be Rs. 112.67 crores, made up of (1) the Mining Scheme (3.5 million tons of lignite) — Rs. 24.37 crores, (2) Thermal Power Generation (250 MW) — Rs. 28.07 crores; (3) Urea Plant (70,000 tons N) — Rs. 34.26 crores; (4) Lignite Briquetting and Carbonisation Plant (380,000 tons briquettes) — Rs. 25.83 crores; and (5) Clay Washing Plant (6,000 tons China clay) — Rs. 14 lakhs. The cost of the township and the common services provided at the project site — Rs. 13 crores in all — is included in the costs of setting up the various plants according to the number of people employed on each of them and the size of their capital investment. The cost of the entire project's first stage, however, is likely to go up by another Rs. 8 to 10 crores due to various factors, included in which are the rising costs of construction materials, labour, machinery, higher taxation and increased freight that is being paid on moving the machinery to the project site.

In the second stage, lignite output is to be raised to 6 million tons per annum. This will make available 400 MW of electricity per year. Ultimately, it is planned to produce 1,000 MW of electricity from this project. The Clay Washing Plant also is envisaged to be expanded to at least double its present capacity in the near future. Production of briquettes would as well go up as all the surplus lignite that is produced but not utilized for power generation and fertilizer manufacture is to be used for preparing carbonised briquettes with a volatile matter content of 15 to 18 per cent. According to the present estimates, this second stage would involve a capital outlay of Rs. 22 crores.

While the whole scheme can be said to have been imaginatively prepared, the same cannot be said about the cost structure of the various units constituting it, especially that of the Urea Plant, envisaged to be commissioned into production by early 1965. The high cost of moving coal from the principal coal-belt of the country, either by all-rail route or by the rail-cum-sea route, vis-a-vis the cost of producing an equivalent amount of lignite in terms of thermal power may have provided an economic justification for going in for power generation from this source, but the Rs. 34.26 crores cost of setting up the 70,000 tons (Nitrogen) Urea Plant is by all standards too high. According to the Planning Commission's standardisation, this cost should not have been more than Rs. 25 crores or if the cost of the township is also included, not more than Rs. 27-28 crores. The Gorakhpur Plant with a higher capacity will be costing much less. The high capitalisation of the Neyveli Fertilizer Plant will undoubtedly be reflected in the cost of its product.

The present operations of the Clay Washing Plant can also not be termed as an unqualified success. The current sale price of China clay produced at this plant, fixed by the State Government after taking into consideration the prevailing rates of the commodity in the neighbourhood, is Rs. 135 per ton f.o.r. Neyveli. But this is stated to yield only a small return on the investment. If the investment is to yield an adequate return of about 15 per cent — as such plants should do — the present price of Neyveli China clay would obviously become out of tune with the prevailing rates in the region. With the expansion of this plant to about 12,000 tons per annum — double its present capacity — some economies from the enlangement of the scale of production may be envisaged. But ways and means apparently need to be explored to bring down the current production cost.

The Briquetting and the Carbonisation Plant, where commercial operations will start in 1964, too is probably somewhat over-capitalised. But taking into consideration the domestic fuel requirements of the region — which have not only necessitated use of cattle dung in domestic ovens instead of its being used in the field as manure and denudation of forests so essential for attracting rainfall and for preventing soil erosion — and the high cost of moving even inferior quality coal from the Madhya Pradesh and Singareni coalfields, this can be justified on the grounds that there would follow from this plant appreciable tangible and intangible benefits to the region. A part of the area

now being planted with casuarina trees to yield firewood should in the near future become available for cultivation as a sequel to lignite briquettes being used for domestic and other purposes.

All this should suggest that political and regional considerations have played a greater role in the Neyveli Project being included in the Third Plan. It was perhaps necessary to do so in view of the present political climate in South India, particularly in Tamilnad. But high capitalisation of some of the schemes included in the complex enjoins on the project authorities avoidance of all wasteful expenditure. This also adds urgency to the expansion of the operations here for the economies of large-scale production need to be taken advantage of at the earliest.

An appreciation of the Neyveli Project would, however, be incomplete without a reference to the interesting experiment that is being conducted here on co-operative living. The whole of the project township has been developed as a private colony and all the trade activities and other services in it have been entrusted to the Corporation Employees' Co-operative Stores. There is one danger in it. The monopoly given to the Co-operative Stores can well lead to some unhealthy practices on the part of the management, born out of "human failings". The project authorities would do well to guard against these failings which can well be imagined, if this new experiment in Indian conditions, of running a whole town on co-operative lines, is to be made a success as an answer to the successively rising cost of living which in some parts of the country is apparently assuming menacing proportions.

The township planners deserve commendation for having planned it with the socio-economic and socio-psyschological integration in view. While the houses for the lower income groups in this township are larger in size, presumably for accommodating their large families, and have greater amenities than are available in similar townships at the other project centres in the country, those for the higher grade employees have been built on austerity standards. Further, houses have been built in the various blocks of the township for use by person belonging to all income groups. The high and the low will mingle in all the sectors of this township, thus giving rise to a true community life in a modern town, based on the socialistic pattern of society.

Raw Deal to Rayon

By CROESUS

IN the prevailing circumstances no one can afford to belittle any effort to promote exports and thereby earn foreign exchange. Every industry, in particular an industry with an export potential, has to put in its weight in this behalf. Even industries which do not directly contribute to the export drive cannot escape their respective share of responsibility, and it is only fair, therefore, that the Textile Commissioner should have called upon the Indian rayon yarn manufacturing industry to make its contribution. But this is not to admit that the two alternative proposals that he is reported to have made to the concerned interests for their consideration in this behalf are equally fair. And the industry has rightly lost no time, therefore, in making its view known.

The two proposals referred to above are (1) a cess of 25 nP. per lb. of rayon yarn produced and (2) payment of a premium of 50 per cent on a part of the pulp requirements of the industry. For obvious reasons, the reactions of the industry to these proposals have been anything but favourable. While they are opposed to the levy in the form of a cess on principle, they are averse to the payment of a premium on the score that it amounts to doling out cash to other people. Instead of a workable scheme for export to enable the industry to play its rightful role in the export trade of the country, it may be noted here that there is a prohibition on export of Indian rayon yarn. Besides, the burden that the industry is asked to bear is several times more than the monetary loss that the cotton mill industry is called upon to bear under its export promotion scheme. But then the industry has not turned down the proposal, it has offered to accept the proposal only if there is an upward revision of selling prices and a reasonable increase is allowed in the price differentials between denier and denier.

Neither of these demands would appear to be unwarranted. It is common knowledge that rayon yarn prices have remained unchanged since 1957-58. Between then and now, the industry has had to pay more for its caustic soda (15.75 np per Kg of yarn), sulphur (6.82 np per Kg of yarn), charcoal (1.25 np per Kg of yarn), power (6.52 np per Kg of yarn), steel coal (9.76 np per Kg of yarn), salary, wages and bonus (37.50 np per Kg of yarn), excise duty (41.10 np per Kg of yarn) and a loss on account of lower sales price fixed for yarn distributed under the Export Promotion Scheme (46. np per Kg of yarn), among others. The total of all these burdens aggregates nearly Rs. 2 per Kg. The Textile Commissioner, who should know this better than any one else, is known to be already examining the sale price of viscose yarn in view of all these increases in the financial burdens on the industry, but nothing is known as yet of what the outcome of such an examination has been. Again, while insisting on the industry changing its production pattern to be in conformity with changing consumers' preferences, the Textile Commissioner does not appear to have realised the implications of his own proposal. Whatever may be the justification for the Government wanting to equate the production of rayon yarn with denier-wise demand from the weaving sector, the adjustment of the pattern of production must needs be governed on the basis of the denier licensing capacity sanctioned at the time the particular unit of the industry was licensed. If a given unit installed plant and machinery on the basis of say, 150 deniers, it cannot be made to manufacture yarn of finer deniers except at the cost of some idle capacity resulting in reduced output and, therefore, increased costs. It is because of this that the industry requested the Government to rationalise the existing price differentials as between the various deniers. Had this been complied with, not only would the industry have made up the losses consequent on the readjustment of its pattern of production, but it would also have willingly adjusted its spinning programme to the needs of the weaving industry. While it is difficult to understand why the Government has not taken a decision on this question, it is even more difficult to appreciate how or why the State Trading Corporation has been reportedly asked to import 150 denier yarn from Italy. Is it not paradoxical that, while on the one hand, the government should insist on the indigenous rayon yarn manufacturing industry reducing the production of 150 denier yarn, it should, on the other, be resorting to the import of the same denier yarn from abroad? One wonders whether it has not at all occurred to the Government that it could very well save precious foreign exchange on the import of this by just asking the indigenous industry itself to manufacture the entire requirements of 150 denier of the country. One would have thought that, in these

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circumstances, the Government could actually have imposed a complete ban on imports of 150 denier yarn.

It is true that the Indian rayon yarn manufacturing industry has fared quite well. But this should not be made a pretext repeatedly to insinuate the industry, as would unfortunately appear to be the case. Because the industry has been prospering there seems to be no appreciation of the fact that it is one of the very few industries which can claim not to have raised its prices, despite the several factors known to have contributed to an addition to its cost of production. Similarly, the fact that although not allowed to export any of its product, it has been making an indirect contribution to our foreign exchange fisc by conserving a sizable amount of foreign exchange is hardly taken note of. Since the establishment of the industry, it has been able to effect a saving of nearly Rs. 35 crores, which would otherwise have had to be expended on importing rayon yarn. It may be added here that, every year, (on the basis of the 1961 record) the Indian rayon yarn manufacturing industry would be saving for the country a foreign exchange drain to the extent of around Rs. 7 crores. It is time, therefore, that the authorities took note of all these factors and there was a refreshing reappraisal of their step-motherly attitude towards this important industry.

Business Notes

Protection

BALL BEARING INDUSTRY

THANKS TO the twin advantages of protection and pressure of domestic demand, the ball bearing industry in this country has registered rapid progress during the last ten years. Mr. K. R. P. Aiyangar, Chairman of the Tariff Commission, observed, at the inquiry, recently held by the Commission, for the extension of protection to this industry beyond 1962, in Bombay, that, with the coming up of new units, the industry would not only be able to meet the increasing internal demand but, at the same time, under the stimulus of healthy competition, it might also achieve a marked improvement in quality and succeed in bringing down the prices to more attractive levels. If these results should materialise, there would even be good prospects for exporting the industry's products.

Referring to production, Mr. Aiyangar said that the actual production of the National Engineering Industries was 2.7 million bearings upto 2" bore diameter in 1960, 3.2 million in 1961 and 1.9 million during January-June 1962. In addition to this unit, there are 36 small-scale units manufacturing ball bearings in the country the total annual installed capacity of which was 1.05 million pieces on single-shift, but their actual production in 1961 amounted to only 0.47 million pieces. According to the Tariff Commission Chief, nine more units have been licensed for the manufacture of ball bearings, of which three were in Gujarat, two each in Maharashtra and Madras, and one each in Bihar and the U.P.

Touching upon the domestic demand for ball bearings, Mr. Aiyangar said that the Commission had estimated that, for 1960-61, it would be 4.5 million ball bearings, but he envisaged that the demand would increase to 8.5 to 9 million pieces in 1963.

The industry has continued to depend upon imports for its principal raw materials, such as H.C.I. steel bars, tubes and wires. It is noteworthy that the industry has not made any complaints about the availability of these raw materials as such, but the industry has pointed out that the refusal by the authorities to permit adequate change-over of licences from bars to tubes has caused certain difficulties.

The overall performance of the industry would appear to be satisfactory, although there have been complaints as regards the selling system of the National Engineering Industries — its frequent change of distributors, its refusal to sell directly to large consumers and short supply of certain sizes and lack of credit facilities. One more general complaint about the industry appears to be the high cost of its products and the unsatisfactory noise level of the ball bearings. It is of vital importance that the industry should seriously think in terms of eliminating these complaints.

Foreign Assistance

TRADE GAP AND AID

THE UNION FINANCE MINISTER, Mr. Morarji Desai, had a frank and informal discussion, recently, with the Indian Merchants' Chamber (I.M.C.). Far from "flaying" the business community, he was only at pains to make the committee members of the I.M.C. appreciate the imperative need for raising the country's exports with a view to lessening the dependence of this country on foreign assistance. It is significant that he availed himself of this opportunity publicly to express his sense of sincere appreciation of the assistance and understanding of foreign countries and agencies and categorically to declare that India is sincerely interested in repaying all its debts. The latter declaration was particularly called for in the context of the irresponsible talk in certain quarters of this country not having any serious intention to repay all its debts.

Mr. Desai stressed the importance of doubling the country's exports in as short a period as possible. Although the realised that it might not be possible to double exports in less than 12 to 15 years, he wanted the target date to achieve the goal to be no later than 1972. At least by 1972, he was keen, India should cease to take loans from other countries.

Another point on which Mr. Desai was quite emphatic was with regard to the issue of "untied" loans. Urging the business interests not to think of "untied" loans, he said "I don't want untied loans in such a manner that we get into stresses and strains. In any case, untied loans should not be your concern, even if they are my concern". You must concentrate on more exports and manufacture of more spare parts and components. Unless we do this, we shall not be creating a self-generating economy."

Earlier, Mr. Pravinchandra V. Gandhi, the I.M.C. President, welcomed Mr. Desai and Mrs. Tarakeswari Sinha and spoke of the necessity to review and re-assess the development programme in the event of any short fall in foreign aid. He also wanted to know, in particular, how much of the aid promised was going to be in the form of "untied" loans and whether it would be open to the business community to negotiate with individual members of the Aid-India Club for providing a certain portion of the maintenance imports. He made a particular reference to the far-from-satisfactory capacity utilisation in the large, medium and even small-scale industries, as also the inelastic nature of our exports. Whilst speaking of exports, he also made reference to the probable effects on India's exports in the event of the U.K. joining the E.C.M.

Automobile Industry

FREEDOM FROM IMPORTS

THE POINT highlighted by Mr. C. Subramaniam, Minister for Steel and Heavy Industry, concerning the

automobile industry that indigenous components must constitute 90 per cent of the total output is perhaps a timely warning to the producers. At the moment, when automobile producers in the country have had sufficient experience, it is quite unreasonable that they should keep on depending upon the imported components. No one has to be convinced of the fact that the country is capable of producing all types of industrial machinery. Moreover, there is no lack of raw materials or technical know-how. The producers of automobiles — commercial vehicles, motor cars, motorcycles and scooters — should, therefore, realise their responsibility and enhance the indigenous components in their total output. This warning has to be judged in the light of the present foreign exchange crisis which is facing the country and which is not likely to be relieved in the near future. These items, though forming a very important section of the industrial economy, cannot continue to claim a share in the foreign exchange.

Mr. Subramaniam was of the opinion that commercial vehicles should be produced beyond the present target. It has, however, to be remembered that to bring about an increase in the indigenous contents there are specific needs of foreign exchange for the import of heavy machinery. Once such investment is through the producers are permanently free of the need to import such components. One cannot, however, agree with the Minister in respect of his proposal regarding the motor cars. This section of the industry also has to have considerable amount of foreign exchange if it has to raise its indigenous manufacture of the components till now imported. Any curtailment of foreign exchange allocation for maintenance imports for cars will only create a problem of production. To maintain the present volume of motor car output and also the increase in view of the increasing demand, it is necessary that their foreign exchange requirements are met so that capacity to manufacture all items indegenously is accomplished.

As far as motorcycles, scooters and such like light transport media are concerned, it is easy to raise the indigenous contents without much basic foreign exchange requirements. In their case the warning given by Mr. T. T. Krishnamachari in respect of the prevailing prices is not unreasonable. The producers of light means of transport should also try to reduce their costs. If a proper plan of ancillary producers is evolved, it would definitely be more fruitful. The industry in general should take a cue from the Minister to establish "common services" for body-building, chassis, castings and fringes. The tendency towards over-capitalisation can be reduced if smaller units can co-cperate and join together to have common services. Otherwise the smaller units specially in the field of scooters and motorcycles would find it impossible to survive the competition. An indication that such uneconomic units may be deprived of their licences if they cannot produce economically was also given by the Minister.

While all this advise to the producers is justified, it is time the Government looked into their demands properly. It is even being pointed out by the automobile manufacturers that they do not get proper quantity of raw materials of the required quality. Under such circumstances, they cannot be blamed for not being able to produce the required quality at competitive rates. It has to be remembered that industry is increasing its investment more rapidly as compared to the total ouput. For instance, in 1956, against an investment of Rs. 6.5 crores, the output was 32,138 vehicles. In 1961 the investment was Rs. 26.7 crores against an output of 53,560 vehicles. Thus it is quite clear that investment is increasing rapidly which is an indicator to the fact that more and more indigenous items are manufactured within the country. It is time that the Government develops a more favourable attitude towards the industry and looks after their needs. The industry, in turn, should take up the challenge of manufacturing their products indigenously, thereby becoming free of imports.

Pharmaceuticals

PHENOMENAL PROGRESS

THE PHARMACEUTICAL and drugs industry has made a phenomenal progress during the last few years. While its production was to the tune of Rs. 12 crores in 1948, it increased to Rs. 80 crores in 1961. Now not only there are several essential drugs being manufactured in adequate quantities but their imports have either been completely stopped or restricted. They are also being exported to countries like Ceylon, Burma, Pakistan, Malaya, Thailand and Kenya. The industry has switched over to more basic raw materials locally available.

Progress is also being made in the field of research. A basic research centre is being established in Bombay by a wellknown foreign firm and many international concerns are coming forward to participate in the Indian projects. Proposals are also being received by the Government from other firms for the setting up of similar independent research laboratories and it is to be hoped that these laboratories in co-operation with those in other parts of the world will discover new drugs. The research centre set up by the Hindustan Antibiotics has also contributed largely towards increasing the yield of penicillin, a medicine commonly being used for many of the diseases.

While all this is a satisfactory development, the production of spurious drugs has aroused considerable concern. So no wonder that a furore was created in the Lok Sabha about these spurious drugs. To put a stop to the drug racketeers, it was emphasized by the parliamentarians that they be dealt with a heavy hand. What measures now the Government will adopt to set the state of affairs right would be watched with great interest. The progress made by the drugs and pharmaceutical industry and the possibility of setting up the export of Indian drugs to Asia and Africa is to be reviewed shortly by a standing committee of the Central Advisory Council of Industries. This is welcome so far as it goes. It is now to be hoped that its findings and suggestions would help the industry to grow on healthy lines. The growth of the pharmaceutical industry is desirable from many angles mainly because it helps the growth of many other industries. Besides, in a country already underfed and under-nourished it has a definite role to play.

New Issues

BRAITHWAITE AND COMPANY INDIA LIMITED

THREE COMPANIES will be shortly entering the market for raising subscriptions from the public to their share capital.

Braithwaite and Company India Limited is offering 40,000, 9 per cent redeemable cumulative preference shares of Rs. 100 each. Firm offers have been received for 20,000 shares from the underwriters and their friends and these have been accepted in full. The remaining 20,000 shares are to be thrown open for public subscription. The list opens on August 28 and shall close on August 30, or later at the discretion of the directors.

The proceeds of the issue are to be utilised for meeting part of the expenditure on the company's expansion and diversification programme which includes undertaking the manufacture of various types of cranes such as dockside level luffing cranes, railway breakdown cranes and electric over-head cranes. There is a great shortage of these cranes in the country today. Technical collaboration has been arranged with Messrs. Thomas Smith and Sons (Rodley) Limited for the manufacture of the former two types of cranes and with Messrs. John Smith (Keighley) Limited for the production of the latter type.

The project is estimated to cost Rs. 4.4 crores. A sum of Rs. 88 lakhs is to be raised by way of loans in various foreign currencies from the ICICI and the CDFC; agreements with these two institutions have already been reached. Another Rs. 3.12 crores are proposed to be secured from the company's existing resources, future depreciation provisions, retained earnings and from bank borrowings.

The company is one of the leading bridge and structural engineering concerns and railway rolling stock manufacturers in the country and has heretofore specialised in the production of high class structural steel work for bridges and heavy workshop buildings. It has also developed the manufacture of rolling stock for the Indian railways and is well-known as a producer and supplier of pressed steel tanks and troughs. The capacity of the company's wagon shop has been expanded in the recent years to enable it to undertake the production of larger type wagons now required by the Indian railways. This particular line of manufacture is being further expanded.

USHA REFRIGERATION

USHA REFRIGERATION INDUSTRIES LTD., a new addition to the Shri Ram group of enterprises, is expected to approach the public for subscriptions to its share capital some time later this year. The authorised capital of the company is Rs. 2 crores, of which shares worth Rs. 50 lakhs — 3,60,000 equity shares of Rs. 10 each and 14,000, 9.3 per cent cumulative redeemable preference shares of Rs. 100 each — are proposed to be issued in the first instance. Of the issued equity capital, 51 per cent is envisaged to be taken up by the directors and promoters of the company and their friends. The balance equity capital and the entire preference issue will be offered for public subscription.

The company's plant is to be located at Hyderabad and is expected to go into production early next year. It is proposed to manufacture 1,00,000 sealed compressor units for refrigerators and air-conditioners per annum. Forty per cent of the production will be exported to countries other than the United States and Canada.

Technical collaboration for the project has been secured from Messrs. Westinghouse Electrical International Company, U.S.A.

INTERNATIONAL COMPUTERS AND TABULATORS INDIA MANUFACTURING COMPANY LIMITED

THE THIRD company that is expected to enter the capital market by the end of the current year is the International Computers and Tabulators India Manufacturing Company Limited, sponsored by the well-known British firm, International Computers and Tabulators Limited, to undertake the manufacture of data processing and calculating machines on a phased programme. The Union Government has already approved the project and has issued an industrial licence to the company for the production of hand punches, varifiers, sorters and tabulators. The authorised capital of the company will be Rs. 1 crore, of which capital worth Rs. 50 lakhs will be issued in the first instance. Of the latter, capital worth Rs. 30 lakhs would be held by the British firm and the balance would be offered for public subscription.

The factory of the company is to be located near Poona. In the first year of its going into production, it is scheduled to turn out 180 hand punches, 180 hand varifiers, 36 sorters and 36 tabulators. In a period of five years the production is envisaged to be stepped up to 700 hand punches, a similar number of varifiers, 150 sorters and 65 tabulators. The total cost of the machinery required for the project is placed at Rs. 33.5 lakhs. The foreign exchange component will be Rs. 25 lakhs.

A special feature of the project is its ambitious export programme. The company plans to start earning foreign exchange from the very first year of production during which complete machines, cards and parts worth about Rs. 6 lakhs are expected to be exported. When the factory is in full production its total turnover would be around Rs. 1 crore. Of this, 30 per cent is envisaged to be earmarked for exports.

Raw Cotton

RAISING OUTPUT

THE UNION GOVERNMENT has decided to set up a new mechanised farm at Jetsar in Rajasthan. The decision, which had been delayed for a considerable time, has apparently been hastened by the Government's desire to take concrete measures to step up cotton and oilseeds output during the remaining period of the Third Five-Year Plan. An indication of this is available from the fact that in working out the cropping pattern for this farm an effort is to be made to grow more cash crops like oilseeds and cotton.

The farm will cover an area of over 30,000 acres in the Anupgarh and Raisinghgarh tehsils of Sri Ganganagar district. The land is proposed to be taken on lease from the Rajasthan Government. With a view to provide adequate irrigation facilities to this farm, it is proposed to divert to it from the Suratgarh Farm the existing perennial supply of 15 cusecs of water from Ganga Canal. Otherwise, this farm is expected to receive non-perennial irrigation facilities for about three months in a year from the Rajasthan Canal Project. The Suratgarh Farm will be compensated for the water supplies to be diverted to the Jetsar Farm through additional supplies from the Bhakra system.

Farming operations on the Jetsar Farm are expected to begin by the middle of next year. It is proposed to cultivate about 10,000 acres in the first year. Another 2,500 acres would be added in the second year. The farm will be using the same type of machinery as is being made use of at the Suratgarh Farm. This would help in keeping its operational costs at a low level, since the base workshop at Suratgarh will be able to undertake major overhaul and repairs of the equipment of the new farm. The services of the staff of the Suragarh Farm would also be made available to the Jetsar Farm so that there is better utilisation of the Suratgarh Farm's resources.

The Union Ministry of Agriculture also proposes to increase the area under cotton in several other States—Uttar Pradesh, Punjab, Bihar, Mysore, Andhra Pradesh and Maharashtra—and to adopt more intensive agricultural methods under the "Package Programme" over an area of 2.25 lakh acres in the cotton-producing States during the ensuing cotton season. Suitable cropping patterns, including inter-cropping (cotton and groundnuts and cotton and chillies) are also proposed to be adopted in the present cotton-growing areas. Renewed efforts are to be made for extending minor irrigation facilities for the cotton crop, particularly in areas where there are frequent crop failures. Special schemes for cotton cultivation are envisaged to be drawn up in the new tracts that come under the irrigation command of the Bhakra Nangal, Rajasthan Canal, Chambal, Hirakud, Nagarjunasagar, Tungabhadra and Lower Bhavani projects.

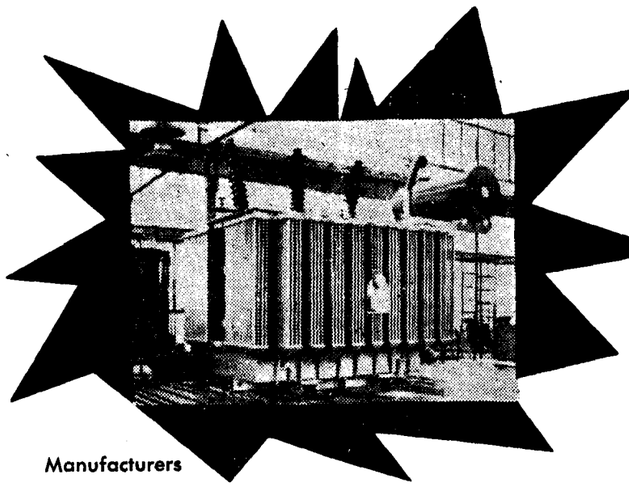
The various principal programmes that are being launched to raise cotton output are expected to yield the following results by the end of the Third Plan period: (1) Irrigation facilities—10 lakh bales; (2) Fertilizers—5 lakh bales; (3) Improved seeds—2.5 lakh bales; (4) Improved agricultural practices, inter-cropping,

plant protection and contour bunding—2 lakh bales. The unit-area yield, which during the fifties has gone up from 78 lbs. of ginned cotton per acre to 101 lbs. per acre, is expected to go up further substantially.

IBRD

SIR WILLIAM RETIRES

THE NEWS that Sir William Illiff, a Vice-President of the International Bank for Reconstruction and Development since 1956, is to retire on October 31, will be received with considerable regret. His services to the Bank and its member countries over a period of 14 years have been of a very high order. Whenever the Bank was faced with a real difficult job, demanding firmness of principle and breadth of vision, Sir William was considered to be a likely choice. We, in India, remember his very able performance from 1952 to 1960 while he was the Bank's representative in the negotiations between India and Pakistan which led to the signing of the Indus Water Treaty in September 1960. It may be recalled that the associations of Sir William with India are not limited to that period alone. He served in the Indian Army during the World War I and was stationed along with the Indian forces in Mesopotamia and Iran. Naturally, therefore, he proved to be a seasoned mediator: he understood the people of the sub-continent so well. From 1948 to 1951 Sir William was Director of the Loan Department of the IBRD and thereafter Assistant to the President until 1956. Apart from the Indus Basin negotiations, which made him very popular, he took prominent part in many other negotiations in which the Bank acted as the mediator. As a recognition of his services, he received a Knighthood from Her Majesty the Queen in January, 1961.



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INTERADS — IND|R|1



A family album of firsts!

PIONEERS IN PACKAGING, Metal Box introduced almost every new type of metal package to India.

Some notable firsts:

CROWN CORKS: To keep your aerated drink fresh and sparkling, Metal Box introduced decorated crowns. Today these precision-made closures serve bottlers all over India and in many export markets.

ROLL SEAL PILFERPROOF CLOSURES: The finest tamperproof seal for bottled drugs and foods. Metal Box developed the first Indian made Roll Seal closure as well as the first locally made machine to apply it. Today 150 million packages are hygienically sealed with these closures, frustrating the racketeer, protecting your health.

OPEN TOP CANS: A trusted sentinel in the cause of good health, the food can is common in appearance only. A supreme achievement of engineering and research skill, the Open Top can brings you the bounty of the harvest, fresh and uncontaminated, at any time of the year—wherever you are. Metal Box Open Top cans today carry Indian produce to all parts of the world.

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METAL BOX

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JENSON & NICHOLSON-1962

The Name : JENSON & NICHOLSON
The Year : 1922
The Place : NAIHATI, NEAR CALCUTTA

AND THE RESULT : Forty years of dedicated service to India's homes and industries by Jenson & Nicholson—the country's leading manufacturer of decorative finishes and industrial coatings. The J & N factory is now the focal point of a farflung distribution service. J & N paints are used in places as distant as Patiala and Pondicherry and for purposes as widely separate as interior decoration and industrial coating.

'JAPAN BLACK' FOR MILADY'S GIG

The firm now known all over the world as Jenson & Nicholson was founded in London in 1821. Its sole product : a varnish imaginatively called 'Japan Black'. It was used to paint 'society' carriages—the status symbol of the day. Japan Black was a fine varnish—a rich, glossy black—blended with infinite care. It was, as the phrase goes, 'a quality product'. *Today, as in the past, quality is still the keynote...*



DECORATION OR DONKEY WORK—J & N HAS A PAINT FOR IT

Plastic emulsion for a penthouse flat ; anticorrosive composition for a lockgate ; rivelling enamels for typewriters ; porcelain lacquer for bathroom fittings...orders like these are all in the day's work to J & N. Whether it's a paint to make a place look pretty, or a coating to prevent a termite attack, J & N can supply it. *J & N decorative finishes are to be found in such landmarks as the Taj Mahal Hotel, Bombay, and Raj Bhavan, Calcutta, while J & N industrial coatings are used on everything from domestic appliances to railway rolling stock.*

'GO OUT AND SELL PAINT !'

A traditional order at J & N, where production is matched in importance by selling. Comprehensive distribution covers the subcontinent. J & N has established paint depots at Calcutta, Delhi, Bombay, Madras, Coimbatore, Gauhati, Kanpur and Siliguri, and from these depots paints are supplied to a network of stockists strategically located so as to cover even the smallest villages. Distribution is backed by a vigorous selling force. *You can always get a J & N paint when you want it, where you want it.*

FROM SUNFLOWER SEEDS TO 'BATTLESHIP GREY'



Sunflower Seeds, Castor and Soya Beans, even fish, are used in the *manufacture* of paint. The metamorphosis takes place daily in the J & N factory. The most advanced *paint factory in* India, it is now expanding under a phased programme. In this busy complex of men and machines, raw materials are converted to paints like Robbialac Super Gloss Enamel and Jensolac Stoving— leaders in their fields.

Precision control is the keynote in every department of the factory. *From the 'varnish kitchen'* where gums are 'cooked' with oils to the dry-distemper department, there is an emphasis on quality and an endless striving for improvement.

CAVE PAINTS AND CHEMISTRY

We've come a long way from the days of our cave forebears, when *colouring matter came from natural pigment* scooped out of the ground. Today the production of paint is a science and an art.



At the J & N factory, the chemistry of paint is vitally important. A fully-equipped laboratory, staffed with *skilled chemists*, pursues an unceasing programme of research, development and testing.

J & N PAINTS RUN THE GAUNTLET

Testing is exhaustive. The quality of pigments must meet rigid standards of purity, colour strength and correctness of shade. Raw materials are tested for stability and durability. On the laboratory terrace, surface coatings are exposed to the full force of sun, wind and rain. Each batch of paint is tested to precise standards before leaving the factory. So far is attention to detail carried that the laboratory even contains a miniature production plant—a duplicate of the actual factory machinery. Here new formulations are evolved and existing paints improved. The result of all this care : *you take quality for granted in a J & N paint.*



TEAM WELFARE AT J & N

J & N believes in teamwork and team welfare Much thought is given to the well-being and happiness of factory employees. Labour quarters, medical facilities and other employee benefits are provided. Team welfare leads to better teamwork. At the J & N factory, where India's leading paints are produced, this policy speaks for itself.



*

Do you see PINK ELEPHANTS ?
In which of J & N's shades of pink ?

*

BJN PAINT GROUP

In September 1960 two of the world's largest paint groups, Lewis Berger & Sons Ltd., and Jenson & Nicholson Group Ltd., pooled their resources by amalgamation to form Berger, Jenson & Nicholson Ltd. Paints manufactured by J & N in India are backed by the joint technical knowledge and experience of this international organisation.

QUALITY SELLS J & N COATINGS

FROM THE CAPITAL'S CORRIDORS

BOARD OF TRADE'S THIRD MEETING

THE Board of Trade at its third meeting held here last week-end discussed three important issues, namely, expansion of exports of mineral ores, the question of better organisation of exporters and strengthening of the commercial sections of the Indian Missions abroad, as also of the administrative and expert staff dealing with foreign trade in the Department of International Trade, the Ministry of External Affairs and other Ministries.

While welcoming the steps being taken by the Government to expand exports of mineral ores, particularly iron ores, the Board advised that long-term planning of development of mineral ores should be pursued in an integrated manner and with vigour. It was of the opinion that the target of development of about 25 million tons of exports of iron ores per year was possible of realisation provided all the developments were undertaken in an integrated manner. The principal factors which would promote exports of mineral ores, the Board stressed, were encouraging and assisting modernisation of mines, development of transport, construction of roads in mine areas, development of railways and port facilities, and mechanisation of loading and unloading facilities. This, it was stated, would also go a long way towards improving the handling of these ores. Special attention, it was felt, should be paid to road development in areas adjacent to the ports for better and larger movement. The Board approved that selected ports both on the western and the eastern coast of India, namely, Mangalore, Madras, Marmagoa, Visakhapatnam, Paradip and Haldia, should be provided with expanded facilities so as to canalise the exports of ores from these ports.

In regard to iron ore exports, the Board emphasized the imperativeness of producing more pig iron, steel and steel products, castings, forgings, ferro-alloys and fabrications because this would not only lead to larger exports but would also earn more foreign exchange for the country per unit of investment and per unit of raw materials. The Board urged that further study should be undertaken to plan the export sector of pig iron, steel, steel products, steel fabrications, iron and steel castings, forgings etc., over and above engineering goods.

As regards manganese ore, it was recognised at the meeting that mining of this ore would have to be more efficient. Those mine-owners who could export manganese ore on their own, it was suggested, should be free to do so and they should get all transport facilities. Others requiring assistance in selling for export would make suitable offers for sale of managenese ore under barter arrangements.

EXPORTERS' ORGANISATION

While discussing the question of better organisation of exporters, the Board recognised that various aspects and problems facing the export trade should be dealt with thoroughly and continuously. It was felt that the work of the existing organisations such as the Federation of Indian Chambers of Commerce and Industry, the Associated Chambers of Commerce and similar other all-India bodies had hitherto been concentrating more on industry than on trade and particularly export trade. The variety and complexity of issues relating to export trade, including those of transport, shipping and freight, it was noted, required a specialised organisation at the all-India level and at State levels, particularly in the maritime States. The question of setting up such an all-India body concerned mainly with export business would be dwelt upon at the convention of exporters to be held shortly. The Board expressed the opinion that exporters should also organise themselves into local export chambers in important industrial and trading centres. It felt that such organisations of exporters should be built up so as to study and solve the problems facing export trade.

The Board approved the suggestion for having a non-official organisation for guiding, encouraging and promoting trade fairs and exhibitions in the country and abroad. The main aim, it said, should be to lay down standards for exhibition and developing proper themes and exhibiting products in suitable exhibitions abroad so as to create a correct impression of Indian goods and merchandise on foreign importers and to create a right image of India in the world as a healthy trading and technologically mature society. The Board appointed a sub-committee to examine the details for setting up the Indian Council for Trade Fairs and Exhibitions whose constitution it broadly approved.

COMMERCIAL SECTIONS

In respect of streamlining and strengthening the commercial sections of Indian Missions abroad and the administrative and expert staff dealing with foreign trade in the various Ministries of the Central Government, the Board generally approved the proposal that four or five Directors of Foreign Trade should be appointed with headquarters in New Delhi to look after the trade promotion work in different regions of the world. These Directors will co-ordinate and assist the work of the commercial representatives abroad. The selection of staff for the commercial sections, it was stressed, should be based on real competence, experience and expertise. The need was felt for strengthening the staff at appropriate levels.

The Board also welcomed the suggestion to give proper status to the commercial and economic staff alo g with their political counterparts. The work of trade promotion, it was emphasised, should be one of the major criteria for assessing and recognising the work of different embassies and their personnel.

EXPORTS LOOK UP IN JULY

The downward trend witnessed in exports during the first half of the current calendar year was reversed in July when they registered an increase of Rs. 5.59 crores over the July, 1961, figure. Total exports in July, 1962, amounted at Rs. 56.02 crores.

Total exports from India in the first seven months of the current calendar year have been of the order of Rs. 371.05 crores—an increase of Rs. 2.12 crores over the figure for the first seven months of 1961.

Total imports into India in the first six months of 1962 were Rs. 499.53 crores, as compared to Rs. 548.93 crores during the corresponding period last year.

The deficit in the balance of trade during the first six months of 1962 thus narrowed down to Rs. 184.77

crores from Rs. 230.74 crores during the first six months of 1961.

FREE TRADE ZONES

Speaking at the question time in Rajya Sabha last week, the Central Minister for International Trade, Mr. Manubhai Shah, declared that a decision on setting up a free trade zone at the Kandla port — "one way or the other" — would be taken within the next two months. And thereby hangs a tale. Mr. Shah and his Department are keen not only on setting up a free trade zone at Kandla, which has been talked about for more than two years, but also on creating a network of such zones along the country's coastline at Pondicherry, Karaikal, Marmagoa, Cochin and Nagapattinam. But after what appeared to be a fairly smooth passage so far, the proposal has now run into strong and serious opposition from powerful policy-making sections of the Union Government and the Planning Commission.

A Free Trade Zone has been defined as an "isolated, enclosed and policed area in or adjacent to a port of entry where foreign or domestic merchandise of every description, except such as prohibited by law, may without being subject to custom laws, be brought in, manufactured, assembled, repacked and exported".

The object of the scheme is, therefore, twofold: To encourage the establishment of industries in an area where industries are not normally being attracted; and to stimulate exports by making production on preferential terms conditional on the export of the goods manufactured or assembled. When the Kandla project was first thought, the former objective was predominant in the minds of its sponsors. But as the country's foreign exchange situation worsened, and "Export or Perish" became a stark reality rather than a smart slogan, the sponsors of idea began stressing the export potential of the project. In fact, export promotion has now become the raison d'etre of the whole scheme. There is no other way in which the import of raw materials and components on a large scale can be justified, except to say that all the production resulting from these imports will be exported to relieve the severe foreign exchange crisis.

It is this very claim of the sponsors, however, that is being challenged vigorously by the critics of the project. The critics say that there is absolutely no guarantee that the goods produced in Free Trade Zones will in fact be exported. After all, the only thing that the manufacturers in a Free Trade Zone need to do to divert their products to the ravenous internal market is to pay the various customs and import duties. If the industrialists in general have found it expedient to sell in the more profitable domestic market, then why must the industrialists in the Free Trade Zones be expected to be more patriotic, especially when the latter have a short-cut open to them. All they have to do is to smuggle their goods across the customs barrier, and then even customs and excise duties need not be paid.

That the danger of smuggling is very real is conceded even by the most enthusiastic supporters of the project. The Special Officer of the Commerce and Industry Ministry who made a report on the Kandla project also said that smuggling could be a possible danger. But, after "weighing the likely benefits against the possible pitfalls and dangers" he came to the conclusion that "with determination and a practical approach, we can successfully utilize the mechanism of free trade zone as one important step in the effort to tilt the balance of foreign trade in our favour."

The critics' point, however, is that the assumption that the Free Trade Zones will lead to greater exports in based only on hope, while past experince shows that instead of becoming centres of exports, the zones may become citadels of smuggling, thus undermining not only foreign exchange reserves but also national morale.

The case of the critics is strengthened by two facts. Firstly, it is generally recognized that under the existing law of the land, a foolproof system of checking smuggling cannot be devised. Secondly, some of the industries proposed to be set up in the Kandla Free Trade Zone are such as have a low priority in the Third Plan, and by no means have any assured export markets. To allow such industries — e.g., woollen hosiery and woollen fabrics, soaps and toilets etc. — will be to promote industries which are not strictly required.

What is more, all industries in the Free Trade Zones will, by definition, be dependent on imported raw materials. This again runs counter to the national policy. The Government has, in fact, decided to appoint a Technical Panel, headed by Mr. G. L. Mehta, former Ambassador to the USA, to explore the possibility of eliminating "maintenance imports" by larger indigenous production as well as use of substitutes.

It is, therefore, clear that the matter will have to go to the Cabinet for an authoritative decision. The pros and cons of the proposal will no doubt be weighed carefully. One important factor the Cabinet will have to bear in mind is that there cannot be one policy for Kandla and another for other ports. If a Free Trade Zone is allowed at Kandla, other States with any coastline worth the name are bound to clamour for similar ventures.

MANGANESE ORE — TERYLENE BARTER DEAL

For quite some time, the Department of International Trade has been under fire for a barter deal under which a Bombay firm was allowed to export manganese ore in exchange of terylene. Critics felt that the Government had no business to barter away a foreign exchange-earning commodity for a luxury item. Mr. Manubhai Shah made the following statement in the Rajya Sabha to justify the deal: "The barter involves the export of about 100,000 tons of manganese ore of various grades including very low grades to the value of £750,000 against import of approximately 700 tons of polyester fibre and tops. Polyester fibre will substitute and replace the imports of raw wool to that extent which would have otherwise taken place, and would thus save us free foreign exchange on import of wool to the extent of about Rs. 97 lakhs. This is used for mixed wool yarn, hosiery manufacture, woollen and mixed textiles fabrics manufactures, knitted wear and sports wear manufacture where raw wool is the raw material.

"The barter commodity was a difficult item to sell and fetched considerably higher price than the international price for these ores. The ICI will buy the manganese ore from several places including about 30,000 tons from Messrs. Shivrajpur Syndicate. The transaction will be carried out by the State Trading Corporation."

Mr. A. D. Mani, who had tabled a question on the subject, inquired if it was true that the Minister without Portfolio, Mr. T. T. Krishnamachari, had taken objection to the barter arrangement. Mr. Shah replied

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(c) the branch of the State Bank of Hyderabad at Hyderabad,

(d) the branches of the State Bank of Hyderabad conducting Government work within the State of Maharashtra,

(e) the branches of the State Bank of India within the State of Maharashtra except at Bombay and Nagpur and at places covered by item (d),

(f) the Government treasuries and sub-treasuries in the State of Maharashtra at places not covered by items (d) and (e).

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that no objection was taken by Mr. Krishnamachari, although people were free to form whatever opinion they liked.

In reply to another question, Mr. Shah explained that barter transactions were approved only in the case of difficult-to-sell items (for example manganese ore, ferro-manganese, sugar, vegetable oils, etc.) against the items of import of priority items on which foreign exchange would have to be spent anyhow (such as fertilizers, cotton and stable fibre, steel, machinery etc.). Such transactions were permitted to be entered into either through the agency of the State Trading Corporation or otherwise after approval by the Barter Committee. Mr. Shah added that no detailed rules had been published by the Barter Committee.

When pressed as to why specific rules were not made for barter deals, he replied: "The rules of the game are known. The price must be competitive, and the commodity must be essential."

CLOTH EXPORTS TO U.S.S.R.

An item of news which has gone more or less unnoticed is the purchase by the Soviet Union of Indian cloth worth Rs. 25 lakhs. Two years ago, Russia had brought small quantities of Indian textiles. The present deal may be a harbinger of new dimensions in Indo-Soviet trade. During Mr. Mikoyan's recent stopover in Delhi, it was mentioned to the Soviet dignitory that Russia should start taking Indian consumer goods if the trade between the two countries is to be increased to the level desired by both. India's trade agreements with Soviet Union and other Eastern European countries are due to lapse later this year or early next year. Their renewal is likely to be utilized to lay a foundation for a massive increase in India's trade with the Communist bloc. This is expected partly to mitigate the loss of trade in the European Common Market and the U.K.

GATT NEGOTIATIONS

The new agreement reached between India and the countries of the European Economic Community under the auspices of the GATT Conference has replaced the earlier concessions and does not call for any fresh concessions by this country in return, according to the details of the tariff negotiations released recently.

The agreement contains an assurance of continuance at fixed levels of the Community's common tariff in respect of the main Indian export products like cashewnuts, tea, vegetable oils, tanned hides and skins, jute manufactures and coir manufactures. It also provides for the reduction of the common tariff on woollen knitted carpets from 40 per cent to 32 per cent.

The tariff conference convened by the GATT in September, 1960, was brought to a close with the signature of this agreement on July 16, 1962. With this were established instruments embodying the results of the negotiations held among various countries for import duty concession on their mutual trade.

India held negotiations in the conference with the U.S.A., Australia, Sweden, Norway, Finland, Denmark, Turkey and Haiti, besides the European Economic Community.

The concessions now obtained from the Community replace the commitments given to India in the past in the national tariffs of West Germany, France, Italy, Belgium, Luxembourg and the Netherlands.

The assurances continued in this agreement do not, however, go very long towards the solution of the problems faced by Indian exporters in the European Economic Community since the common tariff on cotton textiles, jute manufactures and a number of other products continues to be high.

Efforts are still being made to have these duties reduced to a reasonable level as well as to assess the results of the proposed entry of the United Kingdom into the Common Market.

The agreement concluded by India with Finland, Australia, Haiti and Turkey also relates to the replacement of existing concessions by those on other products, and does not call for any new concessions by this country.

The second half of the conference—known as the 'Dillon Round'—was devoted to negotiations between the participating countries for reducing tariff rates on their mutual trade. In this round, India negotiated fresh concessions for her trade with Sweden, Norway, Denmark and the United States.

The agreement with Sweden provides for reductions in the present Swedish import duty on cashewnuts cardamom, ginger, brass bells, and some other items and, in return, guarantees that India would not raise the present rate of duty on specified varieties of paper, circular bandsaw blades, industrial centrifuges and plates for heat exchangers.

In the agreement with Norway, India has undertaken not to raise the current import duty of 50 per cent ad valorem on specified varieties of paper in return for a reduction in the Norwegian import duty on cardamom, jute fabrics, mica splittings, black copper and ginger.

India's agreement with Denmark is a limited one providing for a reduction of the Indian customs tariff on dried pectin powder, and a guarantee by Denmark to maintain without change the duty-free import of cardamom.

Negotiations held between the United States, the United Kingdom and the European Economic Community in the Dillon Round resulted in the reduction of their customs tariff rates on a large number of industrial products by 20 per cent or more.

By virtue of the multilateral rule of the GATT, these duty reductions will be available to India's exports. For example, jute yarns, ivory manufactures, cotton carpets and certain woollen floor coverings are some of the Indian products which will hereafter pay a lower rate of duty in the US as a result of these negotiations.

Details of the agreement reached between the US and India, involving concessions for 29 items of export from India, were announced in June.

RAILWAY'S THIRD PLAN: MORE FUNDS

The railways have been allowed yet another increase in their Third Plan allocation. Originally in the Third Plan, the railways were allotted a sum of Rs. 1,325 crores. Recently, this amount was increased by Rs. 120 crores largely to enable the railways to increase their coal-carrying capacity. Now, fresh programmes (to augment the railways' capacity to carry general goods

traffic) have been sanctioned, and some others are likely to be approved shortly, which will necessitate a further increase of Rs. 140 crores in the railways' share of Plan resources. Of this, Rs. 65 crores will have to be spent on rolling stock. The need to acquire more locomotives, both diesel and electric, as well as to expand the wagon manufacturing programme is now considered unavoidable. The rest of the money will be spent on increasing the line capacity. It is the Planning Commission's view that some readjustments can be made in the programme for new lines and track renewal in order to keep down fresh expenditure. However, the scope for such saving is admittedly limited.

The Planning Commission's broad decision that the railways must not be denied funds which they manifestly need has created an important problem: where are the additional resources to come from? Nobody is agreeable to the transference of resources from one set of projects to another, not even when a project's completion during the Third Plan period is in doubt. At a recent meeting of the Planning Commission, the Finance Minister, Mr. Morarji Desai, is reported to have spoken at length on the need to inculcate in the country a sense of realism about resources. A complete and comprehensive review of the Third Plan resources and their deployment in various sectors of economy is now being contemplated.

PAPER INDUSTRY'S PROGRESS

The first meeting of the reconstituted Development Council for paper, pulp and allied industries, provided an occasion for a review of the progress of an industry which is vital to the cause of promoting literacy. The main conclusion to emerge from the discussion was that despite a four-fold increase in the production of paper during the last fifteen years, shortage of this commodity is bound to persist. The continuing shortage is due not merely to a rapid increase in demand. An alarming fact brought to light during the discussion is that the basic raw material for the production of paper, bamboo, is fast diminishing. It is reckoned that the present resources of bamboo will suffice to meet the needs of the paper industry only up to 1965-66. Beyond that period, the expansion of the paper industry will have to be linked with a vigorous campaign for planting suitable species of timbers and bamboo.

Interestingly enough, rural housing is playing its own part in accentuating paper shortage. Every increase in population means that new houses have to be built. In most Indian villages, bamboo continues to be a major prop for housing. The need for living space thus competes with that for reading matter. Enough attention has not so far been paid to the problem of reconciling these conflicting needs.

The position about newsprint is even more bleak than in the case of paper. Mr. Nityanand Kanungo, Union Minister for Industry, who presided over the meeting of the Development Council, announced the measures Government is taking to increase the newsprint production. He said that the first dissolving pulp unit with a capacity of 54,000 tons per year was likely to go into production this year. Eventually there will be seven such schemes. Three more newsprint factories have also been licensed. Their cumulative capacity will be 150,000 tons per year. Two of the three factories will be based on bagasse.

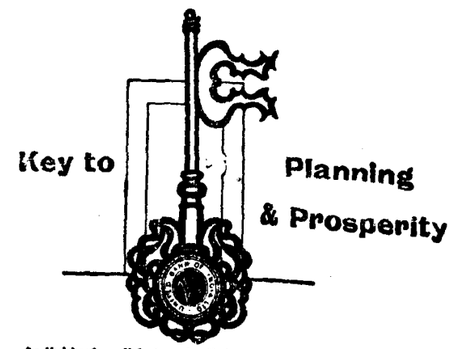
Meanwhile, some distressting statistics have been revealed about the shortfall at the NEPA newsprint factory. The following table sets out the position :

Year	Stipulated production target (Tons)	Actual production (Tons)	Shortage between the stipulated target and actual production (Tons)
1956-57	30,000	13,354	16,646
1957-58	30,000	14,145	15,855
1958-59	30,000	21,838	8,162
1959-60	30,000	22,411	7,589
1960-61	30,000	23,318	6,682
1961-62	30,000	25,279	4,721
1962-63	30,000	27,000 (Estimated)	3,000 (Estimated)

What is more, the cost of production at NEPA has gone up enormously. Originally it was estimated that the cost of production will be Rs. 478 per ton. Actually, it has turned out to be more than Rs. 870 per ton.

WAGE BOARD FOR COAL-MINING INDUSTRY

A Wage Board for the coal-mining industry has been constituted under the chairmanship of Mr. Salim Merchant to work out a wage structure based on the principles of fair wages as recommended by the Committee on Fair Wages. The Board will also consider the demands for an interim wage increase pending submission of the final report and for the introduction of a gratuity scheme on unit-wise basis. The Board has been asked to take into account the special features



Individual well-being is linked with national prosperity and only planned efforts can ensure both in the shortest possible time. And planning, for its success, largely depends on savings, individual as well as national.

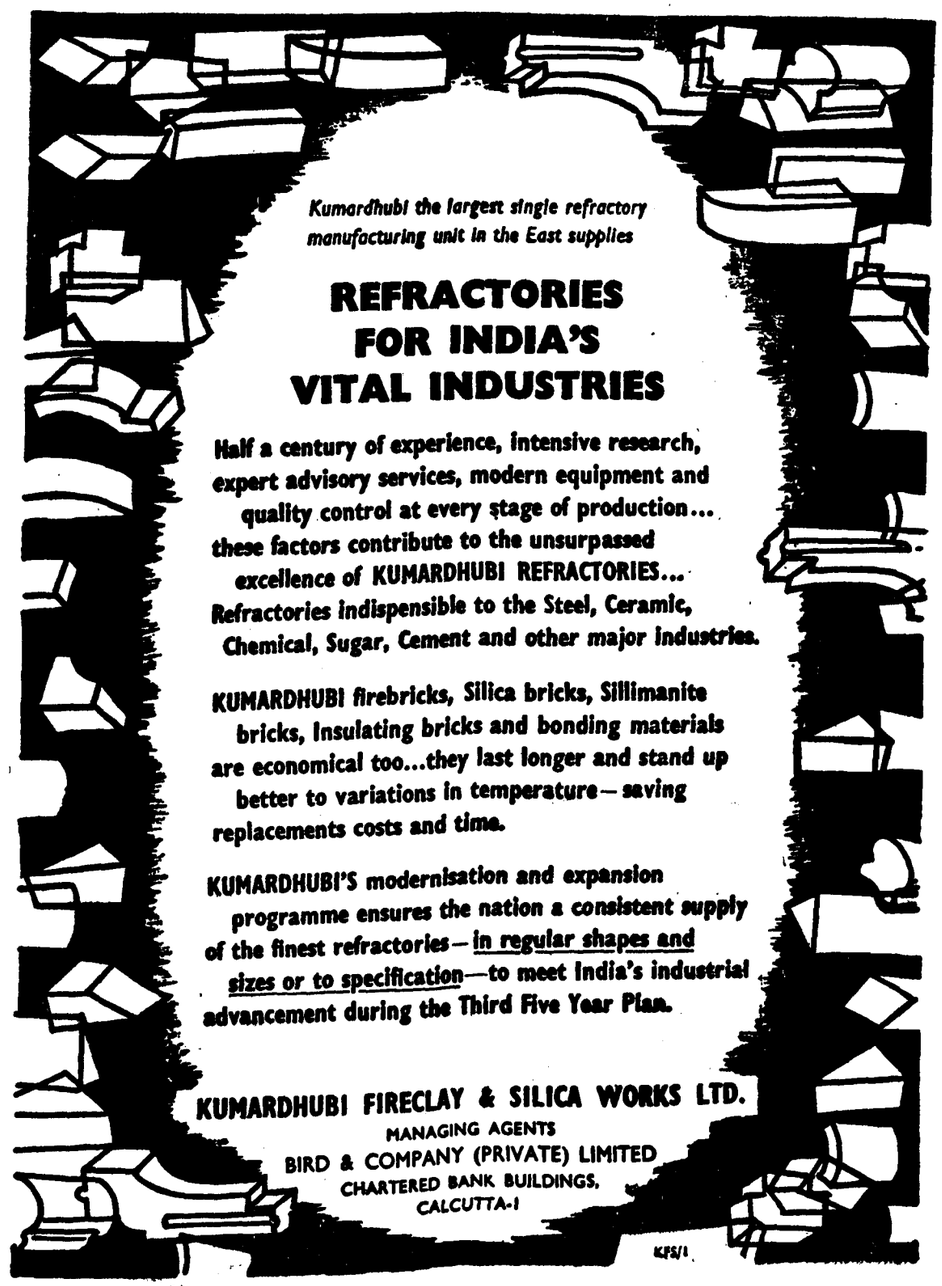
Saving in the form of Bank Deposits provides resources for the National Plan.

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of the coal industry, its needs in a developing economy, the impact of the wage structure on the cost of production and the effect of these on other industries consuming coal.

Besides the Chairman, the Board will include Mr. P. R. Chakravarthy, M.P., Mr. S. S. Marathe (independent member), Mr. Rasiklal Worah, Mr. R. Lall (representative of employers), Mr. Kanti Mehta and Mr. Devan Sen (representatives of workers). The Board will have its headquarters in Bombay. The terms of reference of the Board also include the study of the need for adjusting wage differentials in such a manner as to provide incentives to workmen for advancing their skill, and the desirability of extending the system of payment by results. In applying the system of payment by results, the Board will keep in view the need for fixing a minimum (fall-back) wage and also to safeguard against overwork and undue speed.

Meanwhile, Mr. K. D. Malaviya, after a meeting with all important colliery owners has announced that FICCI and other "Big Business" spokesmen should leave him and the industry alone to achieve the Third Plan target. He said that the coal industry was quite capable of taking care of itself, and that others with no connection with coal should refrain from interfering. He claimed that FICCI was being disowned by the representatives of the colliery-owners themselves.

GIDI COAL WASHERY

The National Coal Development Corporation has signed an agreement with the Polish firm CEKOP for setting up a coal washery at Gidi in the Karanpura coalfields of Bihar. This will be the Corporation's second washery in this State; the first was set up at Kargali.

The project is estimated to cost a little over Rs. 8.31 crores. The annual raw coal input capacity of the washery will be 2.84 million metric tons. It will produce 1.1 million metric tons of washed blendable coal, 1.1 million metric tons of washed steam-size coal (suitable for railways) and over half a million metric tons middlings. Middlings will be used by the Patratu thermal power tation; now under construction. Commissioning of the refinery is expected to take place by April, 1965.

To the extent possible, equipment for the washery will be procured from Indian sources. The remaining items will be supplied by CEKOP which will also assist in erecting and commissioning the plant. The foreign exchange component of the project is to be financed out of the Rs. 14.3 crores credit made available to India by Poland in 1960.

REPLACEMENT OF DAKOTAS

Referring to a news item published in this column last week, the Chief Publicity Officer of the Indian Airlines Corporation, Mr. R. G. Jamalabad, has advised us that the French aircraft Caravelles are not meant to replace Dakotas, whereas the Fokker Friendships are. The Indian Airlines Corporation, he says, had placed an order for a second batch of five Friendships on October 17, 1961, and these aircraft are due to be delivered to it between November, 1962, and March, 1963. Mr. Jamalabad further adds that the Avro-748 is a short-haul turbine aircraft and is not claimed to suit IAC's trunk route requirements.

FOODGRAINS MOVEMENT AND OUTPUT

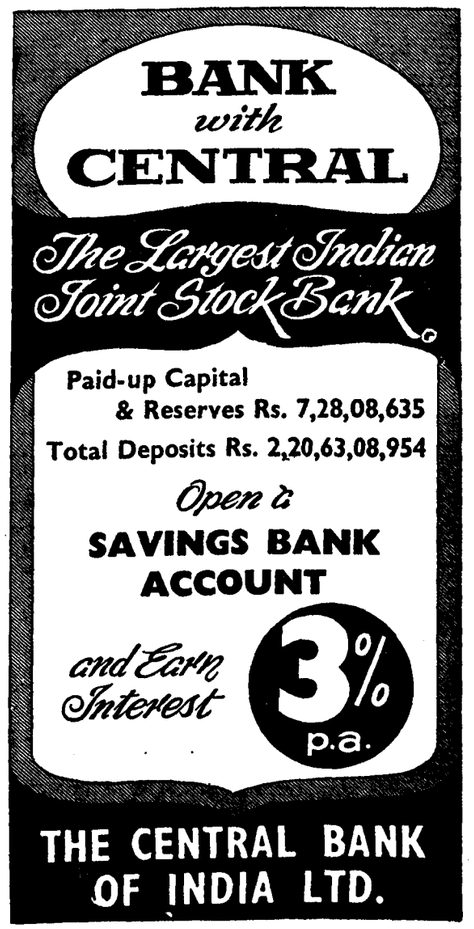
The Union Minister for Food and Agriculture, Mr. S. K Patil, disclosed in the Lok Sabha this week that zonal restrictions on the movement of rice could not be removed at present. In fact, there was no proposal to abolish the system in respect of any of the food zones, he said.

The Government's decision on not abolishing the rice zones follows the shortfall of 48,000 tons in the rice crop in 1961-62 from 33.6 million tons in 1960-61.

Earlier, Mr. Patil told at the meeting of the Informal Consultative Committee of his Ministry that the Government was in the process of building up a 5 million tons foodgrains buffer stock. With a view to make available foodgrains to the "vulnerable sections of the society" at reasonable prices, the Food Minister observed that there were more than 46,000 fair price shops now functioning in the country.

Mr. Patil also stated at this meeting that the Government had under consideration fixation of minimum prices for rice. Minimum support prices for the fair average quality of common variety white wheat, it may be recalled, were, for the first time, fixed at Rs. 13 per maund for the 1961-62 crop. Introduction of support prices for rice should obviously help in stepping up its output.

The Minister emphasized that it was Government's endeavour to see that the farmer was not compelled to



resort to "distress selling" at any time. In this connection, he stressed the role of co-operative societies in going to the aid of the producer by providing ready credit against his crops. This should enable the peasantry to secure better prices for its products in the lean periods.

Dwelling upon the question of distribution of fertilizers, Mr. Patil said that he was considering steps to improve arrangements to ensure that fertilizers always reached the farmer in time. Better machinery, he added, would also have to be devised for the training of farmers in the use of fertilizers as is done in countries like Japan. It might be made conditional on the selling agencies to set apart a percentage of their profits for conducting experiments and imparting training, he further stated. The Minister for Agriculture, Dr. Ram Subhag Singh, detailed at the meeting the steps which the Government had planned to increase cotton and oilseeds output.

IN BRIEF...

The Government of India has accepted the Tariff Commission's recommendation to continue protection to the crude antimony and antimony metal industry at the existing rate—25 per cent ad valorem in the case of crude antimony and 45 per cent ad valorem or Rs. 88.60 per quintal, whichever is higher, in the case antimony metal—up to December 31, 1963.

*

Sugar output during the current crushing season amounted to 27.14 lakh metric tons up to July 31, 1962, as against 30.06 lakh metric tons during the corresponding period last season.

The Central Warehousing Corporation opened 14 new warehouses in the first seven months of this year compared to 11 warehouses during the same period last year. The latest centres where Central warehouses have been opened are Bardwan (West Bengal), Baroda (Gujarat), Nasik (Maharashtra) and Kharagpur (West Bengal).

*

The "Research and Industry Meet" on cotton linters which was scheduled to be held on 6th and 7th September, 1962, at the Regional Research Laboratory, Hyderabad, has been postponed to 28th and 29th September, 1962.

*

The Machine Tools Factory being set up as a public sector project at Pinjore, in Punjab, is expected to go into production in early 1963. Its total capital cost, including the cost of the township, is estimated to be Rs. 7.5 crores. The capacity presently planned is about 1,000 machine tools per annum. The factory has been designed to produce 2,000 machine tools per annum after a few years.

*

Two additional blast furnaces are to be set up under the expansion programme of the Bhilai Steel Plant. The first of these furnaces will be commissioned by December, 1963, and the second by December, 1964.

*

A National Institute of Industrial Engineering is to be set up in Bombay with assistance from the United Nations Special Fund. The Institute will train about 250 industrial engineers every year. The National Productivity Council has taken the initiative in planning this Institute.

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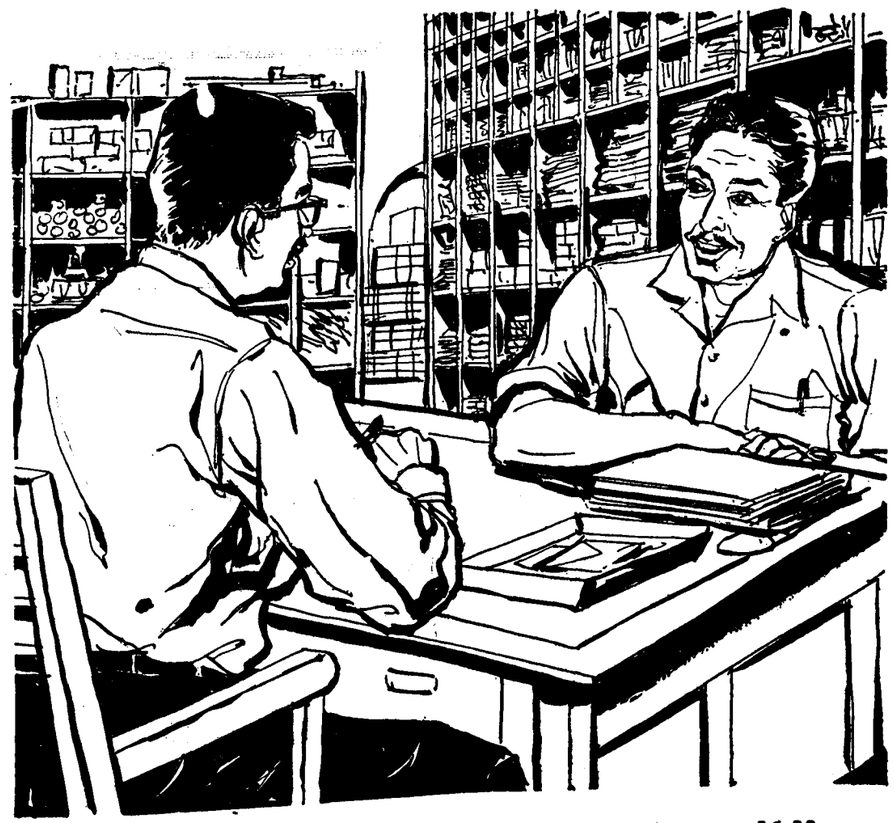
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COMPANY AFFAIRS

TELCO

The working results of the Tata Engineering and Locomotive Company Limited for the year ended March 31, 1962, show a substantial improvement over the previous year. During the year under report the Company enhanced its capacity for production of high-grade engineering products and improved further its manufacturing facilities. Sales, excluding excise duty, maintained its steady uptrend, increasing from Rs. 34,27 lakhs to Rs. 37,93 lakhs. The profits, after providing for depreciation, Managing Agents' remuneration, taxes, and Development Rebate Reserve, show a small improvment, rising from Rs. 1.46 crores to Rs. 1.50 crores. As there is no appreciable rise in net profits, the Directors have recommended the same dividend of 14.5 per cent (gross) or 10.15 per cent (tax-free) per equity share, subject to the tax relief under Section 84 of the Income-Tax Act, 1961.

Allocations include Rs. 219.92 lakhs for Depreciation (against Rs. 180.63 lakhs), Rs. 187.75 lakhs for Taxation (against Rs. 122.23 lakhs), Rs. 40.18 lakhs for Development Rebate Reserve (against Rs. 44.88 lakhs) and Rs. 25 lakhs for General Reserve No. 1 (against Rs. 20.29 lakhs). No amount has been transferred to General Reserve No. 2 and Deferred Taxation Reserve against Rs. 75,000 and Rs. 8.40 lakhs respectively in the previous year. A sum of Rs. 3.62 lakhs has been carried forward against Rs. 2.47 lakhs brought in.

Substantial working capital will be needed for expansion and diversification. A part of the funds will be raised from retained earnings and it is proposed to fill the balance partly from a long-term credit from the Agency for International Aid and partly from an issue of Rs. 5 crores convertible debentures. The terms and conditions of the issue including the conversion terms are still under discussion with the Government.

Owing to the critical foreign exchange situation, the Company will implement the expansion programme of the Automobile Division in two stages. In the first phase the capacity will be raised from 12,000 to 18,000 units per year and in the second stage, it will be stepped up from 18,000 to 24,000 units. The Company is negotiating for a loan of Rs. 6.5 crores ($13.65 million) with the Agency for International Development. In the meantime the Government has also agreed to release a sum of Rs. 1 crore from "free" sources for import of special items to be purchased from West Germany. These amounts will, by and large, cover the foreign exchange requirements for the first stage of the Company's expansion programme.

The diversifying activities of the Company are taking a concrete shape. The manufacture of Tata P & H excavators has been put on a sound basis, the Company being the first to produce this heavy line of equipment. The demand for excavators continues to be satisfactory and the Company proposes to enter into an agreement with the Voltas Limited for the distribution of the product.

Though TELCO is the last to enter the automobile field, it is heartening to note, that at the current level of output of commercial vehicles, it is the biggest producer — with the largest indigenous content — in the country. The Company has already earned for the country Rs. 35 crores by way of foreign exchange.

A modest beginning has been made in the field of exports. During the year the Company exported 60 diesel engines, five vehicles and spare parts to Ceylon and South Viet Nam. An order for steel castings has also been secured from Malaya.

NEW ISSUES

The Controller of Capital Issues has allowed the following companies to issue equity capital.Details are as given below :

Heavy Electricals Ltd., Bhopal, a Central Government undertaking, having a paid-up capital of Rs. 23.20 crores is issuing further capital of Rs. 1.73 crores, divided into 17,300 equity shares of Rs. 1,000 each for cash at par.

The Apollo Mills Ltd., Bombay, having a subscribed capital of Rs. 50 lakhs — all in equity — is issuing further capital of Rs. 50 lakhs, divided into 25 lakhs equity shares of Rs. 2 each for cash at par, to be given to the existing shareholders in the ratio of one for every share held. The proceeds of the issue would be utilised for renewals, replacement, renovations and modernisation of the company's plant and machinery.

Navyug Dye-chem Industries Ltd., Bombay, a new company, is raising capital of Rs. 40 lakhs divided into 40,000 equity shares of Rs. 100 each for cash at par. Of this, shares of the value of Rs. 6.66 lakhs will be issued to the foreign collaborator, Mitsui Chemical Company, of Japan. The proceeds of the issue would be utilised for the manufacture of dye-stuffs.

Lederle Laboratories (India) Limited, Bombay, will raise capital of Rs. 25,40,360. Of this, shares of the value of Rs. 11.92 lakhs will be issued to American Cyanamid, of the U.S.A. at par to cover the cost of plant and machinery and for payment of designing and engineering fees. The shares for the balance of Rs. 13.48 lakhs will be issued to Atul Products Ltd. for a cash consideration of Rs. 21.01 lakhs. The proceeds of the issue will be utilised on Malathion Project of the company.

Carborundum Universal Limited, Madras is raising further capital of Rs. 20 lakhs, consisting of equity shares of Rs. 100 each. All the shares will be issued for cash at par to the existing shareholders, resident as well as non-resident. The proceeds will be utilised for starting the manufacture of synthetic abrasive aluminium oxide grains.

Gajrai Pannalal Limited, Calcutta, will issue capital of Rs. 12.50 lakhs in equity shares of Rs. 100 each for the modernisation of Mahalakshmi Cotton Mills owned by the company. The existing capital of the company is Rs. 10 lakhs.

The Lakshmi Commercial Bank Limited, New Delhi will issue further capital of Rs. 3,50,850 (nominal), divided into 7,017 equity shares of Rs. 50 each for cash at a premium of Rs. 3 per share. The proceeds will be utilised for strengthening the bank's capital base.

The East India Hotels Limited, Calcutta is raising capital of Rs. 17,75,100 divided into 3,950 cumulative redeemable preference shares of Rs. 100 each and 1,38,010 equity shares of Rs. 10 each for cash at par. The capital is required for the completion of the first phase of the company's development plan for the establishment of modern hotels at several places in collaboration with International Hotels Corporation of the U.S.A.

Indian Hume Pipe Company Limited, Bombay, having a subscribed capital of Rs. 110 lakhs consisting of Rs. 60 lakhs in equity and Rs. 50 lakhs in preference shares, will issue debenture shares of the value of Rs. 20,82,200, divided into 2,082, 7 per cent, taxable debentures of Rs. 1,000 each for cash at par. The proceeds of the issue will be utilised for financing the increased business activities of the company. The consent is valid up to December 4, 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
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
May 1961 ..	117.2	104.1	121.6	153.2	136.9	125.3	126.9	125.4
June „ ..	120.6	100.1	123.3	148.8	139.7	123.9	126.2	126.2
July „ ..	124.2	98.6	122.1	151.4	141.9	125.3	127.6	128.8
May 1962 ..	124.2	102.0	122.3	134.9	137.3	125.9	127.5	126.3
June „ ..	125.4	99.7	123.4	136.1	139.5	127.1	128.8	127.4
July „ ..	128.4	98.5	124.5	138.8	142.6	127.2	129.4	129.6
June 30, 1962 ..	127.6	99.1	124.1	137.1	140.3	128.3	130.0	129.1
July 7, 1962 ..	126.6	99.1	124.2	137.4	142.1	127.7	129.8	128.6
July 14, 1962 ..	128.3	99.1	124.4	138.5	142.2	127.3	129.4	129.5
July 21, 1962 ..	128.7	97.9	124.6	139.3	142.5	126.8	129.0	129.7
July 28, 1962 ..	129.9	97.9	124.7	139.9	143.5	126.9	129.3	130.4

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	Bihar: 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 December ..	416	435	302	171	410	499	493	175	481	178	177	179
1962 January	415	436	295	170	399	513	495	178	482	177	174	175
February	417	438	295	170	399	518	492	—	480	177	177*	175
March	418	439	300	170	403	503	493	—	480	179	175*	175*
April	418	439	300	170	410	491	492	—	480*	182	175*	175*
May	422	443	—	167	417	491	496	—	480*	180	177*	177*
June	426	447	—	171	—	505	497	—	484	—	—	—
July	—	—	—	—	—	—	—	—	487	—	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 10-8-1962			3-8-1962			27-7-1962			20-7-1962		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 grams)	125.60	124.75	125.21	125.90	125.20	125.50	126.35	125.10	125.83	126.75	125.50	126.24
Silver (per kilogram)	214.20	212.95	213.41	213.65	212.00	212.63	214.05	212.45	213.38	213.90	212.70	213.36

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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
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										
May 1961 ..	1,989,60	16,63	2,006,23	117,76	113,01	230,77	11.50	118,51	1,656,95	2,006,23
June „ ..	1,958,79	30,43	1,989,22	117,76	108,01	225,77	11.35	118,54	1,644,92	1,989,22
July „ ..	1,922,49	24,13	1,946,62	177,76	93,01	210,77	11.83	121,30	1,614,54	1,946,62
May 1962	2,143,74	24,94	2,168,68	117,76	102,00	219,76	10.13	115,05	1,833,87	2,168,68
June „ ..	2,111,73	33,72	2,145,45	117,76	92,48	210,24	9.80	113,75	1,821,43	2,145,45
July „ ..	2,070,65	20,54	2,091,18	117,76	92,14	209,90	10.04	117,27	1,764,01	2,091,18
Week-Ending										
13-7-1962 ..	2,090,32	14,15	2,104,47	117,76	91,09	208,85	9.92	115,61	1,780,01	2,104,47
20-7-1962 ..	2,060,76	16,31	2,077,07	117,76	89,34	207,10	9.97	118,13	1,751,83	2,077,07
27-7-1962 ..	2,036,73	27,91	2,064,63	117,76	96,34	214,10	10.37	120,56	1,729,97	2,064,63
3-8-1962 ..	2,045,20	18,72	2,063,92	117,76	92,84	210,60	10.20	119,83	1,733,49	2,063,92
10-8-1962 ..	2,063,71	20,03	2,083,74	117,76	89,34	207,10	9.94	119,64	1,757,00	2,083,74

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
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														
May 1961 ..	61,60	16,21	78,38	116,50	272,69	144,08	501,78	16,72	41,65	21,40	83,99	125,25	191,55	21,22
June „ ..	64,96	13,55	84,67	123,86	287,04	134,21	506,25	30,47	39,78	14,49	68,97	121,34	208,22	22,97
July „ ..	58,61	18,56	93,24	111,63	282,04	94,38	461,41	24,17	26,26	9,98	40,10	117,43	221,75	21,72
May 1962 ..	50,54	15,77	86,11	150,91	303,30	158,79	547,11	24,96	64,10	5,79	111,26	129,86	174,46	36,65
June „ ..	56,84	11,35	91,78	149,74	309,71	168,06	562,78	33,77	52,34	8,62	98,64	126,68	203,05	39,67
July „ ..	51,34	20,63	102,86	196,73	371,57	121,12	577,67	20,59	63,99	5,86	37,96	130,85	280,80	37,71
Week-Ending														
13-7-1962 ..	53,27	17,46	90,51	192,22	353,46	119,08	557,55	14,20	74,69	5,37	38,17	133,08	252,29	39,75
20-7-1962 ..	49,33	14,28	108,60	193,64	365,85	121,86	572,71	16,36	67,45	4,51	41,73	128,69	278,46	35,51
27-7-1962 ..	54,58	25,59	103,08	207,63	390,88	123,49	599,37	27,97	54,92	6,76	34,05	128,05	313,40	34,24
3-8-1962 ..	49,08	36,07	94,88	203,80	383,83	117,22	586,06	18,80	60,16	6,22	27,77	131,33	308,19	33,59
10-8-1962 ..	58,23	23,15	91,48	204,64	377,50	109,13	571,63	20,11	70,08	5,16	30,62	134,17	277,81	33,68

* 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	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										
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										
6-7-1962 ..	904,09	1,294,63	2,198,72	54,66	108,52	7.42	1,252,27	172,51†	64.80	598,72
13-7-1962 ..	906,03	1,276,58	2,182,61	51,74	89,54	6.47	1,250,99	168,00†	65.01	578,66
20-7-1962 ..	910,25	1,287,05	2,197,30	49,29	100,61	6.82	1,234,97	168,42†	63.87	620,05
27-7-1962 ..	918,41	1,294,28	2,212,69	49,46	98,40	6.68	1,223,59	170,52†	63.01	655,00
3-8-1962 ..	916,67	1,305,23	2,221,90	48,45	92,96	6.36	1,218,07	177,47†	62.81	672,12

† 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
Nov.* 1961 ..	2,828,54	1,946,11	882,42	861,80	20,62	+ 21,20
Dec.* „ ..	2,876,63	1,983,35	893,29	874,37	18,92	+ 48,09
Jan.* 1962 ..	2,925,49	2,028,19	897,30	877,21	20,10	+48,86
Feb.* „ ..	2,979,64	2,077,17	902,47	883,45	19,02	+ 54,15
March* „ ..	3,078,52	2,120,48	958,04	934,64	23,41	+ 98,88
April* „ ..	3,140,77	2,174,29	966,40	942,40	24,00	+ 62,25
May* „ ..	3,128,88	2,176,98	951,89	930,61	21,27	—11,94

TRENDS IN NEW REGISTRATIONS : 1955-56 — 1961-62

(Authorised Capital in Lakhs of Rupees)

Year	Public Number	Public Authorised Capital	Private Number	Private Authorised Capital	Total Number	Total Authorised Capital	Average Authorised Capital Per Public Company	Per Private Company	Per New Company
1955-56 ..	186	67,89	1,262	89,05	1,448	1,56,94	36.90	7.06	10.84
1956-57 ..	84	54,13	764	1,56,52	848	2,10,65	64.44	20.49	24.84
1957-58 ..	65	52,74	896	49,97	961	1,02,71	81.14	5.58	10.69
1958-59 ..	58	58,67	1,037	2,25,69	1,095	2,84,36	101.16	21.76	25.97
1959-60 ..	87	67,14	1,365	93,40	1,452	1,60,54	77.11	6.84	11.06
1960-61 ..	153	1,57,50	1,530	1,29,55	1,683	2,87,05	102.94	8.47	17.06
1961-62 ..	199	1,79,20	1,415	1,45,67	1,614	3,24,87	90.05	10.29	20.13

STATE-WISE DISTRIBUTION OF NEW REGISTRATIONS : 1956-57—1961-62

State	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62
Andhra Pradesh	9	18	19	31	32	28
Assam, Manipur and Tripura	10	21	17	14	5	15
Bihar	17	18	22	11	21	9
Bombay	170	191	240	293	407	391
Kerala	42	39	47	32	46	51
Madhya Pradesh	5	7	14	25	24	23
Madras	91	80	113	342	343	284
Mysore	5	15	27	28	31	28
Orissa	6	22	21	35	20	12
Punjab and Himachal Pradesh	29	29	31	38	53	58
Rajasthan	13	9	16	18	26	30
Uttar Pradesh	38	36	34	45	47	39
West Bengal	301	359	364	399	431	392
Delhi	112	117	130	141	197	254
TOTAL	848	961	1095	1452	1683	1614

REGION-WISE TRENDS IN NEW REGISTRATIONS

Region	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62
Eastern Region	334	420	424	459	477	428
Western Region	175	198	254	318	431	414
Northern Region	192	191	211	242	323	381
Southern Region	147	152	206	433	452	391
TOTAL	848	961	1095	1452	1683	1614

INDUSTRIAL PATTERN OF NEW COMPANIES: 1956-57—1961-62

(Authorised Capital in lakhs of rupees)

Classification	1956-57		1957-58		1958-59		1959-60		1960-61		1961-62	
	No.	Authorised Capital	No.	Authorised Capital	No.	Authorised Capital	No.	Authorised Capital	No.	Authorised Capital	No.	Authorised Capital
1. Agriculture and allied activities	28	2,24	39	1,01	33	84	40	2,87	37	3,20	34	1,34
2. Mining & quarrying	31	78,78	17	1,94	22	71,59	21	6,10	21	11,22	24	7,11
3. **Processing and Manufacture**												
(i) Foodstuffs	75	23,79	76	17,26	90	15,34	88	22,71	91	20,75	91	15,84
(ii) Metals & chemicals	162	43,94	250	26,74	295	1,09,84	373	63,83	544	1,49,73	468	1,53,57
(iii) Others	93	20,47	101	24,89	117	42,51	153	32,56	182	56,55	191	50,18
4. Construction and Utilities	17	3,99	37	1,30	26	1,21	30	2,13	37	7,06	35	7,20
5. Commerce (Trade and Finance	292	23,56	281	17,15	302	37,39	367	16,80	424	21,63	481	79,31
6. Transport, Communication and storage	66	11,34	70	10,21	104	2,97	283	5,36	277	13,25	203	4,50
7. Community and Business services	23	91	23	42	30	1,14	27	5,52	28	1,96	23	1,21
8. Personal and other services	61	1,63	67	1,79	76	1,53	70	2,66	42	1,70	64	4,61
TOTAL	848	2,10,65	961	1,02,71	1,095	2,84,36	1,452	1,60,54	1,683	2,87,05	1,614	3,24,87

SIZE-WISE* DISTRIBUTION OF NEW REGISTRATIONS: 1956-57—1961-62

Size Group	1956-57			1958-59			1960-61			1961-62		
	Public	Private	Total	Public	Private	Total	Public	Private	Total	Public	Private	Total
Below Rs. 1 lakh	4	167	171	3	249	252	5	365	370	19	383	402
Rs. 1 lakh and under Rs. 5 lakhs	15	292	307	14	428	442	5	561	566	22	542	564
Rs. 5 lakhs and under Rs. 10 lakhs	15	215	230	12	262	274	15	366	381	13	262	275
Rs. 10 lakhs and under Rs. 25 lakhs	6	64	70	8	55	63	23	154	177	37	157	194
Rs. 25 lakhs and under Rs. 50 lakhs	5	21	26	5	19	24	7	40	47	17	31	48
Rs. 50 lakhs and under Rs. 1 crore	3	13	16	7	11	18	31	22	53	34	23	57
Rs. 1 crore and above	17	11	28	9	13	22	67	22	89	57	17	74
TOTAL	65	783	848	58	1037	1095	153	1530	1683	199	1415	1614

*According to authorised capital.

COMPANIES AT WORK

(Paid-up capital in Rs. crores)

As on 31st March	Public Companies		Private Companies		All Companies	
	Number	Paid-up Capital	Number	Paid-up Capital	Number	Paid-up Capital
1951	12,568	566.5	15,964	209.9	28,532	775.4
1952	12,413	606.8	16,810		29,223	855.8
1953	12,055	628.8	17,257	268.8	29,312	897.6
1954	10,237	625.5	19,255	315.7	29,472	941.2
1955	10,056	661.3	19,569	308.3	29,625	969.6
1956	9,575	690.4	20,299	333.8	29,874	1,024.2
1957	8,810	714.6	20,547	343.0	29,357	10,77.6
1958	8,296	773.6	19,984	332.7	28,280	13,06.3
1959	7,760	784.1	19,719	325.7	27,479	15,09.8
1960	7,306	811.6	19,615	281.5	26,921	15,93.1
1961	6,745	876.1	19,363		26,108	17,24.6
1962	5,999	933.7	18,75[illegible]		24,757	18,79.4



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THE EASTERN ECONOMIST

AUGUST 31, 1962.

And Now Chittoor

THE victory of Mr. N. G. Ranga, Chairman of the Swatantra Party, over the Congress candidate, Mr. T. N. Viswanatha Reddi, at Chittoor has shaken the inner circle of the Andhra Congress Party with good cause. In this election, unlike that at Tiruchengode, all the Congress power and influence was exercised to the full. Mr. N. Sanjiva Reddi, the Chief Minister of Andhra Pradesh and very much the Party boss of the area, threw his personal influence fully into the fray. At the same time, Mr. Kamaraj Nadar and Mr. T. T. Krishnamachari threw in a mighty last-minute effort to sway the Tamil vote. Undoubtedly, Congress power and money were deployed on a bigger scale than was possible with the Opposition candidate. The Communist Party identified itself with the Congress. It was also a seat which in the last election had a significant margin of 24,000 votes over a Swatantra rival. The elimination of this advantage, in the circumstances under which it has occurred, presents a serious setback to Congress complacency. The Swatantra-DMK combination in Andhra, which has scored its first victory in this election, is likely to be an increasingly powerful combination in Madras.

The significance of this particular election must be sought in the future more than in the present. If the movement of votes in Tiruchengode and Chittoor is any guide to likely events in a general election, the Congress might be badly shaken both in Madras and in Andhra. It is probable that both elections exaggerate the current elements of discontent. Immediately after a general election, an electorate is much readier to shake the complacency of those in power than it would be in a general election, where it has necessarily to reckon with the inadequacies of an Opposition claiming to be a government for the first time. On the other hand, the trend of discontent in the South may well gather force if certain current policies there are not substantially reversed. These policies cover an inadequacy of investment in the South against a demonstrably larger investment in the North, West and East; secondly, the failure to meet the price problem in respect of the lowest income groups there more than in any other portion of the country. Finally, there is a somewhat confused and disorderly emotional upheaval, based in part on DMK propaganda, but basically a feeling of resentment that political power and resources are deployed so much at the will of non-Southerners in the Indian political system. The ascendancy of the Hindi area and some undefined resentment against the Hindi language are deep and growing. Undoubtedly, the DMK, in the Chittoor election, produced, as a result of this resentment, the small margin with which Mr. Ranga has won.

A single election cannot serve the purpose of convincing the Government that its policies are in error and, indeed, there was nothing said by Mr. Ranga in the election which can convince an impartial observer that the Swatantra Party at this moment has any better policy for the country. It has a substantial contribution to make in terms of criticism, and Rajaji's remarkably able speeches have added some zest and excitement to the political debate. He awakens response when he refers to the Congress as a tiger because of its arrogant demeanour and unruly dogma. On the other hand, it is much more likely that the major danger of the Congress is complacency and not arrogance. The Congress Party in Delhi, no less than elsewhere, is suffering not merely from tiredness due to the ageing character of its top leadership, but from a mental stagnation which is the result of the mechanical use of slogans in place of new policies. Some of the best friends of the Congress in the country will, therefore, welcome the result of the Chittoor election not because they like a disordered opposition, but because they feel that the Congress will need to be rebuked many times before it recognises that it has lost the deep respect of the people and needs now to justify itself by new thoughts, and above all, by new deeds. If Chittoor, added to Tiruchengode, can awaken the Congress from its slumber, the results of these elections can well be taken by the body politic as the best medicine it has had for a long time.

Indian Superphosphate Production

THE opening by Mr. Morarji Desai, the Union Finance Minister, of the Kothari Superphosphate Factory at Ennore, Madras, on August 23, provides a suitable occasion on which to review the progress of Indian superphosphate production. One of the great defects of Indian fertilizer use, in addition to the pitifully small quantity employed, is the maldistribution between nitrogen, phosphorus and potash. Whereas in advanced agricultural use the proportion is roughly equal, there are very few instances in India where phosphate amounts to more than a fifth of nitrogen use. This is largely the result of a basic error in planning in India's fertilizer production with the concentration on nitrogenous fertilizers as against NPK mixtures. Late in the day an attempt has been made, for the most part in the private sector, to increase superphosphate production and the splendid new factory opened last week by the Blue Mountain Estates & Industries Limited is one of the first of many new plants. It also happened to be one of the best, deriving its process from a special patent of the great Italian firm of Montecatini. The factory is also designed to produce granulated superphosphate for the first time in India, eliminating the need for a separate granulation plant. The Blue Mountain Estates have also devised further economies by producing their own sulphuric acid with a capacity of 16,500 tons, this time with the assistance of Simon-Carves.

In the light of the importance of superphosphate production and the need for giving it special incentives, those who were present failed utterly to understand the almost brutal rejection by the Finance Minister of the very moderate submission made by Mr. D. C. Kothari for exempting such factories from import duties on sulphur and rock phosphate and excise duty on sulphuric acid. Without any argument to support his contention, the Finance Minister said there was not much to support the request. And, adding insult to injury,

he observed that the efficiency of the factory would be demonstrated if taxes were paid and yet costs were kept down. The argument that, whatever the scale of operation, additional excise duties can be offset by efficiency in management is too patently in error for the point to be argued. Here, in fact, is a case of a factory designed with extreme efficiency and economy and with a foreign exchange element so low that it could hardly have been bettered in almost any country of the world. All the machinery has been fabricated in the country on drawings; even these drawings have been paid for in part by loans to be repaid by products. There is no evidence whatsoever that capital costs could have been reduced further, and the manufacturing process is one which, for those who know it, does not admit of any further cost reduction. It is clear that the only way that costs can be reduced for agriculturists is by a reduction of the taxes which go into intermediate products for which, in this particular case, there is no justification.

The point that Mr. Kothari was making — which is one which needs consideration in a large number of industries—is whether or not the Government of India is wise in first putting on taxes and then providing subsidies to particular consumers. In this case, the Government, in some degree subsidizes the use of fertilizers by an equalisation fund having, in fact, received a duty on some of the products which, as Mr. Kothari argued, could easily be reduced or eliminated. All that is required is some adjustment in two items of an equation, leaving small agriculturists as a whole as end consumers better off. Since all the factory's product is sold, the entrance of these taxes into costs in no way hurts the factory and what Mr. Kothari was arguing was a reduced price to the agriculturist, and not a larger profit for the factory. If every such argument is to be brushed aside on the ground that this is an argument for higher profits from the richer sector of Indian society, no reasonable correlation between taxable capacity and revenue will be obtained. In this case the agriculturist who bears the higher price for the fertilizer is being improperly taxed on an item whose use should be encouraged, and whose utilisation plays a direct part in increasing the welfare of India's lowest income groups.

It seems a pity that so much of Indian fiscal procedure is based on rules of thumb, which do not look into special cases which would further the purposes of the socialist pattern of society. *The Eastern Economist* cannot think that Mr. Morarji Desai has seriously addressed himself to the problem presented by the superphosphate industry. It is not too late for him to look into the matter with greater care.

Planning and Pruning

A PLANNING Minister it seems must be as constant as the Northern Star. This is probably why Mr. Gulzari Lal Nanda made the proud pronouncement in his reply to the Lok Sabha debate on the Plan that under no situation would it be pruned. He backed his pronouncement with an assertion of confidence that the "entire machinery of planning" and administrative execution would be streamlined to ensure that the retarded progress in the implementation of the planned projects would be rectified and its tempo would be powerfully stimulated. Whether he was speaking in this tone from conviction or he was goaded to do so by the trenchant criticism of the Government and the Planning Commission at the hands of all the sections of the House is not very relevant. In fact his answer has not been taken seriously.

Mr. Nanda found it convenient to ignore blissfully his own admission in his opening speech at the debate to the effect that the "vital and basic" objectives of the Plan would surely be achieved. This was nothing short of a respectable way of putting it by implication that the core of the Plan would be fulfilled, while pruning would be necessary in relation to the programmes of lesser importance. Is this to be a hard core or not? If so, cannot it be described or must it be perpetually hidden?

The thesis of no pruning of the Plan has been flatly contradicted by most of the statistical evidence adduced by Mr. Nanda. Acute shortages in the key sectors of power and transport have become so chronic and of such a prolonged duration that here at least the Planning Minister owed it to the country to give a forthright clarification to what extent these two primary resources would be provided, to what extent industrial production can be sustained and in what order the targets can be achieved. Out of the additional 7.5 million kw. capacity which is the target fixed for power in the Third Plan, as high a proportion as 4.6 million kw. is to be left over for the last two years as originally envisaged. At least an approximate idea ought to have been given to the House how the resources would be provided for the installation of more capacity which will be required much earlier. But Mr. Nanda merely dilated on the time-lag inherent in installation of generating capacity. In the production of coal the first year of the Third Plan lagged behind the last year of the previous Plan. The major defaulter in this serious shortfall was the National Coal Development Corporation.

Granting that the additional allocation of Rs. 130 crores (exclusive of Rs. 15 crores which are meant for the requirements of the Railway Plan period) for the enlargement of the Railway Plan is a most appropriate measure which has been rightly adopted, the question remains to be answered how much capacity in terms of ton miles, which alone is the precise and scientific measurement of rail capacity, would be available during the Plan period. All that Mr. Nanda had to enlighten the House upon was that out of the target assigned to the railways of providing additional capacity of 91 million originating tons, 69 million tons would be passed on to the last three years. The prospect is clear, making due allowance for the fact that the tempo of railway expansion will be raised, that rail transport will take care of top priority traffic led by coal and steel. But he would be an incorrigible optimist who would hope that the normal industrial and commercial traffic which the railways conventionally carry will be fully cared for by the railways. How the shortfalls in the capacity would be eliminated by road transport in the first instance, and by coastal shipping in the hinterland, is a very vital issue for preventing the productive potential of the economy from being paralysed. In neither of his two speeches had Mr. Nanda even a word to say about the measures to be positively taken to step up motor transport and coastal shipping.

Whether wittingly or unwittingly, the Planning Minister gave a misleading picture of the performance of the State Governments in the matter of raising their own resources from new taxation. He resorted to the technique of assuming that the shares of the States in raising tax revenue could be clubbed together and in this manner he held up before the House the picture of the States having raised in the first two years tax resources of the order of Rs. 360 crores, leaving a balance of Rs. 240 crores to be provided for by fresh taxation in the remaining period. This is completely erroneous. There is no such thing as the revenues of the States as an integrated whole. Each individual State is responsible for finding its allocated tax resources and what was really needed to explain the position in this respect was the performance and the shortfalls in the case of every single State. If several States fail to measure up to their allocations, as they threaten to do, how is the gap to be filled without pruning their plans?

On foreign exchange, Mr. Nanda did well to keep his discourse to the minimum. Perhaps the explanation lies in the fact that only a couple of days or so before the debate started the Planning Commission made a decision not to alter the targets either of external aid or exports. This is a tacit admission that the substantial margin of under-estimation in the requirements of foreign exchange and the allowance necessary for a possible increase in world prices pose the prospect of a gap in the foreign currency requirements about which *ad hoc* decisions would be made as the emergencies arise. But on the score of the slow utilisation of the committed amounts of aid from foreign governments, Mr. Nanda's bare statement that ways and means were being devised to improve the administrative and financial procedures comes as a poor defence.

Guest Editorial

Controversies in Mysore

By P. KODANDA RAO

THE name of the enlarged State, of which Bangalore is the Capital, has become highly controversial. It is now called Mysore. There is a proposal to call it Karnataka. By and large, leaders of the Vokkaliga majority in the former Mysore State insist on calling the integrated State as Mysore, while the Lingayet majority of the integrated State insist equally firmly on calling it Karnataka. The question has been brewing since the formation of the enlarged State, but recently it boiled over, as it were. In the last session of the Mysore Legislature the protagonists of either name discussed it with much animation and heat. Threats were uttered on the floor of the Legislature of blood-shed and even of division of the State into two parts! The Government offered that the question be decided by the free vote of the members, unfettered by party mandates. Neither of the two contestants would, however, risk a defeat and face the consequent agitation. Several alternative solutions were suggested, such as "Kannadanadu", hyphenated "Mysore-Karnataka" and "Mysore" for all-India use and "Karnataka" for local use, following the example of Madras where the State is called "Madras" for all-India use and "Tamilnadu" for local purposes. The protagonists of Karnataka point to the example of the truncated Bombay State being called "Maharashtra" instead of Bombay, in spite of the latter's historical associations. But none of the alternatives received unanimous or near-unanimous support. After hours and days of interminable and inconclusive debates, the decision was postponed till the next session of the legislature. There is, however, little hope of unanimity being reached even then, though miracles are not ruled out altogether.

Though the dispute is formally on the name for the State, the real issue is communal. In the former State of Mysore the Vokkaligas were more numerous than the Lingayets and hoped to achieve and perpetuate Vokkaliga Raj. In the enlarged State, the Lingayets are more numerous than the Vokkaligas. Even at the time of the agitation for a linguistic State based on the Kannada language, the Vokkaligas of old Mysore were not as keen as the Lingayets of Bombay-Karnatak for they feared the inevitability of Lingayet Raj. Since reorganisation, the fear has materialised, and the hope of Vokkaliga Raj has disappeared for ever.

Even the Lingayets do not seem to be quite happy and contented under Lingayet Raj because of group rivalries among them. Though both Mr. B. D. Jatti and Mr. Nijalingappa are Lingayets and Congressmen, they competed for the Chief Ministership. The last General Election returned a majority of the followers of Mr. Nijalingappa, but not him, while Mr. Jatti was returned but with a minority of his followers. The curious result was that neither of them could assume the Chief Ministership and form a stable Cabinet. The crisis was resolved by the provisional offer of Chief Ministership to Mr. S. R. Kanthi, a Lingayet and a devoted follower of Mr. Nijalingappa. Subsequently, a safe seat was found for Mr. Nijalingappa, who then took over the Chief Ministership from the magnanimous Mr. Kanthi. This is in striking contrast to the situation in Madhya Pradesh where Mr. K. N. Katju was defeated at the General Election but was subsequently elected from a safe constituency with a view to resuming the Chief Ministership, but was foiled by the reluctance of Mr. Mandloi to follow the example of Mr. Kanthi.

Mr. Nijalingappa had, however, to "broad-base" his Cabinet enormously by the inclusion of Mr. Jatti and some of his group. At present the Ministry consists of twenty-five members, with the prospect of some more being added to stabilise it! But stability is still doubtful, for the internal rivalries between Vokkaligas and Lingayets and between Lingayets themselves do not seem to have been composed as yet.

The education field is not free from acute controversies. A dispute which suddenly shot into prominence was due to the decision of the Mysore Government to raise the fees in its colleges affiliated to the Mysore University, with a view to achieving uniformity and raising revenue. In the former Mysore State, the fees were Rs. 96 per annum, while in South Kanara and Coorg they were Rs. 144. The Government decided to achieve uniformity by raising the lower fees to the level of the higher. The increase was steep and sudden and provoked opposition in the Legislature, leading to a "walk-out" by some members. Outside the legislature, the initiative for it was taken by

(Continued on page 394)

A DELHI DIARY

IGNORING the controversial election at Chittoor and various domestic sources of attraction, such as the inevitable debate on planning, I am adhering to my planned course of keeping my vision fixed on the receding image of affluent societies in the Western world. As I remember, I was in Seattle on the last occasion and got firmly rooted in the Fair. This was, in fact, doing the United States great injustice. Since in principle the whole is greater than the part, the United States cannot be dealt with adequately by treatment of one of its most interesting cities. I thus return to some general reflections on the United States which I have now seen after a decade. People tell me that the Fifties have been the most important decade of the century. So far as the United States is concerned, I doubt if this is so and statistics tell a not very glorious tale; but I doubt even more the current conclusion on stagnation full with its own statistics.

MEASURING VITALITY

According to the statistical pundits, the United States is just limping along with a rate of progress of possibly 2½ per cent per year of gross national product against 5, 6 or 7 per cent as well as some out-sizes in other economies. When one looks at the absolute value of production, one gets shaken a little on statistical dogmas, but the point first came home to me on this visit that one cannot look either in percentage terms or in absolute statistics for measurement of that thing called vitality. One should look at men and women or, if one is unable to catch the magic of vitality inside the human form, at their individual, not their aggregate, products. So far as the United States is concerned, I saw vitality at all levels. I met it in babies in super-markets being pushed about by their parents in curious contraptions, which provide restrictions on their abundant movements as well as space for vast purchases which everyone seems to make in super-markets. I saw it in schools with boys and girls of different ages. I saw it in the East; I saw it in the West as well as, in that strange world of isolation called the Middle West. I saw it in middle age, I saw it in the aged; I might almost say, I saw it in the octogenarian class, with the great passion which the American octogenarians have to do almost everything that 'normal' men wish to do—flying, motoring, cycling and discussing! If this is stagnation in an economy, let us in India have more of it.

CREATIVE ARCHITECTS

One of the most interesting marks of American genius today is to be found in an area which has not often been noticed in this country. I refer to American architects who are building all over the country remarkable new forms as well as new interiors to old forms. The TWA centre in Idlewild Airport has attracted particular attention in this country, but it is only one of a great group of imaginative buildings. This particular one is Saarinen like a giant bird taking off like an aircraft and yet holding very much to the ground—"to express" as its great architect Eero Saarinen has put it "the excitement of travel". One should look at the great arms of airport buildings themselves apart from the receiving centres. They reach out far out into the airfields with great star-like arms which have no parallel in Europe, both in respect of length and the imagination with which they have been used. I speak particularly of the O'Hare Airport in Chicago. One can report half an hour before the plane leaves; one's baggage goes mysteriously half a mile away from one on a conveyor and one is surprised to find that, before one arrives at the taking-off centre one's luggage has somehow or other raced ahead and is on the plane. Then there are no ups and downs. There come out from the limb two great telescopic arms, one for the first class and one for the economy class. One boards the aircraft from the building itself going through telescoping passages which fit into the aircraft doors. Similarly, when one arrives at the airport one does not go down a staircase and up into the aircraft. The gentle telescopic arms rush out to meet you and one collects one's baggage at a centre almost as soon as one arrives. The processes of transport in American airports have been organised by a new generation of architects and efficiency experts the like of which, I fear, we will never see. Movement of luggage in Delhi at Palam is for me a very sore subject!

THAT WALL STREET FEELING

During the period I was in the United States, Wall Street was behaving with that erratic mystery which causes tremors and trials all the world over. What was new on this occasion was not the behaviour of this strange barometer of American economic activity but the extraordinary extent to which almost everyone in the country seemed concerned. There are many jokes about juvenile interest in investment in the United States, but it happens to be a new and startling fact. A large number of boys and girls get presents of shares from their grandfathers—less often from their parents—on condition that they keep themselves up-to-date and regulate their own investments. Quite often, children do their profit-taking or loss-making in defiance of parental orders. A very large number of young men and women—aged 10 to 18—read the Wall Street Journal as though the mysteries of the economy were to be penetrated by behaviour of stocks rather than by text-book economic sophistication. Perhaps they are right because many of them had done better than their parents. In any case, I have been told, and I believe this is nearly true, half the American population is now affected by Wall Street. If one looks on the other half as being dependent on those who are Wall Street-minded, one might say that one begins to understand why the whole of the United States is now so share-ridden. Here, I am inclined to believe that the affluent society is certainly not a goal to be sought by those who seek peace and tranquility in this life before they receive it, inevitably, in the next. Wall Street is certainly a disturber of the public peace.

The face of the United States keeps on changing as I expect does the face of every country. But in addition to this character of vitality and new interest at all ages, there are great impersonal lines being drawn on the boards in the form of new highways and turn-pikes reaching from east to west and north to south. I believe, within a year one will be able to motor the three-thousand miles across the American Continent in four days. This is not—I repeat, 'not'—a consummation devoutly to be wished.

TELEVISION — PLUS

I must confess in conclusion, to a major reverse in regard to my opinion on Television. Many of us consider television a detrimental occupation for sophisticated persons. We are very apt to think that television programmes in the United States are designed for the crowd and are to be avoided at all costs by intellectuals and highbrows. I discovered, in fact, that the wealth of education available in television programmes was so great that in particular hours of day and night I was rooted to the spot drawing in American culture much more readily than if I walked the streets or indulged in elevating conversation in the campus of Universities. I am more than ever now a believer in television and I look, therefore, with great favour on the grand antennae of a transmitting apparatus going up on Broadcasting House opposite my window. When will it come to life?

ARGUS

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: Inter-mediate 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
May 1961 ..	117.2	104.1	121.6	153.2	136.9	125.3	126.9	125.4
June " ..	120.6	100.1	123.3	148.8	139.7	123.9	126.2	126.2
July " ..	124.2	98.6	122.1	151.4	141.9	125.3	127.6	128.8
May 1962 ..	124.2	102.0	122.3	134.9	137.3	125.9	127.5	126.3
June " ..	125.4	99.7	123.4	136.1	139.5	127.1	128.8	127.4
July " ..	128.4	98.5	124.5	138.8	142.6	127.2	129.4	129.6
July 14, 1962 ..	128.3	99.1	124.4	138.5	142.2	127.3	129.4	129.5
July 21, 1962 ..	128.7	97.9	124.6	139.3	142.5	126.8	129.0	129.7
July 28, 1962 ..	129.9	97.9	124.7	139.9	143.5	126.9	129.3	130.4
August 4, 1962 ..	133.0	98.5	124.5	139.5	143.6	126.7	129.1	131.9
August 11, 1962 ..	132.8	99.2	124.5	139.5	143.4	126.8	129.1	131.8

* 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 December	416	435	302	171	410	499	493	175	481	178	177	177
1962 January	415	436	295	170	399	513	495	178	482	177	174	175
February	417	438	295	170	399	513	492	—	480	177	177*	175
March	418	439	300	170	403	503	493	—	480	179	175*	175*
April	418	439	300	170	410	491	492	—	480*	182	175*	177
May	422	443	—	167	417	491	496	—	180*	180	177*	178
June	426	447	—	171	—	505	497	—	484	182	177*	179*
July	427	448	—	175	—	515	501	—	487	—	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

WEEK ENDED

	24-8-1962			17-8-1962			10-8-1962			3-8-1962		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 gram)	128.05	127.05	127.60	126.60	125.55	126.16	125.60	124.75	125.21	125.90	125.20	125.50
Silver (per kilogram)	216.35	215.05	216.00	215.70	214.00	214.76	214.20	212.95	213.41	213.65	212.00	212.63

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										
May 1961 ..	1,989,60	16,63	2,006,23	117,76	113,01	230,77	11.50	118,51	1,656,95	2,006,23
June „ ..	1,958,79	30,43	1,989,22	117,76	108,01	225,77	11.35	118,54	1,644,92	1,989,22
July „ ..	1,922,49	24,13	1,946,62	177,76	93,01	210,77	11.83	121,30	1,614,54	1,946,62
May 1962	2,143,74	24,94	2,168,68	117,76	102,00	219,76	10.13	115,05	1,833,87	2,168,68
June „ ..	2,111,73	33,72	2,145,45	117,76	92,48	210,24	9.80	113,75	1,821,43	2,145,45
July „ ..	2,070,65	20,54	2,091,18	117,76	92,14	209,90	10.04	117,27	1,764,01	2,091,18
Week-Ending										
20-7-1962 ..	2,060,76	16,81	2,077,07	117,76	89,34	207,10	9.97	118,13	1,751,83	2,077,07
27-7-1962 ..	2,036,73	27,91	2,064,63	117,76	96,34	214,10	10.37	120,56	1,729,97	2,064 63
3-8-1962 ..	2,045,20	18,72	2,063,92	117,76	92,84	210,60	10.20	119,83	1,733,49	2,063,92
10-8-1962 ..	2,063,71	20,03	2,083,74	117,76	89,34	207,10	9.94	119 64	1,757.00	2.083.74
17-8-1962 ..	2,054,07	15,81	2,069,88	117,76	89,34	207.10	10.01	120,78	1,742,00	2,069,88

BANKING DEPARTMENT

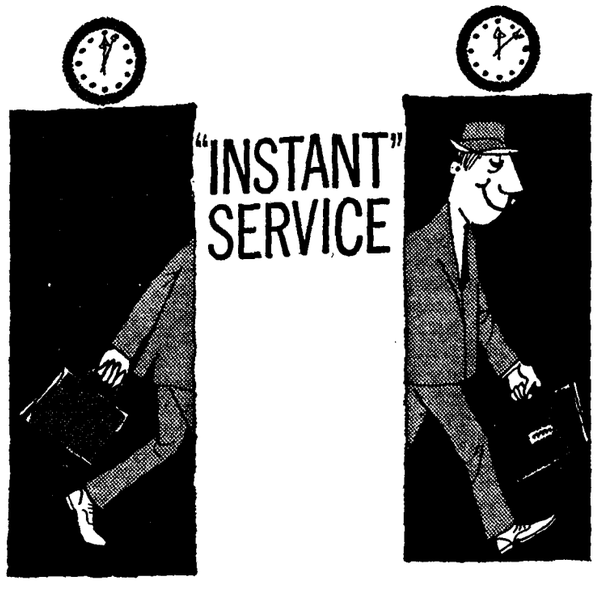
Period	Deposits: Central Government	Other Governments	Banks	Others	Total	Other Liabilities†	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad§	Loans & Advances to Governments	Other Loans and Advances	Investments	Other Assets
1957-58 ..	54,61	11,28	81,00	111,38	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														
May 1961 ..	61,60	16,21	78,38	116,50	272,69	144,08	501,78	16,72	41,65	21,40	83,99	125,25	191,55	21,22
June „ ..	64,96	13,55	84,67	123,86	287,04	134,21	506,25	30,47	39,78	14,49	68,97	121,34	208,22	22,97
July „ ..	58,61	18,56	93,24	111,63	282,04	94,38	461,41	24,17	26,26	9,98	40,10	117,43	221,75	21,72
May 1962 ..	50,54	15,77	86,11	150,91	303,30	158,79	547,11	24,96	64,10	5,79	111,26	129,86	174,46	36,65
June „ ..	56,84	11,35	91,78	149,74	309,71	168,06	562,78	33,77	52,34	8,62	98,64	126,68	203,05	39,67
July „ ..	51,34	20,63	102,86	196,73	371,57	121,12	577,67	20,59	63,99	5,86	37,96	130,85	280,80	37,71
Week-Ending														
20-7-1962 ..	49,33	14,28	108,60	193,64	365,85	121,86	572,71	16,36	67,45	4,51	41,73	128,69	278,46	35,51
27-7-1962 ..	54,58	25,59	103,08	207,63	390,88	123,49	599,37	27,97	54,92	6,76	34,05	128,05	313,40	34,24
3-8-1962 ..	49,08	36,07	94,88	203,80	383,83	117,22	586,06	18,80	60,16	6,22	27,77	131,33	308,19	33.59
10-8-1962 ..	58,23	23,15	91,48	204,64	377,50	109.13	571,63	20,11	70,08	5,16	30,62	134,17	277,81	33,68
17-8-1962 ..	67,31	16,90	97,45	160,15	341,81	112,30	539,11	15,86	75,12	5,08	35,45	133,32	240,56	33,73

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

ment) rather than as entrepreneurs seeking to maximise profits. The salaries paid to managers do not depend so much on their ability as on what electoral opinion at any moment thinks is appropriate to their status. But a society which will only stand for "appropriate" salaries, and which refuses to allow entrepreneurs to acquire private fortunes in a relatively short time as a legitimate form of remuneration will not in the long run preserve individual freedom because this basically depends on the survival of private enterprise. As Professor Hayek says in his "Constitution of Liberty" (Routledge. London. 1960) though there may be no difficulty in widely dispersing ownership of well established enterprises among many small owners and in having them run by managers, to build up new enterprises you need individuals controlling considerable resources. One of the advantages of the competitive system is that successful new ventures are likely for a short time to bring very large profits and that the capital needed for development will be formed by men with the best opportunity of using it. The large gains of the successful innovator meant in the Victorian era, whose memory haunts Mr. Sampson, that, having shown the capacity for employing capital profitably in new enterprises, he would soon be able to back his judgment with larger means. Much of the individual formation of new capital, since it is offset by the capital losses of others, should realistically be seen as part of a continuous process of redistribution of capital among entrepreneurs. The scale of taxation of profits in the UK amounts to heavy tax on that turnover of capital which is part of the driving force of a progressive society.

Mr. Sampson sees the differences between private corporations and nationalised industries as diminishing. He is disturbed by the conformism, narrow limits of competition, and the "endemic elephantiasis" of such huge firms as ICI or Unilever. He fails to realise that, as Hayek points out, the worst consequence of confiscatory taxation, where there are temporary opportunities for large profits, is to restrict competition, to favour corporate rather than individual saving, and above all, to strengthen established corporations against newcomers. Because taxes absorb most of a newcomer's "excessive profits", he cannot become big business and a match for vested interests. The old firms don't need to fear his competition: the tax collector shelters them. It is not Eton and Oxford which enable a big corporation to sink into a routine or to become conservative, it is the egalitarian ideal of the redistribution of wealth carried out by the Welfare tax collector. It is true that income tax hits their profits too, but what is more important for them is that it prevents the dangerous newcomer from competing with them. In his "Welfare and Taxation", Colin Clark says that many who favour high taxes hate monopoly, but if taxes were lower, and especially if undistributed profits were exempt, many businesses would spring up to compete actively with the old established business. "As a matter of fact, the present excessive rates of taxation are one of the principal reasons why monopolies are now so strong."

In short, if Mr. Sampson rightly diagnoses inertia as a British weakness, the cause is not so much the frustrations arising from class and snobbery as in the ever widening transfer of initiative to the State, and the grudging rewards for that successful individual enterprise which creates a sense of purpose.



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The European Scene

PRICE INFLATION IN WEST EUROPE

From Our Special West European Correspondent

PARIS, August 26.

THE successive "economic miracles" on the Continent in the last decade—first in West Germany, then in France, Italy and, less spectacularly, in Spain—consisted in the achievement of rapid development without inflation. If that is indeed the meaning of "miracle", then West Europe's miracles are by now things of the past. Nowhere in this region today can we see rapid development without inflation. There is inflation everywhere and development has mostly slowed down. In fact, the Continent may be heading for the contrary and much less miraculous situation of rapid inflation without development. No doubt, that is too gloomy a view to take yet; the situation in this region is still healthier than elsewhere in the West, and if the danger of inflation is more obvious, this is in large part because governments have preferred, and continue to prefer, the risk of rising prices to the slough of stagnation. Economic policy nowadays involves steering a perilous passage between the reef of stagnation, on which the British economy has been stuck for several years, and the reef of inflation, from which several Continental economies were only lately dislodged. These straits are riddled with dangerous currents and there is no one perfect course to follow; at any given moment, each economy seems to be veering too far to port or starboard. The Continentals have to date managed to rectify their course before the danger has become too great.

At the present moment, it is clear, the drift is toward price inflation. The reason is the combination of a lower demand for many goods, and an increase in production costs. The former, reduced demand, has various causes, depending on the country considered. The most general cause is lower export demand, due to the poor performance of the British and American economies, and to the restricted importing capacity of the developing countries—some of the latter, moreover, being entangled in political unrest which is suspending their economic progress, as in North Africa, the Congo and Latin America. With the outside world ordering less of their goods, the Continental economies were bound to cut back their production in numerous lines, for their recovery has been heavily biassed toward exports. To this general cause, are added factors specific to each country. In West Germany, enquiry for capital goods from domestic industry has contracted, whereas on the contrary it is still being supported in France and Italy by public investment. In Benelux and, to some extent in France, demand for consumer goods is stagnating, while it is strong in Italy and West Germany.

In these circumstances, a slowing down of the rate of expansion was inevitable. It had been unusually high in recent years, and plainly could not maintain that pace indefinitely, least of all if the British and American economies were ticking over while too little was done to increase the purchasing power of developing countries. The slowdown, however, need not be serious, for the region has its own dynamism and could probably keep up a modest but still respectable pace of expansion, approaching 4 per cent annually. This is what is happening this year; after a pick-up in the early summer, the six economies of the Common Market will show an average growth rate of 4.5 per cent for the full year. Nor need this rather slower pace of expansion have been accompanied by price inflation, were it not that it coincided with competition for scarcer labour resources. True, the shortage of manpower is usually placed among the reasons for the slowdown in production-increase, as though employers were finding it impossible to produce more because of the absence of hands and therefore decided to cut back output. On the contrary, very impressive increases in output are possible with a labour force that is growing only slowly, as the French case shows over the past decade and, still, at this very moment. For that, it is necessary that industry make the right sort of investments, and that industrialists feel sufficiently assured of long-term demand for their products to make those investments well in advance.

Instead of that, employers have chosen to compete frantically for the limited supply of immediately available skilled labour while adjusting the pace of expansion of output to the somewhat poorer tone of the market. Thus hourly wage rates in West Germany have soared by 14 per cent in the past year (2.4 per cent in July this year alone) and are now 3.51 DM. for men per hour and 2.38 DM. for women. In Italy, minimum wages stated in collective contracts have jumped by 11.1 per cent in the past nine months, while actual wages paid to skilled workers have risen much more, for there is cut-throat competition among employers for qualified men. The real rise for a full year is no doubt higher than in West Germany and may approach the 19.6 per cent secured by Italian civil servants; the current wave of strikes (time lost in wage disputes has never been higher in Italy than this year) shows that organised unions in industrial regions are determined to exploit their advantage to the full, even if this is to the disadvantage of the 1.2 million still unemployed. In France, the increase in money wages is about 8 per cent over the year.

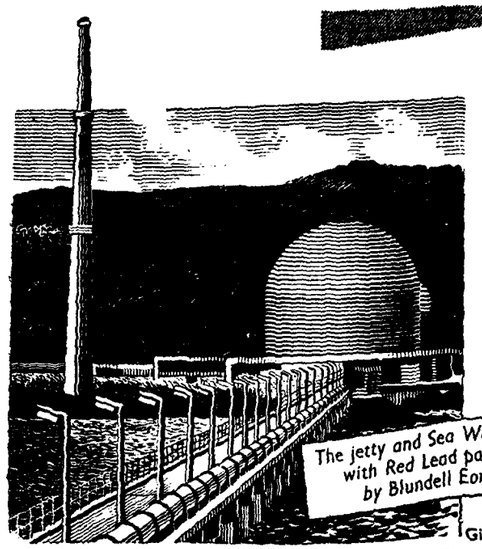
These massive increases in wages, occurring in economies whose rate of growth had slowed down, inevitably led to a rapid rise in prices, even in countries like Italy and West Germany where prices had been stable for years before. The cost of living has risen in Italy in nine months by 5 per cent, so that over a full year it will exceed even the 6.5 per cent rise seen in France. In West Germany the increase has been 4 per cent, and 3 per cent in Benelux. In view of the sound-money doctrines professed by all the conservative coalitions now in office in West Europe, one might have expected vigorous action by now to stem this price-inflation. On the contrary, no government is willing to restrict investment in order to offset the pressure created by wage increases, because they are reluctant to "sacrifice tomorrow" in a Europe that they all believe destined for continued and highly competitive expansion. No more are they ready to act directly and at short term on the move to higher wages; employers who resist get no backing from governments, some of whom, like Signor Fanfani's coalition and even General Franco's regime, make no secret of their support for wage increases whatever the immediate risks. At a moment when export demand is low, they are reluctant to add the depressing effect of restricted domestic demand.

It is as though economic-policy makers, convinced that fairly fast long-term expansion is both possible and necessary in West Europe, and determined to avoid the quasi-stagnation they see in Britain, were prepared to take a calculated risk on inflation. This implies that while continuing to pay lip service to the stability-first doctrine on which they based their recovery, Europe's orthodox financiers have been converted to the faith of their opponents of yesterday, the growth-before-stability school. The optimism created by the Common Market is no doubt responsible for this discreet change of attitude.

The risk involved would not be so great were it not that the same governments have chosen just this moment to increase the purchasing power of the agricultural community, by guaranteeing it higher prices for farm produce and protecting it from the exports of North America and Australasia. Much of the increase in living costs, and hence in turn in wages and industrial production costs, that has occurred this year is due to none of the factors so far mentioned, but to the big advance in food prices. Some of this was accidental, due to the long cold winter—but to say that it was accidental does not mean that its effects are reversible; in the field of prices, what goes up may never come down. Part of it, however, is no accident and is related to the increase in the incomes of farmers which is the objective of the common agricultural policy.

To show what is involved, one could say that the calculated risk on inflation that West European economies are taking would make more sense if governments accepted the original British suggestions about opening West Europe up to Commonwealth foodstuffs and certain manufactures like textiles. If Continental food prices were to come down to nearer the British level while copious supplies of cheap textiles were admitted, the price line could be defended more easily. However, this is politically impossible; and many European economists believe that it is economically impossible too: that steady expansion will be feasible only if the agricultural community (which forms up to 20 per cent of some Continental populations) is included in the general advance in revenues and living standards. European economies, then, are seeking to improve the revenues both of farmers and industrial labour while maintaining considerable investments, at a moment when the mainspring of expansion has lost some of its force.

The inflationary dangers of this proceeding could have been revealed long before this if the US dollar were not under suspicion. Whenever a European country, during the 1950's, let its prices rise too fast, it was promptly punished by depletion of its exchange reserves and, to the extent that controls sought to protect these, by deterioration in the standing of its currency. Today, on the other hand, all the Continental countries are practising a more or less equal inflation, so that they are not punishing each other for their unwise policies; France, for example, is relatively unconcerned about the rise in her prices as long as those of her main trading partner, West Germany, are rising just as fast. The USA and Britain are outside this inflationary club (their prices are indeed rising too, but less than Continental this year), but their currencies are chronically weak and funds continue to move toward the Continent. Thus countries in this region whose prices have risen too fast still see their central reserves mounting, even when their foreign trade is deficit. There is probably something in the thesis of M. Jacques Rueff, that the present method of international payments favours a world-wide inflation because some part of central reserves is being counted twice over. This cannot continue indefinitely, but on present indications the breaking point will come in the USA, when decisive measures have to be taken to protect the dollar, rather than in West Europe where insidious inflation has so far not caused serious apprehension.



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Special Article

RUSSIAN PANORAMA: A REVIEW AND A COMMENT*

By C. S. Venkatachar

FOR most of us, Russia is a 'terra incognita.' The genius of those master writers — Tolstoy, Pushkin, Chekov, Turgenev, Dostoevsky — has given us some vivid ideas about the Russian people and what they are like. How relevant are they to the Stalinist Russia of yesterday and Khrushchev's Russia of today?

An answer is difficult, for everything about Soviet Russia is strange, unfamiliar and alarming. But the problem of understanding her is there.

As a step towards understanding, Ambassador K. P. S. Menon takes you through the Soviet Union on a conducted tour in one magnificent sweep of the Russian Panorama, from Murmansk to Astrakhan, from Kiev to Alma Ata. His is not the travel diary of a philosopher; it is of a humanist, a historian, a cultured man of letters. History and legend, churches and ikons, art and culture, ballet and music, claim his interest more than statistics and production targets.

As your guide he is a charming companion, friendly and humorous. He narrates in limpid, sensitive English prose, making the unfamiliar familiar and the distant vision your friendly next door neighbour. He is never dull even for a moment. You instinctively share with him his joys, feelings and impressions. That is the real greatness of this travel diary.

"Russia", writes Louis Fischer "has a strange strength, the frustrated power of a giant. The nation possesses some uncertain dark brooding quality like a volcano, threatening to vomit forth black lava."

Ambassador Menon tells you to have a look at Mother Russia standing in the background of the immeasurably vast figure of Soviet Russia — with her steppes of Siberian 'taigas', the deep snow and the rutted, muddy roads of the countryside, rural Russia still answering to Gogol's description of a century back, her rivers and canals, her literature, poetry and songs. For all these the Russian people have a nostalgia, however heroic the new Soviet man may be under Soviet Communism.

Mr. Menon does not commit the indiscretion of straying into politics. It is quite apparent that Russian nationalism bolsters Soviet Communism, for the love of the Russians for their country has always been great. It is often forgotten that the Great Russians who are politically and culturally the dominant segment of the population of Soviet Union are a European people. They share the inheritance of European civilization; like the rest of Europe, Christianity has been the main axis of their civilisation.

From the days of Peter the Great, these great Russians have been faced with the problem of modernising their country. The process of Russia's modernisation has been painful. The Russians are still tortured by the dilemma: how to be true Russians and at the same time become part of Europe which includes the hated West. Dostoevsky poured out his heart in his diary "....under the circumstances can we renounce Europe. Europe is our second fatherland. Indeed the more strongly and closely shall we reflect ourselves in the European soul."

The travel diary is in three pieces. The central piece is Russia in Europe. Here Mr. Menon is at his best. He has neatly reduced the gigantic proportions by an orderly series of miniatures, etchings and snapshots. There are too many gems to be removed from their settings. Picked at random are: Tbilisi in Georgia looking at night 'like a bride decked in all her jewels, ready to receive the bridegroom'; the storms and sunsets on the sea-shore of the Black Sea; the glories of Kiev, past and present; the ikons and churches of Nizhny Novgorod, now renamed Gorky; Mathushka Volga—little mother Volga, travelling a long way from lake Seigar to the Caspian, 'poets have sung her praise, artists have painted her pictures'; the lotus covered lagoons of Astrakhan and the lovely legend of the Tartar Khan who sought the Indian lotus.

Ever since Yermack, the Cossack rode across the Urals to Vladivostock, the Great Russians have been colonising Western and Eastern Siberia and annexing lands in Central Asia. The author's diary covering these parts, which is the second piece of the travelogue, does not tread any fresh ground. The golden road to Samarkand has become somewhat dusty with too many travellers' description and Uluq Beg's Central Asian Jantar Mantar is all now too common-place. Attractive however, is the description of Kirghistan, the lovely dacha on the outskirts of its capital town — Frunze (alas, it is too far away from India as a holiday resort and as a place for meditation), the beautiful Alma Ata and the Heavenly Mountains.

More interesting is the author's visit to Urumchi and the comparison he makes of Sinkiang under the Chinese Communists with the conditions the author observed during his previous visit in 1944. The improvements he noted are a credit to the Communist regime of Mao.

The last part of the diary relates to his visits to Poland and Hungary in connection with his ambassadorial duties in those two countries. Poland and Hungary are dark and tragic spots to be included in a Russian Panorama. Here, Mr. Menon practises his trade of a professional diplomat and smothers you with pleasantries and irrelevancies. Neutralist countries adopt an ambivalent attitude towards imperialism practised by the Soviets over the people of Eastern Europe. They flog Western imperialism with a knout and flatter the Soviets, in the name of friendship, by giving them the benefit of doubt.

In the 19th century, with Poland in his mind, Alexander Herzen, the great liberal who was banished from Russia, wrote: "You cannot begin an era of freedom in your homeland, if you put a rope around the neck of your neighbour". This could be extended to include Hungary and other Soviet Satellites.

The Soviet rulers also conveniently forget what Lenin wrote in 1895: "Only a free Russia that is under no necessity to oppress Poles, Finns, Germans and other small nationalities or constantly to incite France against Germany will relieve contemporary Europe of its military burdens."

At the journey's end, we can truly say that this book is a landmark in the annals of Indian travel literature. No travel diary of such literary and permanent value has appeared since Aldous Huxley wrote in the thirties his 'Jesting Pilate'. Mr. Menon has also made history. Athanasius Nikitin was a Russian trader who spent some years in the Deccan round about 1470 A.D.; he observed and wrote of the court, the army and the conditions of the people under Bahamani rule. Now, five centuries later, independent India sent an ambassador to Soviet Russia who has returned the compliment by writing about one of the most vital and dynamic people of our world.

* Russian Panorama: By K. P. S. Menon; Oxford University Press; Rs. 15.

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THE BUSINESS WORLD

L.I.C.'s Record in 1961

By CROESUS

FOR the first time in the history of Life Insurance in India, the premium income crossed the Rs. 100-crore level in 1961, which, incidentally, is also the year of the third biennial valuation of the Life Insurance Corporation of India (LIC). From the statement reviewing the working of the LIC in 1961 made by Mr. B. K. Kaul, Chairman of the Corporation at its 75th meeting, it is seen that the results are gratifying. The remarkable increase in the total business in force, in particular business relating to persons insuring for the first time, the reduction in expense ratio, the gathering financial strength as reflected in that visible index—the Life Fund of the Corporation—the satisfactory gross rate of interest on the mean Life Insurance Fund—the highest in the last five years—the welcome reduction in the overall expense ratio and the improved mortality experience, all point to the bright future ahead of the Corporation. The policyholder would certainly be justified, in these circumstances, to expect a fair deal, either in the form of a higher bonus or a reduction in the rates of permium, although the LIC Chairman would not commit himself on this point and endeavoured to evade the question by observing that it was all left to the actuarial wizards.

Apart from the results, there are certain features relating to the 1961 results, in particular, and to the LIC, generally, which deserve notice. Thus, while an increase of 22.4 per cent over the previous year in total completed business is undoubtedly a record worth noting, especially in the context of the conditions prevailing in the country during the year 1961, mention must also be made of the fact that, out of every three policyholders who insured their lives for the first time, one was insured without medical examination. To put it differently, out of every two of those seeking life insurance protection for the first time, one got the insurance benefit without medical examination. This means that as much as fifty per cent of the first insurance cases fell under the "non-medical" category. The LIC will do well to keep a seperate record of the mortality experience of these cases during the coming years, especially as it is a new experiment for us.

Another feature of the LIC's working that needs similar vigilance is the extension of the Corporation's business into the rural areas. Mr. Kaul disclosed that, out of the new business of Rs. 608.82 crores under 14.70 lakh policies, as much as Rs. 182.59 crores under 5.3 lakh policies were issued to people in the rural areas. This means that roughly a third of the new business represents business written in the rural areas. Here, again, the successfully keeping alive of these policies without lapsation is a matter of the utmost importance. True, the LIC Chairman is aware of the effects of a high lapse ratio, for he has himself stated that "apart from the monetary loss to the policyholders, as well as to the Corporation, which the lapses bring in their trail, the

Category	1960	1961
1) New business		
(a) Total amount insured	Rs. 497.54 crores	Rs. 608.82 crores
(b) Number of policies	12.58 lakhs	14.70 lakhs
2) Non-medical scheme		
(a) New business	—	38.30 crores
(b) Number of policies	—	2.5 lakhs
3) Foreign business		
(a) New business	Rs. 9.70 crores	Rs. 10.03 crores
(b) Number of policies	7,736 policies	8,056 policies
4) Total business in force		
(a) New business	Rs. 2,285 crores	Rs. 2,737 crores
(b) Number of policies	77 lakhs	86 lakhs
5) Lapse ratio	6.6 percent	7 per cent
6) Premium income	Rs. 96.89 crores	Rs. 112.30 crores
7) Total income	Rs. 116.00 crores	Rs. 141.00 crores
8) Life fund	Rs. 559.13 crores	Rs. 631.59 crores
9) Total investment in India	—	Rs. 503.56 crores
10) New issues underwritten	—	No. 52 valued at Rs. 7.59 crores
11) Total assets	Rs. 622.15 crores	Rs. 696.31 crores
12) Gross rate of interest	Rs. 4.58 per cent	Rs. 4.80 per cent
13) Overall expense ratio	Rs. 28.4 per cent	Rs. 28.0 per cent
14) Renewal expense ratio	Rs. 12.9 per cent	Rs. 12.4 per cent
15) Claims		
(a) By maturity	—	Rs. 25.4 crores
(b) By death	—	Rs. 8.7 crores
(c) Total	Rs. 30.7 crores	Rs. 34.1 crores

termination of life insurance protection for several lakhs of families every year is a matter of vital concern to us", and he has also indicated that he has been impressing on his staff the imperative necessity to reduce the lapsation of policies to the minimum. Mr. Kaul has further indicated that a separate machinery has been set up to review the lapse position periodically. This is to be particularly welcomed, inasmuch as it will help detect, at a fairly early stage, any adverse trend and check it by means of prompt remedial action. The growing extension of life business to rural areas has made this very necessary.

Being an institution commanding considerable financial resources, the Corporation's investment policy not only in stocks and shares but also in other fields like housing attracts public attention. If the investing public and the stock markets are interested in ensuring that the proportion of investments in the public and the private sectors is duly maintained at the same level as on the eve of nationalisation, many policyholders, especially in the middle income groups, would be interested in the LIC's investment policy as regards housing. It is known that the LIC has already been making loans to State Governments or to State Housing Finance Societies to assist the public in the problem of housing, but, as every one knows, this has hardly touched the fringe of the problem. The policyholder, who is steadily becoming more and more conscious, naturally wants to know what the Corporation has done to help him to build his own house. It is heartening to note what Mr. Kaul said on this point—that the Corporation has recognised this need and that it is revising its policy in the matter of granting loans on mortgage of property with a view to helping the middle and lower middle classes to avail themselves of the Corporation's loan facilities and build houses for themselves.

Now for a few figures to get a comparative idea of the progress achieved by the Corporation during the last two years. The synoptic table on the previous page provides the picture at a glance.

The following points of interest were also made by the LIC Chairman :

1) Total benefits by way of claims from 1st September, 1956 to 31st December, 1961 = Rs. 147 crores.
2) Net increase in the assets of the Corporation since inception = Rs. 281.00 crores.
3) Total premium income in 1955 (year preceding nationalisation) = Rs. 58.55 crores.
4) New investments in 1961 :

	(Rs. in crores)
In Government Securities	30.5
,, Approved Securities	5.0
,, Debentures, Preference and Ordinary Shares	10.5
,, Loans to State Governments for Housing Schemes	5.5
,, Loans to Apex co-operative Housing Finance Societies	2.0
TOTAL	**53.5**

Alleviating Power Shortages

ALTHOUGH some energetic steps have been taken in the recent past to alleviate the distress caused by power shortages in the country, these shortages continue to provide the burden for the annual speeches of the company chairmen. The growing imbalance in the availability of power in the country is not only due to the demand for it, which is said to be increasing at a much faster rate than was anticipated, but also due to the fact that power generation has been lagging behind than the targets fixed under the annual plans prepared by the Planning Commission on the basis of overall target stipulated in the Third Plan. In 1960-61, for instance, against the target of raising the total installed generating capacity in the country to 5.7 million KW, the actual installed capacity at the end of that year amounted to only 5.59 million KW. In 1961-62 also the achievement fell short of the stipulated target by about 13 lakh KW.

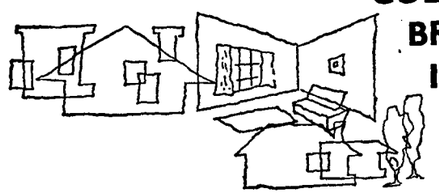
Now a decision has been taken to commission, out of the additional installed generating capacity envisaged during the Third Plan period, 2.4 million KW by the end of 1963-64 and the remaining during the last two years of the Plan. The Plan target too has been revised upwards to provide for installation of capacity to the tune of 13.2 million KW, instead of 12.7 million KW stipulated in the final draft of the Plan. In 1962-63 it is envisaged to increase the installed capacity by 7.07 lakh KW, as against 5.78 lakh KW in 1961-62. This higher rate of development proposed in power generation during the current year may bring about a slightly better balance between demand and supply, but stresses and strains caused to the economy on this account apparently will continue till the time the anticipated sharp increases in power generation come about in the last two years of the Plan.

In this context an eminent suggestion has been put forth by Sir Jehangir Ghandy which needs to be studied and given effect to expeditiously. It is to the effect that the Government should explore the possibilities of importing "package" units of 5 to 10 MW which can be put into operation within a period of six months. According to Mr. Ghandy, such units are now available at short notice both in Europe and in the United States. To finance imports of these units from the US, the possibility of utilising DLF resources needs to be immediately explored. These units can serve a very useful purpose, especially in the colliery areas where coal output is stated to be being hampered for lack of power supplies. No doubt, this would increase the foreign exchange cost of the Plan to some extent, but this would be more than offset by the gains that should accrue to the Indian economy from maintenance of production and fuller utilisation of capacity; this would have not only wholesome effect on the price level in the country, but also would make available industrial goods for export at somewhat more competitive prices.

The reliance placed by the Government on meeting the additional requirements of power by and large through the creation of the generation capacity in the public sector also is unrealistic. A pragmatic approach in this regard is apparently called for. While the Union Minister of Irrigation and Power has given indications of his readiness to amend the Electricity Supply Act to permit a slight increase in the rate of return on the capital invested in electricity undertakings, it passes one's comprehension what stands in the way of allowing a greater share in power generation to the industrial units in the private sector which are not only willing to undertake this task, but also are in a position to do so.

Side by side with all this, energetic efforts are required for exploring and tapping the idle generating capacity that appears to be existing in the country today. This became evident during the unprecedented power crisis that visited Delhi early this month.

JENSON & NICHOLSON-1962



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LOOK UP NOW !

Chances are you'll be looking at a painted surface. *Since time immemorial*, the history of man has been coloured by paint. No one can safely say when it was first made. It may have been used to scar the skin of a primitive warrior, or



brighten the walls of his home. One fact is certain. Paint was a discovery as useful as fire, as important as the wheel.

J & N has produced paints for India's homes since 1922. The company has always believed that colour is vital to happy living. J & N use paint as a medium to reflect individual personality, to create mood and atmosphere, to enhance the warmth of a home...Towards this end, J & N has produced a range of decorative finishes second to none. It extends from the widely used *Umbrella* paints to Robbialac—a brand that spans the world.

LUCA DELLA ROBBIA—AN ITALIAN GENTLEMAN

Little is known about Robbia the man—but Robbia the artist has achieved lasting fame. He began his professional career circa 1500, as apprentice to a Florentine goldsmith. His talent carried him swiftly to sculpture. From there he passed on to terra-cotta and spent years of painstaking *experiment* before producing what the world was to know as 'Della Robbia Glaze'. A contemporary used the words 'endless durability' in describing Robbia's work. The first John Nicholson had admired Della Robbia's art ever since he received an order for a 'blue white...as in the Della Robbia Glaze'.

The day came when J & N produced a new product—an enamel of exceptional hardness, lustre and durability. It was fittingly named Robbialac, *after the* Italian with whom perfection was a norm.



Today, in the remotest corners of five continents, J & N equates with '*Makers of Robbialac*'.

DID YOU KNOW ABOUT BERENICE ?

She was an impulsive, golden-haired Cyrenean princess. *One day she discovered* Religion, cut off her tresses and dedicated them to the goddess Venus. To an angry husband she explained that the stars had stolen her locks. We now have a group of stars called Coma Berenices. The lady has yet another claim to fame. Her name was bestowed on a certain amber—widely used today in paint manufacture. Berenice is now pronounced 'Varnish'.

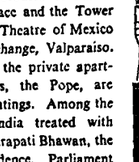


When next you buy a J & N paint, think of Berenice...

Q. WHAT HAS BUCKINGHAM PALACE IN COMMON WITH NO. 1 M. GANDHI ROAD ?

A. J & N DECORATIVE FINISHES

Churches, hospitals, offices, cinema houses, universities, public buildings—all have been treated with J & N finishes. The list is international. It includes such historical landmarks as the Houses of Parliament, Buckingham Palace and the Tower of London, the Grand Theatre of Mexico City and the Stock Exchange, Valparaiso. At the Vatican, Rome, the private apartments of his Holiness, the Pope, are finished with J & N coatings. Among the many buildings in India treated with J & N finishes are Rastrapati Bhawan, the Prime Minister's residence, Parliament House, the World Health Organisation, National Museum, Vigyan Bhawan and the American Embassy, in New Delhi ; Raj Bhawan, Tea Board Building, Telephone Bhawan, Woodlands Nursing Home, Calcutta Club, Statesman House and Firpo's, in Calcutta ; 'Adelphi', Metro Cinema, Bank of Baroda, Chartered Bank Building, Nataraj Hotel and Glaxo Laboratories in Bombay. The list is always increasing. There is no finer tribute to the consistent excellence of J & N decorative finishes.



WHEN IT'S A QUESTION OF COLOUR...

...for your flat or office, get in touch with J & N. Our Colour Advisory Service is specially organised and staffed to help you. The Service is managed by a Colour Consultant—an expert in interior decoration—and provides colour schemes *free of cost and without obligation to use J & N paints*. Though colour is largely a question of individual taste, the scientific use of colour is a precise and delicate skill. Correctly employed, colour can add warmth or coolness to a room, impart an illusion of space, transform a drab flat into a warm, inviting home.

FROM TOY TRAINS TO THE TAJ MAHAL HOTEL

Or, for that matter, from tables to ten-storey buildings—J & N has a paint for *every* decorative need. Enamels, emulsions, dry-distempers, porcelain lacquers, cement coatings...the range is exhaustive. It covers such national brands as Robbialac, 3 Umbrella, Jhilmil, Jensolin—leaders in their fields.

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*

PEELING BLUE ?
In which of J & N's shades ?

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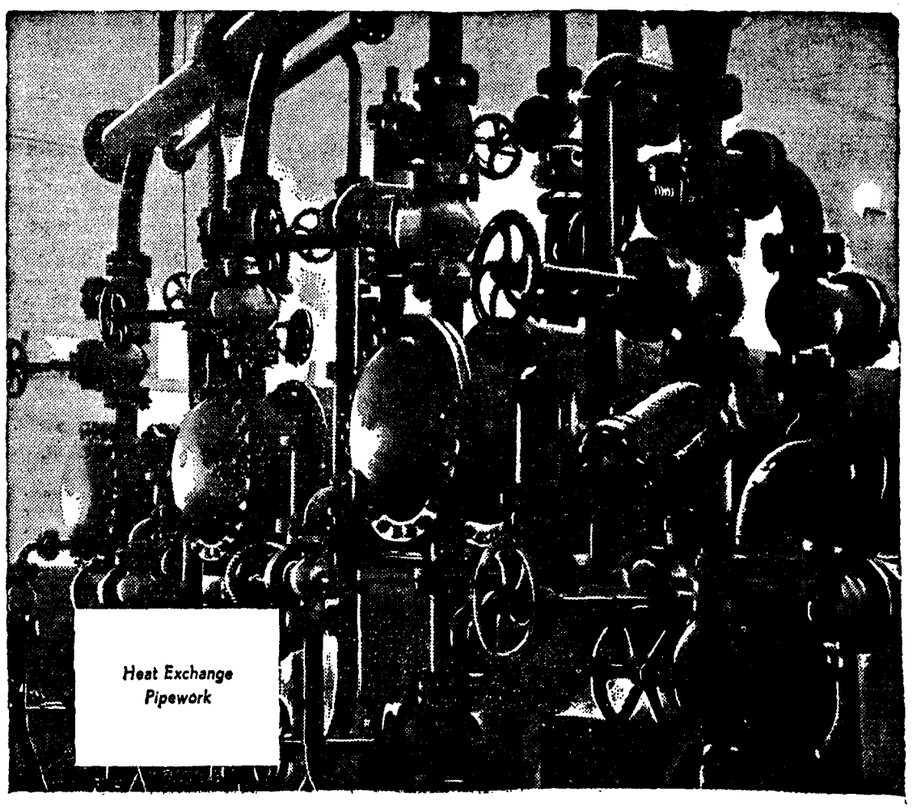


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S & L undertake fabrication and installation of the pipework, as well as the design work entailed in the engineering of piping systems. Our years of experience gained on projects so far completed in India, plus the extra attention that has made S & L so well-known for quality and dependability, assures you of complete satisfaction.

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Business Notes

Finance Corporations

PREFERENCE FOR SMALL PRODUCERS

THERE WILL be unqualified agreement with the view expressed by several commercial bodies on the working of the State Financial Corporations, namely, that the progress achieved by these corporations has not at all come up to expectations and that they could certainly afford to be more helpful to small-scale and medium industries. A number of suggestions has been made by the commercial bodies all over the country. In a detailed reply to the questionnaire issued by the Working Group of State Finance Corporations set up by the Reserve Bank, the Indian Merchants' Chamber (IMC) Bombay, has frankly stated that the procedures and practices adopted by the corporations are dilatory and also costly and has, therefore, urged the paramount importance of making these formalities simple and intelligible enough to the persons engaged in the medium and small-scale industries. As the IMC has pointed out, the small entrepreneurs do not have the requisite organisational set up for this purpose.

It is not only procedural formalities that militate against timely and adequate financial assistance to these industries, but the undue emphasis placed by the corporations on securities as well. It is accordingly urged that other criteria also should weigh in the matter, as for instance profit earning capacity of the project. The Bengal National Chamber of Commerce and Industry has pointed out that a system of financial help in the form of loans against security of assets is not suitable for those who have prepared sound schemes in regard to both technical and commercial aspects but are not in a position to start industries for want of capital. In such cases, especially when the parties are rank new comers who cannot enter the capital market on their own, it has favoured a system of share participation by financial corporations.

In addition to equity participation, the IMC wanted the corporations to engage themselves in underwriting debentures and shares to a larger extent than now, as also in giving guarantees to deferred payment in respect of purchases of equipment from indigenous sources. The latter especially is very significant in that it will facilitate "Suppliers' Credit", which is so essential to small-scale and medium industries.

While welcoming the raising of the maximum limit of accommodation to industries organised in public limited companies from Rs. 10 lakhs to Rs. 20 lakhs by a recent amendment of the State Financial Corporations Act, the IMC has recommended that the higher limit should be made applicable even to private limited companies.

The IMC has also offered detailed comments on hypothecation of machinery, ex-site value of machinery, instead of ex-works price or CIF value, the margin of 50 per cent of net value of the assets and equitable mortgage in place of legal mortgage. On the question of offering working capital loans also in addition to equipment loans, especially where particular units are disabled from raising such loans from commercial banks by reason of their having mortgaged their assets to financial corporations, the IMC has pleaded for a relaxation of the present practice. While not wholly in favour of the Finance Corporations collaborating with other credit institutions in financing fairly large projects, the IMC has given qualified support to such participation in deserving cases.

In reply to one of the very important questions in the questionnaire, namely whether any special facilities should be given to the corporations by the Government in order to improve their usefulness, the IMC has recalled the proceedings of the committee of the small-scale industries in the western region convened by it in June last and reiterated its suggestion that fiscal incentives should be given to these corporations. Specifically, the committee invites that the Government should consider the advisability of providing relief from taxation and quotas. The examples of Pakistan and some other foreign countries where tax concessions, such as tax holiday for a given number of years as in the case of new industries, have been given. As a further incentive, the IMC suggests that both the Reserve Bank of India and the State Government concerned should forgo the dividend on respective holdings in the corporations thereby helping the latter to strengthen their resources.

AIMO

A LESSON FROM U.S. POWER PROJECTS

THAT THE national loss sustained by the country so far on account of power shortage has been, to a large extent, the outcome of the rigid approach of planners was the view expressed by Mr. Prabhu V. Mehta, Chairman, All-India Manufacturers' Organisation (A.I.M.O.). He estimated that the value of production so lost would have paid for several power-generating units.

Speaking at length on this problem, Mr. Mehta told the A.I.M.O's first quarterly meeting, held in Poona recently, that it would not have existed as a problem, had it been entrusted to the private sector. In this connection, he recalled the successful power generation schemes evolved and implemented by the private-owned or invester-owned electric companies in advanced countries like the U.S.A. There are, he noted more than 300 invester-owned electric lighting and power companies catering to the need of 14 crores of people, providing employment to as many as 3 lakh men and women, and accounting for a rate of increase in the production of electricity about 2½ times the rate of growth of the economy as a whole as measured by the gross national product. (The average annual rate of economic growth in that country has been 3.05 per cent, while the average rate of growth of power per year has ranged about 7.15 per cent). Another important feature of power generation in that country was that, while the consumer price index had climbed from a base of 100 in 1913 to 299 in 1960, over the same period, the average revenue per kilowatt hour of residential electricity had dropped from an index figure of 100 in 1913 to 28 in 1960! In fact, according to Mr. Mehta, an examination into this question from any angle would prove that there is nothing to be lost, but every thing to be gained, by generation of power through invester-owned companies.

Making a brief reference to the role of the Reserve Bank, the A.I.M.O. Chief commended its very valuable role in establishing a number of financial institutions, such as the Industrial Finance Corporation of India, the State Finance Corporations, and the Re-finance Corporation for Industry, and observed that, while all these measures had resulted in increased credit facilities to industry and trade, to some extent, there was still considerable scope for improvement, whether in the quantum of the assistance provided or in that of expeditious disposal of applications. Accordingly, he welcomed the recent appointment of the Working Group, by the Reserve Bank, to review and suggest ways and means of improving the usefulness of State Finance Corporations. This group, by the way, has already issued a comprehensive questionnaire in this connection.

Mr. P. C. Bhattacharyya, Governor of the Reserve Bank, who inaugurated the meeting, remarked that the strains and stresses that the country's economy had been experiencing were the result of our attempt to develop

the economy rapidly. "What was achieved in the countries of the European Continent and the United States of America during the period of industrialisation covering several decades", he said, "is sought to be achieved here in a much shorter period. Because of this, he cautioned, the post-war economic growth in Japan and other countries should not create a sense of diffidence among the Indians. The main factors facilitating the enormous growth of those countries were the availability of technical skill, capacity for organisation, large savings and several other pre-conditions of rapid production. In spite of the fact that the under-developed countries stand on a different footing in all these respects, he pointed out, the pace of economic development shown in this country had already started to pay dividends and instanced the rate of growth of industrial production, which had risen from between 7 and 8 per cent during the period 1954—1956 to nearly 12 per cent in 1960.

Sugar

COSTS, PRICES AND EXPORTS

THE STATE of sugar industry in the country is quite enigmatic in the sense that while the output has been fairly satisfactory, there has been sufficient controversy over the costs as well as export prices. Last week the Government of India took certain important decisions on the recommendations of the Tariff Commission which were included in the report submitted in the middle of 1961. By and large, the Government of India has accepted the recommendations and perhaps the most significant decision has been the acceptance of a formula that will lead to the linking of sugar cane prices with the recovery of the preceding year with effect from the year 1962-63. This measure should be welcomed in the sense that it will lead to a general tendency among the growers to look after the quality of sugarcane. With the acceptance of this formula, the question of the payment of deferred prices will also be eliminated in the future. The Government of India has also decided to work out suitable legislation to amend the existing formula so as to evolve a "more precise determination of the share of the cultivator in the net price, the inclusion of a suitable rehabilitation allowance and the amount of export loss in the deductions from the gross realisation and a modification in the portion of incentives to be included in the realisations to be shared."

While this decision is likely to settle any controversy in respect of sugarcane costs, it may be added here that Mr. Gulzarilal Nanda, Minister for Planning, recently made a reference to the sugar prices which he thought prevailed at higher levels. It is necessary to indicate that the output has been quite satisfactory during the last three years and there is no reason for sugar prices to go up. In fact, it is essentially the fault of the administrative machinery involved in the distribution which fails to release sufficient quantities of sugar at proper intervals.

As is well-known, the price prevailing in the export market is much lower than the cost of sugar at home. In view of the fact that India expects to sell raw sugar to countries in the American Continent, Western Europe, Japan, Korea, Vietnam and certain African countries, it seems a supplementary grant of Rs. 8 crores is required for the payment of subsidy to the Indian sugar industry for meeting the loss incurred on increased exports of sugar. It may be added that a provision of Rs. 5.5 crores was included in the original budget for the current year in order to subsidise the loss on export of sugar. This was on the assumption that export would be of the order of 2.5 lakh metric tons, the bulk of which would be exported to the US where price realised was a preferential one. Now the expectations are that exports may be of the order of 3.5 lakh mertic tons and a large portion may be diverted to countries other than the US. Though the exact value of the loss is not yet known, it is estimated that it may be anything around Rs. 13.5 crores. The supplementary grant of Rs. 8 crores is, therefore, quite justified.

New Issues

CHITALE SUGAR

TWO SUGAR companies and one engineering concern are approaching the public in the near future for subscriptions to their share capital.

Chitale Sugar Works Limited is entering the capital market on September 12, with an offer of 2,01,919 equity shares of Rs. 10 each and 8,648 cumulative redeemable preference shares of Rs. 100 each. The preference shares carry a dividend of 9.285 per cent per annum, free of company's income-tax but subject to deduction of tax at source at the prescribed rates. The subscription lists are to close on September 19.

The company is stated to be, for the time being, the last one that has been licensed for setting up a sugar factory in the Maharashtra region which today is ahead of all the other States of the Indian Union in sugar recovery from cane. It will be producing about 1,38,000 bags of sugar per annum by crushing about 1,20,000 tons of sugarcane. The average recovery is estimated at 11.5 per cent, but it is expected to go up to as high as 12 or even 13 per cent. The company's factory is to be located at Chitalenagar. The project has been scrutinised by well-known sugar experts who have given their verdict in very favourable terms.

The Industrial Finance Corporation of India has sanctioned a loan of Rs. 32 lakhs for the company's capital outlay which is stated to be only modest. An interim loan of Rs. 20 lakhs has already been received by the company from the IFC. The erection of the machinery is in full swing and the plant is expected to go into production during the next crushing season.

The directors claim that despite the heavy carry-over of sugar to the current season from the previous one, the outlook for the industry is very bright in view of the firmness that has been witnessed in sugar prices during the past four months in spite of fairly large monthly releases allowed by the Government for domestic consumption. The shares of the company are already reported to be quoted at an unofficial premium.

THE AMALGAMATED ELECTRICITY COMPANY LIMITED

The Register of Members and Transfer Books of the Company will be closed from 15th September to 4th October, 1962, both days inclusive in connection with dividend payable on or after 15th October, 1962.

BY ORDER OF THE BOARD
FOR THE AMALGAMATED ELECTRICITY CO. LTD.,
FOR N. C. JAVERI & CO.,
N. C. JAVERI
Partner
Managing Agents

Registered Office:-
17-B, Horniman Circle,
Fort, Bombay-1.
27th August, 1962.

Mr. Murarji J. Vaidya is the Chairman of the company and Chitale and Co. Private Ltd. are its managing agents.

UPPER DOAB SUGAR

THE UPPER DOAB SUGAR MILLS LIMITED proposes to raise its present issued capital of Rs. 65 lakhs to Rs. 80 lakhs, out of an authorised capital of Rs. 150 lakhs. The new issue consists solely of equity shares of Rs. 100 each. Forty per cent of it has already been reserved for the existing shareholders of the company and the remaining 60 per cent—worth Rs. 15 lakhs—is to be offered to the public for subscription at par on September 6. The list closes on September 13, or earlier at the discretion of the directors but not before September 10.

The proceeds of the new issue are to be utilised for expanding the manufacturing activities of the company in terms of the licences it has secured from the Government to raise its Shamli factory's crushing capacity from 3,000 tons of cane per day to 3,750 tons per day and to augment its production of power alcohol from 0.8 million gallons to 1.2 million gallons per annum. The company has two units for producing power alcohol from molasses—one at Shamli and the other at Pilkhani. The total cost of the expansion project is estimated at Rs. 75 lakhs. Since the new issue will be making available Rs. 25 lakhs only, the directors propose to borrow the remaining Rs. 50 lakhs from its bankers. The expansion programme has already been taken on hand. The increased cane crushing capacity of the Shamli factory is expected to be available for utilisation during the crushing season starting in November, 1963.

The company has a creditable record of performance during the past and had been paying consistently 15 per cent gross dividend on its equity shares for 10 years upto the last year when despite the difficulties through which the sugar industry passed in that year, it declared a dividend of 12 per cent.

AIR CONTROL AND CHEMICAL ENGINEERING CO.

THE ENGINEERING concern that is expected to enter the capital market in the near future is the Air Control and Chemical Engineering Company Ltd., a new venture of the Maganlal Prabhudas group of industries. This company will be offering for public subscription capital worth Rs. 49 lakhs, all in equity shares of Rs. 10 each. It has an authorised capital of Rs. one crore and has been promoted with the object of manufacturing air handling ventilation, humidification, refrigeration and air-conditioning plants and equipment for commercial and industrial applications.

Of the capital worth Rs. 49 lakhs proposed to be issued in the first instance, 51 per cent has been agreed to be taken up by the company's promoters, directors and their friends. Shares of the value of Rs. 10 lakhs have already been issued to meet the preliminary expenses.

The company is to set up its factory at Devdi, near the Barejwadi railway station on the Ahmedabad-Bombay main broad-gauge line, where land has already been acquired.

Technical collaboration arrangements are said to have been finalised with five leading concerns of the United States and Canada. Two of these concerns are stated to have agreed to participate in the company's equity capital as well. The Government of India is understood to have approved the terms of collaboration with all the five concerns.

Cement

INDIA CEMENTS RECORD EXPANSION

MR. P. SURAYANARAYYANA, Chairman of the India Cements Ltd., at the annual general meeting, held recently, pointed out that the Company has been recording steady increases in their output capacity during the last one decade. Starting with 1,00,000 tons annual capacity in 1950, the Company will soon have an installed capacity of more than 10 lakh tons of cement which is an improvement quite creditable judged from any standards. He indicated during his speech that the Company had taken up a scheme to establish a cement factory in Sankaridrug with an annual output capacity of 200,000 tons of cement and this factory would be completed in a year or so. This steady improvement of the Company is quite in line with the country's increasing industrial activity in all the fields. Against the present installed capacity of cement in the country of about 10 million tons, the target in the Third Five-Year Plan is put at 15 million tons. It is quite clear that the whole capacity will have to be executed by the people who have sufficient experience in the line.

It was revealed in the export performance of 1961-62 that cement did play an important role. The total exports were of the order of Rs. 90 lakhs against Rs. 64 lakhs a year before. The Chairman has indicated that this Company made great efforts to export cement and during 1961-62 the export earnings were to the extent of Rs. 16 lakhs. Most of this company's exports were directed to Ceylon. The Chairman indicated that the Company is determined to step up the exports further. This seems to be a very encouraging picture and such companies that make efforts to export cement should be looked after as far as their demands are concerned. In fact the Government of India has already appointed the Director of Transport and has established machinery for quality control so as to look after the interests of the exporters of cement. It is time that such producers are made available raw materials like coal, expeditiously, so that their output does not suffer.

General Insurance

NEED TO BUILD UP RESERVES

AT THE annual general meeting of the Indian Insurance Companies' Association, Mr. K. P. Modi, while reviewing the progress of the general insurance industry in the country, dwelt at length on many of the problems facing the Indian insurers and expressed vehemently the view that the Controller of Insurance and the Tariff Committee, should consider the repercussions that reduction in fire premium rates would have on general insurance business before any cut was effected on fire premium rates. While Mr. Modi was happy in general with the progress of the general insurance industry, he was, however, concerned that index number of general insurance had not kept pace with the index number of industrial production.

His main emphasis in the speech was that reserves be built up as this only would enable the industry to meet unforeseen and catastrophic losses. He observed that the Indian Insurers could retain on their own account a larger portion of the premium if they had sufficient reserve strength. That would ultimately help in conserving foreign exchange which now went out by way of reinsurance to foreign countries. The reserves permitted by the Government, Mr. Modi underlined, fell short of requirements of the industry. He brought to notice the fact that the Taxation Enquiry Commission had recommended in 1954 that insurers should be allowed to build up reserves free of tax until they reached 75 per cent of the annual premium in respect of fire and miscellaneous business and 150 per cent in respect of marine and aviation-hull business. On that very basis, Mr. Modi appealed to the Government to reconsider this matter favourably. Among many other things, Mr. Modi appealed to the industrialists to increasingly draw on the services of the Indian insurers by placing their imports on c.f. instead of on c.i.f. basis.

Export

SUGGESTIONS TO INCREASE EXPORTS

IT NEED hardly be emphasised that our performance on the export front will ultimately depend on the advantages that we are able to offer to the foreign buyer in respect of both price and quality on a competitive basis. With this point in mind it becomes, therefore, imperative that our production costs be brought down so that we may be able to compete successfully in the foreign markets. The Central Committee of the All-India Manufacturers' Organisation has given a good thought to this problem and has come out with various suggestions which though have been repeated from time to time have their importance as they appear to offer a satisfactory solution. The incentives provided by Government have no doubt been helpful but they are just temporary expedient.

The slow rate of expansion of the export trade can be mainly assigned to the unco-ordinated approach of the Government in its fiscal, taxation, labour and population policies. To bring about a reduction in the costs of production the AIMO's suggestions are that there should be ensuring of adequate supplies of raw materials by the Government at international prices and keeping down the tax incidence; provision of subsidies for export products whose costs cannot be reduced to the level of competitive world prices; adoption of a realistic labour policy to keep the incidence of wage levels in tune with productivity; simplification of schemes of drawback of import and excise duties by fixing a tariff on a percentage basis of foreign exchange earned, enabling exporters to be sure of the amounts of drawback beforehand; arresting the growth of population by intensifying family planning programmes to restrict domestic consumption and leaving adequate surplus for export, rational use of energy resources, particularly coal and reorientation of outlook on the part of the Government and simplification of administrative procedures with faith in the integrity of the industrial and business community. This according to the Central Committee of the All-India Manufacturers' Organisation would help solve the problem to a certain degree. The suggestions as mentioned above appear to be quite realistic and need to be considered in right earnest.

(Continued from page 377)

college students, including girls, particularly in Bangalore, and the agitation took the form of abstention from classes, processions and protest meetings, etc. It was however, conducted so orderly and peacefully that it evoked the admiration of the authorities, who asked the students to terminate the agitation unconditionally and offered to give sympathetic consideration to their grievances. The students cordially responded and expected a sympathetic response from the Government. At this stage, the Education Minister called a meeting of a few parents and public workers in Bangalore to consider the situation and sprung a surprise by ruling that the Government's decision to raise fees was not open to question, but suggestions were welcome regarding its implementation! Instead of approving the decision, the members made various suggestions to modify it. It was, for instance, suggested that uniformity in college fees should not be limited to Government colleges affiliated to the Mysore University alone but should extend also to the Karnatak University where the fees were even higher, as both the Universities were in the same State and under the same Government, that uniformity should be achieved, not by raising lower fees, but by reducing the higher fees.

The Government's financial argument was the least convincing. The income from the increase in fees was a tiny fraction of the Government's revenue. The Govrnment found it possible to allocate money for the expansion of the Ministry in spite of the recommendation of the Ramachandra Rao Committee appointed by the Government to suggest economies in expenditure. Further, there was much justifiable scope for economy in college education itself.

Another educational controversy concerned some teachers who were engaged earlier as lecturers on higher salaries but on a temporary basis, and later demoted as demonstrators on lower salaries of lecturers. The affected teachers made representations and even threatened to go on hunger-strike. Whatever be the justification of the Government to terminate the terms of the lecturers and offer them the lower status of demonstrators on lower salaries, the important consideration is that the efficiency of teaching by the disaffected and humiliated teachers is likely to be very poor, and the students are likely to suffer most. The least that the Government should now do is to see that the demoted teachers do not suffer financially by giving them personal allowances to make up the loss.

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FROM THE CAPITAL'S CORRIDORS

PROGRESS OF THE PLAN

THE two speeches made by the Union Minister for Planning, Mr. Gulzari Lal Nanda, in the Lok Sabha on August 25 and August 27, and a background note placed by him on the table of the House on August 22 contained much useful information on the progress of the Third Plan uptil now as also on the measures and decisions that the Planning Commission has taken since the publication of the final draft of the Plan, to strengthen the vulnerable sectors of the Indian economy. The following are the more important points which have been made in the two speeches of Mr. Nanda and the background note:

1. **Prices:** The rise in the index number of wholesale prices to 131.8 at the beginning of the current month from 128.7 about this time last year has been taken serious note of by the Planning Commission. The rise has occurred in varying degrees in the prices of various agricultural commodities such as rice, millets, subsidiary foods, sugar and gur, and also in the case of a number of manufactured products of general consumption. The Government is at present engaged in a thorough study of the implications of these recent trends (in prices) and will not hesitate to take whatever action may be required for regulating the prices of basic essentials within definite limits, safeguarding the interests of the lower income groups as well as those with fixed incomes, and achieving increases in agricultural and industrial production according to the requirements of the Plan. This study includes the main agricultural commodities—wheat, rice, millets, oilseeds and cotton —and a number of industrial products, especially cloth consumed by the lower income groups, kerosene, salt, edible oils, sugar and gur, soap, paper, drugs and medicines and infant foods. Not only the relevant problems of production of these commodities are being examined, but thought is also being given to the character and adequacy of the existing organisation of distribution, trading margins and other factors in respect of each of these commodities. Price controls on some of these commodities are not ruled out. Efforts are also being made to increase the production of protective foods such as fruits and vegetables, milk, meat, eggs and fish.

2. **Foreign Exchange:** To implement the Third Plan in full, additional foreign assistance required is of the order of Rs. 1,100 crores. The total external aid made available for the current Plan by the friendly countries and the international lending institutions till now amounts to Rs. 1,890 crores. Of this, a sum of Rs. 1,450 crores has been or is proposed to be allocated for project requirements and about Rs. 440 crores for non-project purposes. The foreign exchange requirements of the projects included in the Third Plan, which were previously estimated at a minimum of Rs. 2,030 crores, are now put at Rs. 2,150 crores. The estimate of Rs. 1,100 crores additional aid required for the Third Plan includes a carry-forward of about Rs 400 crores to the next Plan; a similar amount was available for the Third Plan as a carry-forward from the Second Plan. The bulk of the programme for power and substantial proportions of the programmes for transport, industry and minerals already have or will shortly obtain the necessary foreign exchange. There are a number of programmes, however, which are not at present fully covered by aid. There are also several individual projects of great importance for the growth of the economy, such as the Bokaro Steel Plant and the Durgapur Tool and Alloy Steel Plant, which do not at present have the necessary foreign exchange. In the course of such further aid as becomes available it is proposed to give priority to these two groups of projects, other projects being considered for the allotment of foreign exchange after these needs have been met. In Government's view, both in the public sector and in the private sector, the available foreign exchange must be utilised to secure the maximum results possible, keeping in view all the time that the vital needs of rapid economic development and of building up of a self-reliant economy should not suffer on any account.

3. **Rupee Resources:** With an encouraging tax effort made by the State Governments this year with a view to find resources for their Plans, about Rs. 370 crores have been ensured for State Plans out of the Rs. 610 crores which the State were envisaged to find by way of additional taxation upto 1965-66. Taking the Centre and the States together, the tax effort in the first two years has assured a sum of Rs. 1,200 crores, as against Rs. 1,710 crores stipulated to be raised over the Plan period through this source. The progress of the first two years, however, shows that it will be necessary to strive even harder to achieve the targets under loans, small savings and surpluses from public enterprises.

4. **Plan Outlays:** The Plan outlay during 1962-63 is being raised by about Rs. 300 crores over an outlay of Rs. 1,148 crores in 1961-62. The following are the details:

(Rs. crores)

Sector	1960-61	1961-62	1962-63
Agriculture, Community Development & Co-operation ..	140	151	192
Irrigation & Flood Control ..	93	98	125
Power	108	131	165
Industry	219	249	333
Transport & Communications ..	278	302	349
Social Services	206	203	257
Miscellaneous	27	14	25
TOTAL	1,071	1,148	1,446

5. **Industrial Output:** Industrial production in the key sectiors is envisaged to be raised in 1962-63 in the following manner:

Industry	1960-61	1961-62 (Estimated)	1962-63 (Projected)
Finished steel (million tons) ..	2.4	2.9	3.9
Aluminium ('000 tons) ..	18.2	19.4	38.0
Nitrogenous Fertilizers ('000 tons N.)	97.1	140.0	200.0
Phosphatic Fertilizers ('000 tons P205)	53.0	61.9	90.0
Sulphuric Acid ('000 tons) ..	353.9*	423.0*	523.0*
Machine Tools (value in Rs. crores	7.24*	8.50*	10.50
Cement (million tons) ..	7.8	8.2	9.5
Paper & Paper Board ('000 tons)	343.0	362.8	400.0
Iron Ore (million tons) ..	10.7	12.1	13.5
Coal (million metric tonnes)	55.5	55.2	62.0

* Calendar year.

6. **Power:** The target for power development has been revised upwards to 13.2 million KW. from 12.7 million KW. fixed in the final draft of the Third Plan. To augment power supply in the DVC area the available surplus power from the Rihand Project is proposed to be fed into the DVC system to be used for meeting the requirements of collieries. Supplies have also been arranged from the Hirakud system with the same end in view. Of the additional power capacity to be set up during the Third Plan period, 2.4 million KW. capacity is expected to be established in

the first three years of the Plan and the balance in the last two years. The progress made in respect of installed generating capacity, generation of power and electrification of towns and villages during the past two years and the targets fixed for 1962-63 are reflected from the following table:

Sector	1960-61	1961-62	1962-63 (Target)
Installed Generating Capacity (in MW)	5,595	6,174	6,881
Generation of Power (million KW Hrs.)	20,040	22,900	25,500
Additional Towns and Villages Electrified	1,600	3,100	3,500

7. **Coal:** Coal output in 1962-63 is envisaged to be stepped up to 62 million metric tonnes. A series of measures have already been taken in the past few months and a few more are envisaged to be taken in the near future to ease the situation on this front. Transport facilities for movement of coal are being expanded and the programme of coal washeries is being pushed forward.

8. **Rail Transport:** Additional outlay of Rs. 145 crores over the figure mentioned in the Third Plan's final draft has been sanctioned—Rs. 120 crores for works and rolling stock related largely to the movement of coal, Rs. 10 crores for line capacity works required to meet the increase in the target of movement of general goods and Rs. 15 crores for works for facilitating coal movement in the early period of the Fourth Plan. Measures are being devised to reduce the overall turnround time of wagon stock from the present level of 11.2 days to 9.5 days and in the case of box wagons to 9 days. Steps have also been initiated for increasing the utilisation of the available capacity on the railways for movement of coal in bulk in full rakes of box wagons and four-wheelers and through increased loadings on Sundays and holidays. An inter-developmental working group on coal transport has been set up and it is working on detailed programmes of production and movement of coal. The programme for the production of wagons within the country has been stepped up from 11,964 in 1960-61 to 19,115 in 1961-62 and to 23,469 in 1962-63. The five-year targets for rolling stock have been raised by about 42 per cent for wagons and by about 19 per cent for locomotives. Doublings and conversions in 1961-62 were completed on about 422 miles of track and electrification was completed on 327 miles. Problems of transport planning are, however, likely to become even more complex in future. The Planning Commission hopes to set up shortly a technical group which will work on full-time and continuing basis on transport problems related to future requirements of regions and areas of key importance in the country's economy.

9. **Roads:** During 1961-62, 70 miles of missing links and five major bridges were constructed, besides improving 300 miles of the existing highways. The Plan for 1962-63 provides for the construction of 70 miles of missing links and 10 major bridges and improvement of 400 miles of existing highways. The total addition to road mileage in the country, which in 1961-62 was about 4,000 miles, is expected to be about 4,500 miles during 1962-63.

10. **Fertilizers:** Every effort is being made to ensure that the target for capacity of one million tons and for production of 8 lakh tons in terms of nitrogen are realised. On the whole, the public sector projects are well under way and it is hoped to reach a capacity of 6,70,000 tons before the end of the Third Plan. There is some uncertainty in respect of a part of the capacity licensed in the private sector. The parties concerned are being pressed to complete their arrangements and the question of setting up a plant in the public sector in lieu of one originally approved for a private party is under consideration.

11. **Cement:** Effort at present is to ensure that the target for capacity of 15 million tons and production of 13 million tons is realised as speedily as possible. Efforts are being made to secure a higher rate of production on the basis of the existing capacity and to complete the approved programme with utmost speed. The Government is of the view that further expansion of the cement industry should be based, as far as possible, only on indigenous machinery and the proportion of imported components should be further reduced.

12. **Industrial Licensing:** The present rate of progress in respect of granting of industrial licences to the private sector for some vital industries is inadequate and must be stepped up. It has been decided that, in future, licences for industries in the private sector should be issued strictly in accordance with a scheme of priorities which has been drawn up. It has also been decided that new licences for setting up industrial units should be granted only on the basis of utilising capacity at least to the extent of two shifts.

13. **Imports of Spares:** Import requirements of various industries for spares and components are envisaged to be scrutinised strictly to reduce them to the absolute minimum. A technical committee is being set up under the chairmanship of Mr. G. L. Mehta to make early recommendations for import substitution over a wide range of industries, especially in relation to maintenance requirements.

14. **Agriculture:** Agricultural output during the past two years has progressed as follows:

Commodity	1960-61	1961-62
Wheat (million tons)	10.8	11.6
Barley (million tons)	2.8	3.1
Rice (million tons)	33.7	33.6
Jowar (million tons)	9.2	7.7
Bajra (million tons)	3.2	3.5
Maize (million tons)	3.9	4.0
Ragi (million tons)	1.7	1.8
Small millets (million tons)	1.9	1.9
Oilseeds (million tons)	6.5	6.8
Sugarcane (million tons)	10.4	9.7
Cotton (million bales)	5.4	4.5
Jute (million bales)	4.0	6.3
Mesta (million bales)	1.1	1.7

Efforts are being made to improve production of cotton and oilseeds. It has been decided that the planned target of the total area envisaged to benefit from minor irrigation and soil conservation should be increased by 20 per cent. An additional allocation of Rs. 50 crores is being made for this purpose over and above the State Plan ceilings. Detailed programmes in this regard are now being worked out in co-operation with the State Governments. The total irrigation potential at outlet created by major and medium irrigation schemes increased from 12.24 million acres in 1960-61 to 13.75 million acres in 1961-62. The target for 1962-63 is about 16 million acres. In minor irrigation an additional 1.67 million acres benefitted in 1961-62. The target for 1962-63 has been fixed at over 2 million acres. The consumption of nitrogenous fertilizers increased from about a little over 2 lakh tons in terms of nitrogen in 1960-61 to nearly 3 lakh tons in 1961-62. During the current year the consumption is expected to increase to about 4 lakh tons (N).

15. **Improving Administration and Planning:** Mr. V. T. Krishnamachari's report on the organisation of administrative services in the States in relation to Third Plan needs and on administration problems at the district and block level arising from the introduction of Panchayati Raj has been received and is under consideration of the Government.

16. **Public Sector Undertakings:** There are many problems in respect of these projects to which sufficient attention could not be given in the past, such as the question of delegation of power and responsibility, development of cost and budgetary controls, control of inventories, personnel policies, preparation of projects and development of design and research organisations. These and other questions are now being followed up in a systematic manner. To bring down construction costs, the Planning Commission is shortly establishing a Cost Reduction Cell whose special responsibility will be to ascertain the construction component of projects and to follow up with Ministries and States the recommendations of a high level expert Committee for Reduction in Construction Costs. It is proposed that in each major project or group of projects, the management should be assisted by a well-equipped cost reduction unit.

OIL MATTERS

While the Union Ministries of Steel and Power have already started drawing up their tentative programmes for the Fourth Plan, the Union Ministry of Oil is still engaged in an ideological warfare and has not even arrived at the final estimates of demand for petroleum products by the end of 1966. Mr. K. D. Malaviya is still sticking on to the estimate of petroleum products' consumption arrived at about two years ago, namely, about 14 million tons. The oil industry, however, presumably on the basis of the consumption trends during the past two years, feels that the demand for petroleum products in India would be anything between 16 million tons and 18 million tons.

A firm estimate of petroleum products' consumption during the latter part of the current Plan, on the part of the Government, is urgently called for since it is linked with the crucial question of allowing the private sector refineries to expand their capacity. The three months' concession given to Burmah-Shell and Esso Standard to increase their throughputs to their maximum capacity, which is envisaged to result in a foreign exchange saving of Rs. 3 crores, is due to expire on September 30. Whether this concession will be extended for a further period is anybody's guess at present; Mr. Malaviya is unpredictable. In the interest of conserving the precious foreign exchange resources of the country, this concession needs, however, to be extended even if the ideological warfare over the permanent expansion of the refining capacity in the private sector does not come to an end.

ENI OPERATIONS

Although the Union Minister for Oil has been reticent in disclosing the area in which ENI has agreed to undertake drilling on behalf of the Oil and Natural Gas Commission—no decision according to Mr. Malaviya has been taken on this question—a newspaper report from Rome says: "The Italian State Oil Corporation, ENI, has confirmed that it will prospect for oil in the Ganges Valley on behalf of the Indian Government. It was stated in Rome that ENI's prospecting would be carried out under contract from the Indian Government on the lines of the drilling operations on behalf of the Argentine Government".

ENI has also submitted a project report on setting up of a lubricating oil plant. This report inter alia includes: (1) a marketing study detailing the situation and prospects of petroleum market, including in particular the lube oils markets; (2) a technical and economical study on two main alternative basis—one concerning itself with production of lubricating oils only and the other with the production of lubricating oils along with other petroleum products. The project report is understood to have suggested the setting up of an integrated refinery of two million tons capacity to be located in South India along with a lubricating plant of 1½ lakh tons capacity. About the location of the integrated refinery, four sites have been suggested. These places, however, are not yet disclosed.

ENI has also submitted to the Government the project reports on Delhi-Barauni-Calcutta pipeline and the LPG Bottling and Distribution Projects. To the Assam Government it has submitted a project report on Gas Fractioning Plant.

ENI has also offered to drill production wells in Assam. Government, according to lobby circles, has asked ENI to prepare a project report of the pipeline system to be laid in Gujarat.

Bechtel Corporation of California (USA) has been entrusted with the task of preparing the project report for the Siliguri-Gauhati pipeline scheme (about 270 miles in length).

OIL INDIA PIPELINE

The work on the 14" sector of the Oil India pipeline, connecting Nunmati with Barauni, is stated to be progressing satisfactorily. The entire pipelaying operations have been completed. All the 40 rail crossings have been done and of the 66 river crossings, 56 have been completed, work in respect of others being in progress. Of the five pumping stations on this sector, three are already in operational readiness and the remaining two would be completed in the near future. The pipeline is being pressurised for initial testing and unless leakages take place due to faulty pipes, the entire operation is expected to be completed very soon.

The Governor of Assam, Gen. S. M. Srinagesh, paid a visit last week to the headquarters of Oil India Pipeline at Nunmati.. He was received by Mr. G. N. S. Robertson, T.D., Acting Managing Director of Oil India. The Governor evinced keen interest in the project.

RE-ORGANISATION OF CENTRAL MINISTRIES

At the instance of the Prime Minister, a four-member Committee, consisting of Mr. T. T. Krishnamachari, Union Minister without Portfolio, Mr. Morarji Desai, Union Finance Minister, Mr. G. L. Nanda, Union Minister for Planning and Labour and Mr. Lal Bahadur Shastri, Union Home Minister, has been set up to suggest a scheme to rationalise the distribution of work amongst the various Central Ministries dealing with economic matters.

According to one proposal, all the carriers of goods, namely, railways, inland water transport, shipping and road transport, are suggested to be grouped under one Ministry. Another proposal deals with delinking of the Department of Scientific Research from the Ministry of Cultural Affairs and tagging of it on to the Development Wing of the Ministry of Industries. Under a third proposal, it is suggested to place oil matters either under the charge of an independent Minister of State or under the charge of a Department with a full-fledged Secretary to head it and this Department to be made a part of a bigger Ministry which should have another similar Department to deal with coal and mines.

At present, there is a general dissatisfaction with the bifurcation of the internal and external trade subjects between the Department of Commerce and the Department of International Trade in the Ministry of Commerce and Industry. There is a feeling that cotton and jute industries should be given back to the charge of the Department of Commerce.

The Committee will also have to look into the dispute over the inclusion of the petro-chemical industry in the Ministry of Oil. Mr. K. D. Malaviya claims that this industry should be under his charge because petroleum is within his domain. The Commerce and Industry Ministry, however, does not appear to be amenable to this. If petro-chemical industry is placed under the

charge of the Minister for Oil, by the same token it is contended cotton, jute and plantation industries should be dealt with by the Ministry of Agriculture. The Committee may also inquire into the logic or otherwise of the Ministry of Agriculture having its jurisdiction over the sugar industry which needs to be placed under the charge of the Minister for Industries.

Lastly, the Committee would also probably give some thought to the re-organisation of the Education, Health, Agriculture and Irrigation portfolios at the Centre. The primary responsibility for these lies with the State Governments, the Central Ministries' working being mainly of policy decisions regarding the whole country and of co-ordinating nature.

DEVELOPMENT WING'S WORKING

The Government of India has also set up a Committee, with Mr. S. Boothalingam as its Chairman, to look into the work of the Development Wing of the Ministry of Industries. There have been complaints about the work of this Department; hence this enquiry, the credit for whose institution should go to Mr. T. T. Krishnamachari. Mr. Boothalingam is an ideal choice for the Chairmanship of this Committee since he was one of the architects of the Development Wing.

PARLIAMENTARY COMMITTEE ON PUBLIC UNDERTAKINGS

Pressure tactics and lobbying is in progress in connection with the selection of the personnel for the 15-member Standing Committee of Parliament on Public Undertakings, recommended to be set up by the Krishna Menon Committee. Lobby reports suggest that efforts are being made to include in the personnel of this Committee persons who were either "contact men" or who have had direct or indirect interest in the similar private sector undertakings. The committee has to be set up by a resolution to be adopted by Lok Sabha.

EXPORT TARGETS

The export target for 1962-63 has been fixed at Rs. 720 crores. The following targets in terms of value have been adopted for some of the commodities :

(1) Cotton textiles	Rs. 32.5 crores for July-December, 1962.
(2) Tea	Rs. 140 crores for 1962-63.
(3) Jute manufactures	Rs. 150 crores for 1962-63.
(4) Iron ore (excluding Goa)	Rs. 21 crores for 1962-63.
(5) Manganese Ore	Rs. 12 crores for 1962-63.

BARTER DEALS

Mr. Manubhai Shah, Minister for International Trade in the Union Government, clarifying the policy behind India's entering into barter deals with some foreign countries has stated: "The general policy adopted in sanctioning barters is to ensure that imports are limited to such essential commodities as would in any case have to be imported against free foreign exchange and that the exports under barters are of commodities which do not otherwise move to the markets concerned, except against barter deals". The following are the imports so far arranged under barter deals:

(Rs. in crores)

Items	Value
Tractors	0.13
Newsprint	0.08
Steel material	15.11
Giant tyres	0.21
Steel tubes	0.20
Art silk yarn	0.20
Aircraft	2.38
Printing and writing paper	0.43
Fertilizers	3.91
Printing machinery	0.12
Wheat etc.	16.60

About import of some luxury goods like terylene cloth and cosmetics, Mr. Shah stated: "Import of luxury goods like terylene cloth and cosmetics has been totally banned and no foreign exchange is spent on them. Only very small quantities of such cosmetic items used for studio make-up like collondion, lipgloss, tooth enamel black, eye-lash make-ups and other specialised cosmetic items as are not available from indigenous sources, have been permitted to be imported in small values."

WORLD BANK LOAN FOR PRIVATE COLLIERIES

The World Bank has offered a loan of 35 million dollars (Rs. 17 crores) to the Government of India to meet the foreign exchange requirements of the private collieries during the Third Plan. Of this amount, 30 million dollars can be drawn upto July 31, 1963, and the remaining 5 million dollars upto September 30, 1965.

So far, 4,288 import licence applications, valued at about Rs. 12.7 crores, have been received by the Government. Out of these, licences have been issued to 1773 applicants, valued at about Rs. 2.9 crores. The remaining applications are under scrutiny. Actual drawals from the loan account will, however, start only after the machinery and equipment have been imported.

MANUFACTURE OF HEAVY ELECTRICAL EQUIPMENT BY PRIVATE SECTOR

The Government of India has granted licences under the Industries (Development and Regulation Act), 1951, to certain parties in the private sector for the manufacture of heavy electrical equipment. The details are as follows :

LARGE TRANSFORMERS

1. M/s. Kirloskar Electric Company Ltd., Bangalore.
2. M/s. Hackbridge-Hewittic and Easun Private Ltd., Madras.
3. M/s. Hindustan Electric Company Ltd., Bombay.
4. M/s. Transformers and Switchgear Ltd., Madras.
5. M/s. Electric Construction & Equipment Co. Ltd., Calcutta.
6. M/s. Gandhi Electric Company, Bombay.
7. M/s. Hitachi Transformers & Electricals (Kerala) Ltd. Trivandrum.

H.T. SWITCHGEAR

1. The English Electric Company, Madras.
2. M/s. Jyoti Ltd., Baroda.
3. M/s. Mysore Electrical Industries Ltd., Bangalore.
4. M/s. Electric Construction & Equipment Co., Calcutta.
5. M/s. Hindustan Electric Co., Ltd., Bombay.

HMT WATCHES

Upto August 4, 1962, Hindustan Machine Tools Limited assembled 18,482 watches. The assembling of these watches from imported components is being carried on by HMT primarily to train technicians. The cost involved is being treated as the cost of training. A regular costing system would be introduced after the commencement of the manufacture of these watches in India.

The amount of foreign exchange expenditure per piece of the three types of watches produced by HMT at present is as follows :

"Citizen" (Gents)	Rs. 20.00
"Janata" (Gents)	Rs. 18.14
"Sujata" (Ladies)	Rs. 18.18

According to the terms of the collaboration agreement signed by HMT with the Citizen Watch Company of Tokyo, the latter would make available its technica know-how to the former to enable it to attain a leve of indigenous content equal to 84 per cent. This leve



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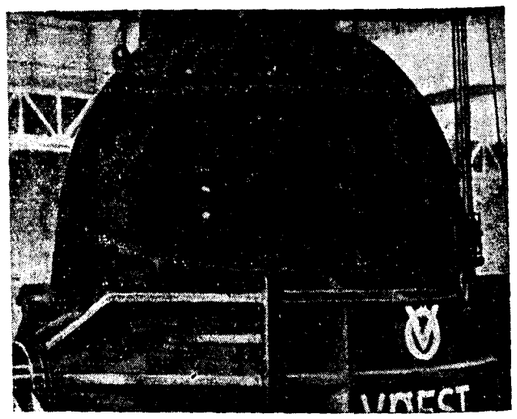
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AB—22



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of indigenous content is expected to be achieved by HMT by 1966.

THE BOOK TRADE

The well-known Canadian newspaper magnate, Mr. Ray Thompson, was here recently on a mission to finalise collaboration arrangements with Indian interests for setting up a most modern printing press and a book binding establishment, to be located in Delhi State. It is intended to publish at this press British and American books—literary, scientific and technical—for sale in India as well for export to the countries of South-East Asia. Mr. Thompson has agreed to take minority share of 49 per cent in the equity capital of this enterprise. The balance 51 per cent share is to be held by the Indian collaborators and the general public. He has plans to invest £500,000 in this venture, the excess of the 49 per cent of his share being in the form of a loan to be repaid through exports.

DE LA RAU'S NEW VENTURE

The well-known British firm, De La Rau is planning to set up a plant in Delhi for the manufacture of playing cards both for Indian consumption and exports. The firm believes that there is a very big market for playing cards in India as well as in countries of South-East Asia. De La Rau is not unknown in India even at present. This firm used to produce postage stamps for this country before they started to be produced by the Government of India. De La Rau is also collaborating with the Government of India in setting up a security paper plant in this country.

COMMONWEALTH CONFERENCES

Prime Minister Nehru is leaving for London on September 8 to attend the Commonwealth Prime Ministers' Conference starting there on September 10. The Union Finance Minister, Mr. Morarji Desai, will precede him by a day. He along with Mr. L. K. Jha, Secretary, Economic Affairs, who is leaving for London on September 6, and Mr. K. B. Lall, India's Ambassador in Belgium, will be a member of the Indian delegation to the Commonwealth Prime Ministers' Conference. Mr. Jha and Mr. Lall's inclusion in this delegation has presumably been necessitated by the fact that the Commonwealth Prime Ministers' Conference will discuss the issue of Britain's entry into the European Common Market.

Mr. Desai and Mr. Jha will leave London for Washington on September 17 to attend the meetings of the World Bank and the affiliated institutions which commence on September 18. The Commonwealth Finance Ministers' Conference, it is expected, will be held in Washington this year.

APO PRODUCTIVITY STUDY TEAM

A 7-member Asian Productivity Organisation's Study Team on Productivity Drive Programme and Programme Planning and Co-ordination is arriving in New Delhi on August 26. The Team's visit is a part of its 6-week tour of APO member-countries with a view to studying the progress made in the Productivity Movement, Development of Productivity Techniques, Management Development and the ways and means employed for disseminating productivity information. Besides India, the Team will visit East Pakistan, Philippines, Nepal, Formosa, Republic of Korea and Japan. It has already visited West Pakistan.

While in Delhi, the Team will be visiting the National Productivity Council Headquarters, Small Industries Service Institute and Workers' Education Centre, besides holding discussions with the officers of the Ministries and Institutions concerned with the productivity movement. The Team will also visit NPC's Regional Directorates at Bombay and Calcutta. The Team members will particularly examine and suggest the best possible ways in which training programmes could be successfully developed in the APO member-countries as also steps to be taken to bring about better co-ordination with the APO so as to enable it to play its full role in the overall productivity drive in Asian countries.

IN BRIEF...

Heavy Electricals (India) Limited has signed a contract with Messrs. Prommeshexport, Moscow, for getting two Soviet specialists for giving training to the Indian engineer-trainees for the Heavy Electrical Equipment Plant to be set up at Ranipur, near Hardwar, in designing of hydraulic turbines and for teaching the Russian language. The trainees will be given orientation training at Bhopal after which they will be sent to USSR for advanced and specialised training.

*

The Garden Reach Workshop and the Mazagon Dock are both stated to be in a position to undertake the construction of ships upto 5,000 DWT with their existing facilities. A scheme to develop the Garden Reach Workshop to undertake the construction of larger merchant ships is being examined by the Ministry of Defence.

*

The Central Government has sanctioned a scheme, costing Rs. 80 lakhs, for the construction of a grab dredger for Calcutta Port. This dredger will have a hopper capacity of 1,500 tons and will be built in Britain and brought to Calcutta as a complete unit.

*

The Government of India has approved an Indian concern's collaboration arrangements with a foreign firm for the manufacture of chaff cutter blades in this country. The quality of the blades now produced in India is not regarded as satisfactory.

*

The Government has under consideration some proposals for the manufacture of steel tapes (measuring tapes) with foreign collaboration. No scheme has yet been approved.

*

The National Industrial Development Corporation has so far sanctioned Rs. 6.15 crores as loans for the modernisation of jute industry. The jute industry's modernisation has almost been complete up to the spinning stage. Mills are experimenting with automatic looms imported from abroad. On the results of these experiments, plans for modernisation of the weaving sections are expected to be finalised in the near future. Jute mills have been allowed to expand their spinning capacity to the extent of about 15 per cent. Diversification of production by installation of broad looms is being encouraged.

*

Detailed investigation, boring and survey is now being conducted at Mangalore for finalising the layout of the new port there. It has been decided that the new port will be sited to the north of the Netravati river mouth. It is intended to connect Mangalore with Hassan by railway. The new rail link is included in the Third Five-Year Plan of the Railways. The actual construction of this line will be co-ordinated with the construction of the port. The work over the port is expected to be completed by 1967.

NEWS IN BRIEF

INDIA

The Andhra Government has decided to introduce the permit system for coal for domestic consumption.

*

The Punjab Government has made a gift of 4,063 bighas of land to the Hindustan Machine Tool Ltd. to set up its third plant at Pinjore.

*

The Union Finance Minister, Mr. Morarji Desai, declared open a 50-lakh super phosphate factory in the private sector at Ennore, Madras.

*

Agreement has been reached between the Government and the ENI, Italian State Oil Corporation, for prospetting of petrol in the Ganges Valley.

*

India will receive 2,000 tons paper worth Rs. 37,33,330 from Australia under the Colombo Plan for the printing of text books.

*

India's first diesel locomotive works at Varanasi is expected to go into production by the end of next year.

*

The U.P. Government has decided to place a 3,000-acre farm in Jhansi at the disposal of the FAO, for a fodder research unit.

*

The Indian Central Tobacco Committee is studying the possibilities of growing flue-cured tobacco in the Salem and South Arcot Districts.

*

The Defence Minister inaugurated at Bangalore the first ladies' draughtsmanship course organised by the Defence Technical Training Association.

*

The Indian Re-insurance Corporation Ltd. is planning to start operations in Australia.

*

The establishment of a machine tool factory in Kerala is being actively considered by the Central Government.

*

The Government of India is considering the possibilities of rubber cultivation in the Nicobar and Andaman Islands.

*

Soviet jet engines for Indian designed HF-24 Supersonic fighters are due to be manufactured in India from next year, consequent on an Indo-Soviet agreement.

*

The Life Insurance Corporation of India has agreed to provide Rs. 16.5 crores to the Central Government to meet the cost of the Land Acquisition and Development Scheme for the remaining period of the Third Plan.

The scheme introduced in 1959 envisages the grant of loans to State Governments for the acquisition and development of land for distribution among those belonging to the low income group. It is hoped that the scheme would help towards a stabilisation of land prices, rationalisation of urban development and promotion of self-sufficient housing colonies.

The Central Government has contributed Rs. 9.5 crores, which makes a total of Rs. 26 crores to be allotted to the State Governments for the execution of this scheme for the remaining period of the Third Plan.

FOREIGN

The Brazilian Parliament has passed a law limiting remittance of profits of foreign capital to 10 per cent of the original investment.

*

The new assembly plant of the Renault Company opened at Abidjan on the French Ivory Coast has gone into production. The plant is expected to turn out 15 lorries per day.

*

Czechoslovakia's current Five-Year Plan is to be discontinued at the end of this year, to be followed by the one year interim plan. Shortfall in key industries seems to be main cause behind this development.

*

Britain has granted a loan of £3,500,000 to Southern Rhodesia to help meet the cost of the latter's development programme during the current financial year.

*

Cuba has applied for membership of the Latin American Free Trade Association.

*

A bill for the nationalisation of the electrical industry will come up shortly in the Italian Parliament.

*

The West German Government has granted a loan of over £3 million to the Government of Kenya, towards meeting the cost of settlement and irrigation projects.

*

A bill has been presented in the Federal Parliament of Nigeria, to allow foreign ships to register in Nigeria and fly the Nigerian flag.

*

Portugal has decreed a reduction of custom duties between her various overseas territories as a first step towards the formulation of a Portuguese "Common Market".

*

Chrysler (USA) announces a programme of expansion of its production activities in Australia, involving an investment of £A. 18 million over the next five years.

*

An agreement was signed in Brussels on August 24, 1962, admitting Greece to the ECM. It will become effective from November this year.

*

High Definition Television Ltd. — a member of the Pye Group — has developed a low-cost television station for educational purposes. The equipment costing less than £20,000, opens up new possibilities in the field of teaching.

*

Plant Protection Ltd., a subsidiary of Imperial Chemical Industries, has developed a new weed-killer, claimed to be affective against coarse grass and water weeds. The new product will be marked under the name of Gramoxone.

COMPANY AFFAIRS

BIRLA COTTON

The Directors of the Birla Cotton Spinning and Weaving Mills Limited, in their annual report for the year to March 31, 1962, have indicated that during the year under review there was a considerable increase in the cost of production in the textile industry by reasons of steep rise in the prices of cotton and substantial increase in wages and dearness allowance and prices of stores, dyes and spare parts. This adversely affected the working results of the textile mills. In spite of all these disadvantages, the overall working results of the Birla Mills could be considered fairly satisfactory. The profit for the year, for instance, was recorded at Rs. 47.1 lakhs. The ginning and processing factories at Malout and Kesirisingpur and a tent factory recorded good results. Out of the total profit, depreciation and taxation were separated to the extent of Rs. 7.33 lakhs and Rs. 23 lakhs respectively. Other amounts separated were for development rebate reserve (Rs. 2.45 lakhs) and general reserve (Rs. 6 lakhs). The Directors recommended the payment of a dividend on ordinary shares at the rate of Rs. 2 per share of Rs. 10 each. This will absorb Rs. 7.99 lakhs. A sum of Rs. 1.68 is proposed to be carried forward to next year's account.

During the year under review some more machines in the processing and finishing departments of the textile mill were added during the year. A few more machines are likely to be added during the current year. In view, however of the great difficulty in getting requisite import licences, the plan for modernisation of more machines in the textile mill is being deplayed. An application was made by the company to the Government of India for permission to instal additional spindles for balancing the existing ratio of looms to spindles, but unfortunately the application has not been approved.

Since the close of the accounting year the rate of excise duty on cloth and yarn has been increase by the Central Government. Excise and Custom duties have also been levied and increased on various items which are required by the textile industry. Due to failure of the cotton crop in the last season there is now an acute shortage of cotton leading to further increase in its price. All these factors are likely to affect the working results of the current year adversely.

It may, however, be added that the company has received licences to set up two textile units—one at Kathua in the State of Jammu and Kashmir with a capacity of 12,500 spindles and the other at Khurja in Uttar Pradesh with a capacity of 25,000 spindles. The Directors are taking necessary steps for setting up the units. Orders for Plant and Machinery for the Kathua Mills have already been placed.

UNIVERSAL CABLES

Universal Cables Limited had approached the Industrial Credit and Investment Corporation of India Limited and the Commonwealth Development Finance Corporation Ltd., London, for foreign exchange loans amounting to Rs. 80 lakhs to meet the cost of imported machinery. The Directors in their annual report for the year to March 31, 1962, have now recorded that these loan agreements have since been satisfactorily concluded. Therefore, naturally the necessary plant and equipment required for the cable plant are likely to be received without any delay. The order for plant and equipment have already been placed and the necessary import licences too have been obtained. The building construction is progressing at Satna and the cable plant is expected to start production in the latter half in 1963. To meet the increased requirements, the company has already increased its issued capital which now stands at Rs. 1.05 crores. This increase follows the issue of 7 lakh equity shares of Rs. 10 each. The Directors expect that the final call of Rs. 5 per share on the new capital will be made before the end of the current year.

The year's working of the company shows a surplus of Rs. 87,836. After providing for depreciation and taxation, there was an amount of Rs. 5,604 which has been carried forward. The Directors have thought it advisable not to recommend payment of any ordinary dividend for this year as they consider it desirable to conserve the company's resources in view of the development expenditure which will have to be incurred in the near future for putting up of the cable plant.

NEW ISSUES

Five companies have been authorised to issue capital totalling Rs. 1.14 crores. Of these, one company is issuing right shares, one bonus shares, two equities and two equity and cumulative redeemable preference shares. The consent of the Controller in all cases is valid for 12 months.

Duncan Brothers & Company Limited (Calcutta), a public company carrying on the business of non-industrial nature and having a paid-up capital of Rs. 1.35 crores, is to issue further capital of Rs. 18 lakhs divided into 18,000 equity shares of Rs. 100 each to be issued as rights for cash at a premium of Rs. 10 per share.

H. M. Kashiparekh & Company Limited (Ahmedabad), will issue 81,972 bonus shares of Re. 1 each on capitalisation of the company's reserves to a like extent.

Indofil Chemical Private Limited (Maharashtra) is issuing capital of Rs. 40 lakhs in equity shares of Rs. 100 each, for cash at par. Out of this, shares worth Rs. 23 lakhs will be offered to Rohm & Hass Company, Philadelphia, U.S.A. The money will be used for establishing the manufacture of Dithane fungicides etc.

Bellary Spinning & Weaving Company Limited (Mysore), is to issue capital of Rs. 25 lakhs in equity shares of Rs. 100 each for cash at par for establishing a spinning mill.

Indore Wire Company Limited (Bombay) a public company established to undertake manufacture of high tensile wire will issue capital of Rs. 20 lakhs divided into 15,000 equity and 5,000 cumulative redeemable preference shares of Rs. 100 each carrying divided of 7½ per cent (gross) per annum for cash at par.

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Company Meeting

THE INDIA CEMENTS LIMITED
MADRAS-2.

Speech delivered by Sri P. Suryanarayana at the 16th Annual General Meeting of the Company held on Saturday, the 18th August, 1962.

Ladies and Gentlemen,

On behalf of the management and on my own behalf, I extend to you all a cordial welcome to the 16th Annual General Meeting of your Company and place before you the Annual account of the Company for the year ended 31st March, 1962 and the Board's report and the Auditors' report thereon. Printed copies of these have been circulated to all the members and with your kind permission I will take them as read.

The year under review marks the completion of the first year of the Third Five-Year Plan. The Third Plan, as I mentioned on the last occasion, was presented to the nation on the 7th July, 1961. Economic growth in the first year of the Third Plan is satisfactory, though it has not been up to the full expectations of the planners. I feel that the progress in the first year is largely due to the increase in industrial production in the country. An idea of the growth is had, if one looks at the national income data provisionally estimated by the Planning Commission. The estimate for the first year of the Third Plan at current prices is Rs. 14,690 crores as compared with the preliminary estimate of Rs. 14,200 crores for the first year of the Second Plan. The percentage increase in the 1961-62 National Income is said to be about 3.5 as compared to the previous year. I need hardly point out that the cement industry has contributed its mite to the increase in the industrial production of the country.

Your Company was formed in the year 1946 and went into production by September 1949 and got on to full rated capacity production of 100,000 tons per annum in 1950. The plant was doubled after six years in 1956 and the production was again doubled in 1959 and the production today stands at nearly half a million tons.

The scheme for putting up a cement factory in Sankaridrug (Salem District) with an annual production of 200,000 tons of cement has just been taken on hand and speedy steps are being taken to bring this unit into production by June-September next year. Necessary lands for the construction of the factory as well as mining have already been purchased and the first sod of earth has been turned yesterday. Deliveries of machinery are also expected to start almost immediately. It is my earnest hope that I will be in the very happy position of announcing to you at the next Annual General Meeting that Sankari Unit of your Company has gone into production or is about to go into production. Your Directors and the Managing Agents are anxious that this project should go into production at a very early date, so that we can to the extent possible relieve the acute shortage of cement now prevailing in the country.

The scheme for starting a cement factory in Andhra Pradesh is also progressing, and would be in production in the next two years.

When these schemes are completed, the total production of your Company which had an installed capacity of one lakh of tons in 1950 will be more than one million tons of cement, which is an achievement which should be considered creditable judging from any standards. We may therefore feel proud of our share of contribution to the rapid industrialisation of the country and the attendant economic progress.

Your Company has, during the year under review, produced 4,57,116 tonnes of cement as against 4,64,295 tonnes in the previous year. The slight fall in production is largely due to the shortage of coal supplies and restriction on power consumption.

The present installed capacity of the cement industry in this country is about 9.5 million tonnes against which production is in the region of 8.5 to 9 million tonnes. The target for production of cement for the Second Five-Year Plan was at first fixed at 14 million tons, but subsequently in 1958 when a review of the Plan was made, the target was reduced to 9 million tons. This target has practically been achieved in the Second Plan. The target for the Third Plan has been fixed at 15 million tonnes and it would now appear that this would require a revision upwards, if we are to meet the growing demand of this essential commodity, so vital to the development of every phase of our planning. I once again emphasise as I did on the previous occasion that the industry has a bright future. I for one see no reason why the industry should not be able to live up to its expectations and at the end of the present Plan, "deliver the goods", if I may say so, or even do better by exceeding the estimated target.

In this connection, I may be permitted to refer to a matter, which of late is seriously engaging the minds of the planners, the Government and the entire business community, namely, the gravity of the position of our balance of foreign payments and the imperative need of not only conserving our present slender foreign exchange resources but also increasing the same by stepping up our exports. I have no doubt that every industrialist and businessmen is alive to the situation and there is a growing realisation on the part of everybody that the huge foreign exchange resources required for the import of capital goods for new industries for maintenance equipment and essential raw materials for the existing industries and the fulfilment of our ambitious Third Five-Year Plan can be achieved only by increasing our exports. Unless there is a marked increase, I should say, almost doubling or trebling of the present level of exports one cannot think of any appreciable improvement in the foreign exchange position. The Government's policy of effecting drastic cuts in imports will not solve the problem to any great measure. Perhaps such a policy, far from solving the problem will only aggravate the difficulties. The solution to this problem can, therefore, lie only in a great volume of exports and a highly imaginative export promotion programme. We cannot afford to halt the pace of industrialisation nor reduce the pace of our exports, if we are to achieve any success in fulfilling the plan targets. Besides increasing the exports of important traditional items such as cotton and jute products, tea, vegetable oils, etc., we should explore and gain new markets for the products of other industries such as engineering industry and other miscellaneous industries. The target for exports in the Third Plan has been set at Rs. 850 crores and therefore calls for a vigorous export drive on the part of the business and industrial communities. No doubt our path is strewn with difficulties and calls for considerable sacrifices. We have the paradoxical problem of shortages and high prices at home and resistance of increasing competition abroad.

In this context, it is a matter of gratification that the Government have been very much alive to this problem and in order to encourage exports, are formulating various schemes to make the business of export advantageous for the industry. I may, in fact, say with some degree of confidence that the Government are doing and will do their utmost towards this end.

You may perhaps be aware that as a first step in the export promotion compaign, the Government has appointed a Director of Transport, established machinery for quality control with a view to avoid any bottlenecks in the export trade.

It is a matter of sacred duty that we in the private sector of industry and trade should stand solidly behind the Government in the matter of export promotion.

The cement industry has not lagged behind in the export trade. I am happy to say that your Company has exported cement for a total value of Rs. 16 lakhs during the year under review. Most of the Company's exports go to Ceylon, where there is a great demand for Sankar Brand cement. It is hoped that with our expansion schemes in view we will not only be able to meet the growing demand in this established market but also explore markets in other foreign countries and thus contribute to the country's exports in augmenting foreign exchange.

The statement of accounts has been in your hands for some time now and members may have noted that the gross profit before deducting depreciation and Managing Agents' commission has increased by Rs. 20,18,070 as compared to the previous year. Production of clinker, cement and sales were slightly lower at 4,45,768, 4,57,116 and 4,58,382 metric tonnes respectively. The fall is due to continued coal shortage and restriction on power supply.

I mentioned to you on the last occasion that the Tariff Commission were then considering the revision of cement prices. The Commission submitted its report in August 1961 to the Government, recommending ex-works retention price in respect of each cement unit. The Government of India, however, did not approve of differential prices based on individual costs and felt that there should be a uniform price for the industry as a whole, so that the more efficient units will have the benefit of their economies. The Government therefore fixed an uniform ex-works price of cement at Rs. 69.50 per tonne with provision for adjustment in the case of high cost units subject to adjustments, whenever called for, for variations consequent on Governmental action, including escalation for fuel and power.

Since the fixation of the price from 1st November, 1961, there has already been increase in the cost of pit's mouth price of coal, railway freight on movement of all goods traffic including coal, sur-charge on power levied by the State Government and also increase in the Corporation tax, brought about by Governmental action. Suitable representations have been made by the Cement Manufacturers Association on behalf of the industry for suitable revision in the retention prices consequent on the above increases.

The Commission recommended to the Government that the revised prices should be made effective from 1st July, 1961. The Government, however, has thought fit to make the revised prices effective only from 1st November, 1961. Your Company has, therefore, had the benefit of the revised price for a period of five months only during the accounting year.

I am glad to inform you that the Government have recently sanctioned an increase of Rs. 2.37 per tonne in the retention price of your Company's cement to offset the increase in cost arising out of the use of furnace oil for one of its kilns.

Members would have noted that we have, along with the statement of accounts, given graphically illustrated charts showing details of distribution of Sankar Brand cement, Fixed assets of the Company and sales and dividends. We hope the information furnished therein will be of interest and give a full background to the Company's working.

In order to meet additional capital that will be required for the expansion schemes of your company, you are aware that a decision was taken by your Board to increase its subscribed capital by Rs. 1,25,55,250. In pursuance thereof, right shares were offered to the members of the company in February 1962. I am glad to inform you that the entire issue was over-subscribed. The Directors had reluctantly to refuse full allotment of additional shares applied for by members.

I am glad to inform you that the Sankar Institute of Polytechnic has recently moved into its own building near your factory at Talaiyuthu. The new building was declared open by Sri R. Venkataraman, Minister for Industries, on 17th June, 1962. The new building has been well planned and designed to meet the growing needs of the Institute.

A Junior Technical School has also been started from this academic year as an adjunct to the Polytechnic. The School is at present housed in temporary quarters, but plans have been approved to construct necessary buildings and workshops for the School in the Company's land near the Polytechnic.

Your Directors decided that there should be a pucca hospital with 50 beds at the factory area in Talaiyuthu to cater to the medical needs of the staff of the Company. The first phase of construction is over and the hospital will be complete in all respects in the next one year's time.

Government have large programmes under community development schemes. I would only like to mention in this connection that the starting of industries away from urban areas does in fact create opportunities for large scale employment, in the wake of which schools, technical training centre, hospitals, etc., spring up, thereby creating a well-contented community. With each such industry, the community is developed. Your Company has contributed in a large measure towards this achievement of ideal community development.

I am indeed happy to report that our relations with the labour at our factory and the staff at the Head Office continue to be very cordial as usual. I take this opportunity both on your behalf and on my own behalf, to tender our thanks to all the employees of the company for their unstinted co-operation and hard work during the year. The Company looks forward to their continued loyal and devoted service and co-operation in the years to come.

I thank you all, Ladies and Gentlemen, for the indulgence you have shown and the patient hearing you have given. I am afraid I have taken a little longer time, but I thought it my duty to present to you all these facts.

N.B.: This does not purport to be a report of the proceedings.

BENGAL CHEMICAL & PHARMACEUTICAL WORKS LIMITED

Address delivered by Dr. B. N. Ghose, Chairman, at the 62nd Annual General Meeting of the Company held on August 14, 1962.

Gentlemen,

I have great pleasure in welcoming you on behalf of the Board of Directors as well as on my own behalf to the 62nd Annual General Meeting of your Company. The Directors' Report and the Audited Accounts of the Company for the year ended the 31st March, 1962 have been with you for sometime past, and with your permission I take them as read.

From the working results of the year under review as explained in the Directors' report you have noticed that the sale of the Company registered an increase of about Rs. 4 lacs over the last year's figure, but the margin of profit was lower. The reasons for the decrease in profits were several the most determining factors amongst which were rising costs, high transportation charges and operating expenses, high price and shortage of coal, interruption in the supply of electricity etc. Notwithstanding the fall in profits as compared to last year, your Directors recommend a dividend @ 10 per cent on all classes of Ordinary Shares besides the usual dividends on 7½ per cent Cumulative Preference Shares and 4½ per cent Cumulative Second Preference Shares in accordance with Preference Shares (Regulation of Dividends) Act, 1960. Your Directors are attempting to increase the rates of Dividend on the Preference Shares of this Company in order to make up the losses now being suffered by the Preference Sharesholders who have already received notice to this effect.

Last year I struck a note of warning with regard to productive operations specially at Panihati Factory. The principal handicaps faced by the industry, amongst others, are non-availability of Crude Tar for our Tar Distillation Plant and drastic cut in the allotment of wagons for coal supply and other raw materials. Crude Tar is being burnt by the producers in their furnace as fuel, consequently supplies of this essential raw material are not available to feed our distillation plant. The drastic cut in the wagon allotment has considerably increased the cost of coal as we have to meet our demand by Road Transport. Furthermore the quality of coal is not up to the mark having ash contents up to the extent of 35 per cent.

Our export trade with regard to Napthalene has been substantially handicapped. In their overzealousness to earn foreign exchange M|s. Hindustan Steel Ltd., made all-out efforts to sell hot pressed Naphthalene in the foreign market and succeeded in exporting at a price of Rs. 625 per ton, f.o.b. Calcutta; whereas being the only producer worth the name in the country, they maintained their internal price for the indigenous refineries of Naphthalene at Rs. 1,100 per ton. Your Company had a small market in the neighbouring east Asian countries for refined Naphthalene balls but we could not compete with Japan who bought this very hot pressed Naphthalene from Hindustan Steel Ltd. @ Rs. 625 per ton quoting from £75 to £80 per ton. I may point out that by distillation of Crude Coal Tar at our factory the cost of Crude Naphthalene worked out at almost half the purchase price of the same from M|s. Hindustan Steel Ltd. But owing to non-availability of Crude Coal Tar we had to purchase the said raw material at such a high price.

The import restrictions and licensing policy of the Government have adversely affected our production of certain items, particularly surgical dressings and some of the toilet products for which sales in these lines could not reach the expected target. Last year I reported the difficulty in getting import licence for parts of machinery for replacement as well as machinery for increasing the production of surgical dressings. We could not effect supply of large quantity of surgical cotton wool to our Overseas Customers due to non-availability of Import Licence for machinery and their replacements although your Company has been doing this export business for the last two decades at some sacrifice as a national obligation. Furthermore, due to sudden reduction in the import licence of Tallow we could not meet our contractual obligations in the country, not to speak of increasing our export of Soaps. We exported our products during the year under review to overseas markets, e.g., Burma, Ceylon, Singapore, Penang, Kuala Lumpur, Thailand, California, etc. We are glad to report that of late we have put in the market our newly manufactured medicine "Diabinol," an oral anti-diabetic drug, which has been proved, on long and continuous clinical trials in two of the leading hospitals of the city, very efficacious in smaller doses. This product can very favourably compete with any foreign product of this category current in Indian market.

Imposition of Central Excise Duty on Proprietary medicines and toilet preparations necessitated enhancement of prices, and obviously there was considerable consumer resistance resulting in unexpected setbacks in our normal business during the year under review. You will appreciate that recent legislations with regard to Excise Duty on acids, patent medicines and other items embracing almost all our major products have adverse influence on this industry and price adjustments due to these levies are not in each and every case feasible owing to very competitive nature of the market.

You are already aware that unscrupulous traders and bogus manufacturers have been dealing in substandard and spurious drugs all over India for a pretty long time by presenting to the unwary public cheap products which very often cost human lives. In a recent Press report, a sweeping generalization has been made with regard to manufacture of sub-standard drugs by all the 700 drug licensees in West Bengal, I may assure you this is not correct and the network of the manufacture of sub-standard or spurious drugs by unscrupulous traders is spread all over India and not confined to West Bengal only.

Our new expansion schemes at Panihati in respect of Alum Plant and Sulphuric Acid Plant are progressing slowly and the delay in implementing the scheme in accordance with our original programme is due to some official paraphernalia standing in the way.

With regard to the scheme of forming a Chemical Project at Durgapur, I may inform you that the proposed Company, we have been told, will be a Government of West Bengal undertaking in which your Company will be represented as one of the promoters. The share of interest and the terms thereof of your Company in the proposed Company at Durgapur are still awaited. Of course, the sudden death of Dr. B. C. Roy, Chief Minister, may to some extent affect the smooth sailing of the affairs of the Company in its formative stage.

I have endeavoured to give you a review of the Company's affairs during 1961-62 and you will appreciate that the handicaps we had to encounter were only temporary phases. We are, however, trying to tide over the situation. I may assure you that the prospects for the current year are encouraging till now and in all probability we expect to achieve better results this year.

N.B.: This does not purport to be the proceedings of the Annual General Meeting.

LIFE INSURANCE CORPORATION OF INDIA

Statement by Shri B. K. Kaul, I.C.S., Chairman, at the Seventy-Fifth Meeting of the Life Insurance Corporation of India held in Bombay on 27th August 1962.

I have great pleasure in welcoming you to this sixth anniversary meeting of the Corporation. The draft of the Annual Report and the Statement of Accounts for the year 1961 have been circulated and are now before us for our consideration.

NEW BUSINESS:

During the year our new business amounted to Rs. 608.82 crores and 14.70 lakhs policies as against Rs. 497.54 crores under 12.58 lakhs policies in the previous year, thus showing an increase of 22.4 per cent. In the context of the rise in the price level during the year and of the natural calamities like floods in some parts of the country, the increase of more than Rs. 100 crores in the level of new business may be considered very satisfactory.

It is also gratifying to note that as many as 10.24 lakh policies were taken by persons who were insuring for the first time. Thus out of every three persons insuring with us, two were seeking life insurance protection for the first time.

RURAL DEVELOPMENT:

Out of the new business, as many as 5.3 lakhs policies assuring Rs. 182.59 crores were issued to people in the rural areas. I may mention that for the purpose of the definition of rural area we have now adopted the same criterion as was used in the 1961 census. As the earlier statistics were compiled on a different basis, we do not have the comparative figures for the previous year. There is, however, little doubt that we have made a considerable headway in our efforts of systematically expanding the business in the rural areas.

The main difficulty that constantly crops up in regard to the rural business is the lack of facilities for collection of premiums. **We have launched early this year a pilot scheme in Rajasthan for collection of premiums through selected post offices.** We are proposing to extend this scheme in due course to other areas, where banking facilities are not available, in consultation with the postal authorities.

NON-MEDICAL BUSINESS:

Another difficulty in propagating the message of life insurance in rural areas has been the paucity of medical examiners for conducting the medical examination of the lives to be assured. This has, to some extent, been solved by a wider application of non-medical schemes.

Under the general scheme, which now extends throughout the country, the medical examination is waived in respect of proponents within certain age groups, provided the total insurance on their lives does not exceed Rs. 2,000. Under this scheme, new business of Rs. 38.30 crores under 2.5 lakhs policies was completed during the year.

Besides this general scheme, we are also insuring, without medical examination, special categories of persons in civil employment upto a total sum assured of Rs. 5,000, which limit was increased, during the course of the year, to Rs. 10,000 in the case of eligible persons, whose ages at entry do not exceed 30 years nearer birthday and also in the case of Category "A-1" of the commissioned officers in the Armed Forces. Under this scheme, new business of Rs. 58.46 crores under 2.4 lakhs policies were completed bringing the total non-medical business to Rs. 96.76 crores under 4.9 lakhs policies. Thus, one out of every three proposers was insured by the Corporation without medical examination.

The Corporation has no doubt provided adequate safeguards to ensure that the class of lives coming under the purview of these schemes are of the usual standard who would experience a favourable mortality.

It is my desire that the scope of the scheme is gradually enlarged as we gain further experience of this class of business.

FOREIGN BUSINESS:

In some of the foreign countries, where we operate, the political and economic conditions were not quite favourable for the development of our business. However, due to sustained efforts of our officers and agents, our total foreign business in 1961 came to Rs. 10.03 crores under 8,056 policies, as against Rs. 9.70 crores under 7,736 policies in the previous year. Special mention must be made here of our London Branch which wrote in 1961 a new business amounting to Rs. 92 lakhs.

BUSINESS IN GOA:

Since the beginning of this year we have started transacting new business in Goa, Diu and Daman. Details of the scheme for taking over the life insurance business of the former Portuguese Companies are being worked out. In the meantime, we have extended to the Indian policyholders of these Companies facilities for the collection of premiums.

BUSINESS IN FORCE:

The total business in force at the end of 1961 was Rs. 2,737 crores under 86 lakh policies as against Rs. 2,285 crores under 77 lakh policies at the end of 1960, thus showing an increase of 19.8 per cent during the year.

LAPSE RATIO:

The ratio of net lapses to the mean business in force was 7.0 per cent in 1961 as compared with 6.6 per cent in 1960. The rise in the net lapse ratio of the Corporation seems to reflect the deleterious effect of the increase in the general price level on the saving capacity of the insured population. Apart from the monetary loss to the policyholders as well as to the Corporation, which the lapses bring in their trail, the termination of life insurance protection for several lakhs of families every year is a matter of vital concern to us. Accordingly, I have been impressing, in the course of my discussions with the Development and other Officers, the imperative necessity to reduce the lapsation of policies to the minimum and to improve the quality of business to the maximum extent. The necessary machinery has been set up to review the lapse position periodically so that any adverse trend may be detected at an early stage and checked by taking suitable remedial action without loss of time.

PREMIUM AND OTHER INCOME:

For the first time in the history of life insurance in this country, the premium income has crossed the Rs. 100-crore mark, the actual premium in 1961 being Rs. 112.30 crores as against Rs. 96.89 crores in 1960. It may be mentioned that the total premium income

in the year preceding nationalisation i.e. in 1955 was Rs. 58.55 crores only.

The total income for the year 1961 was of the order of Rs. 141 crores as against Rs. 116 crores in the previous year.

LIFE FUND, INVESTMENTS AND TOTAL ASSETS:

The Corporation's life fund as at 31st December, 1961 was Rs. 631.59 crores registering a handsome rise of Rs. 72.46 crores after taking into account the adjustments made to the life fund at the beginning of the year.

Of the total investments in India of Rs. 503.56 crores, the public sector accounted for 77.9 per cent and the private sector 22.1 per cent. During the year, 52 new issues were underwritten to the extent of an aggregate sum of Rs. 759 lakhs.

The total assets of the Corporation as at the end of 1961 amounted to Rs. 696.31 crores as against Rs. 622.85 crores in 1960. The net increase in the assets of the Corporation, since its inception, amounted to Rs. 281 crores.

RATE OF INTEREST:

The income from interest, dividends and rents before deduction of income-tax rose to Rs. 27.95 crores in 1961 from Rs. 23.97 crores in 1960. The gross rate of interest at 4.80 per cent on the mean life insurance fund (4.58 per cent in 1960) is the highest during the last five years. I expect that the Corporation will be able to maintain this rate in future, if not improve upon it.

The steep rise in the net yield from 3.55 per cent in 1960 to 4.68 per cent in 1961 is, however, largely due to the fact that the net rate in 1960 was depressed, whereas the net rate in 1961 has been pushed up as tax refunds, accounted for in 1961, comprise refunds in respect of two years.

EXPENSES OF MANAGEMENT:

The overall expense ratio of the Corporation fell from 28.4 per cent in 1960 to 28.0 per cent in 1961, although the full effect of the ad hoc increase in dearness allowance sanctioned in 1960 was felt for the first time in 1961. The renewal expense ratio, which provides a better indicator of the economy of management, also fell from 12.9 per cent in 1960 to 12.4 per cent in 1961.

In the larger interests of the policyholders, the majority of whom consist of middle class people, there is an imperative need to keep a constant vigil on the expenses and to eliminate unproductive expenditure by strict budgetary control.

CLAIMS:

Claims for the year amounted to Rs. 25.4 crores under matured policies and Rs. 8.7 crores under policies becoming claims by death. The total claims for the year amounted to Rs. 34.1 crores as compared with Rs. 30.7 crores in 1960. The total benefits by way of claims during the period, September 1, 1956 to December 31, 1961, amounted to Rs. 147 crores.

MORTALITY INVESTIGATION:

The Actuarial Department at the Central Office set up, during the year, the necessary machinery for the collection of statistics for the purpose of continuous investigations into the mortality of lives assured with the Corporation. The object of this step is to keep the mortality experience under constant review so as to facilitate the construction of up-to-date mortality tables.

VALUATIONS:

In exercise of the powers conferred by Section 49(2)(k) of the Life Insurance Corporation Act 1956, the Corporation framed regulations, with the prior approval of the Central Government, for the purpose of classification of policies for declaration of differential bonuses, and published the same during the year. These regulations came into force on 15th October, 1961. The bonuses on policies which became claims by death or maturity before this date, were settled on the basis of the provisional classification of policies which was also approved by the Government.

The second biennial valuation of the Corporation's business as at 31st December, 1959, was completed during the year and, as a result thereof, Rs. 24.29 crores were allocated amongst participating policyholders, the rates of reversionary bonus allotted both for policies issued by the Corporation as well as for policies issued by the erstwhile insurers being the same as those declared in respect of the first Valuation as at 31st December, 1957. The amount allocated to the Central Government was Rs. 1.28 crores.

The third biennial Valuation of the Corporation as at 31st December, 1961 is in progress and the results of the same are expected to be available before the end of the year.

BUILDING ACTIVITIES:

We have on hand construction of a large number of buildings to house our offices and also for investment purposes. Although the shortage of building materials has hindered our building activities to some extent, special efforts are being made to complete the various buildings, at different stages of construction, as early as possible. The housing of our offices in our buildings would relieve the present congestion and would lead to more efficient working. It is my idea that the Corporation should have its own buildings for its offices. Suitable plots of land are, therefore, being purchased for our Divisional and Branch office buildings at various centres.

MORTGAGES:

The scheme for grant of loans on mortgage of immovable properties has now been extended to 21 cities. It is expected that an increasing number of property owners would avail of this facility. The scheme for grant of loans to policy holders for construction of houses is being revised with a view to enabling the middle class people to own their homes with the help of loan facilities to be provided by the Corporation. The scheme is to operate in the first instance in 56 cities.

ADMINISTRATIVE AND DEVELOPMENT TRAINING:

I am glad to report that the work of training the administrative staff is progressing satisfactorily, the total number of assistants trained till 31st December, 1961, being 5,597. The Officers' Training College at Nagpur is also doing good and systematic work and has by now trained 741 officers. The effect of this training will, in course of time, be reflected in the increased efficiency of our offices. On the development side too, the training centres are doing useful work. So far 6,617 Development Officers and 10,665 agents have been trained.

I have always received sincere co-operation and valuable advice from my colleagues on the Board and on the Investment Committee. I offer my grateful thanks to them. I take this opportunity to record my appreciation of the services rendered by the officers and staff at all levels. It is their services which have solely contributed to the fine results achieved by the Corporation. Finally, I thank all the agents who have done such excellent work in enabling the Corporation to break its previous records in the matter of our new business.

THE WEEK'S NOTES

Land Acquisition

DRASTIC AND INEQUITABLE

IT IS not in the least surprising that Mr. S. K. Patil's motion for the consideration of the Land Acquisition (Amendment) Bill met with stiff opposition in the Lok Sabha from all the sections of the House, including the Congress benches. Mr. Patil made a bad situation worse and strengthened the apprehensions of the members by his persistent refusal to agree to the suggestion to refer the Bill to a Select Committee. The plea that the Ordinance promulgated before Parliament's monsoon session, which was the occasion for the introduction of the Bill, made it necessary to push the Bill through in this very session, was filmsy and untenable. No legislation fraught with far-reaching or fundamental consequences can be passed in post-haste, whatever the immediate effects of delay on certain parties or interests.

The amendments to Section 40 and 41 of the Land Acquisition Act are intended to circumvent a difficulty created by a recent ruling of the Supreme Court. The Supreme Court has held that compulsory acquisition of private-owned land for the location of a private factory may not necessarily fall within the definition of the term "public purpose" and, therefore, may not be a ground for compulsory acquisition under the Act, attracting all its special benefits including the award of compensation below the market value.

The Amending Bill seeks to bring within the ambit of the term, "public purpose," a private industry essential to the life of the community or likely to promote the economic development of the country. To outward appearances, this amendment may look innocuous and perfectly equitable. In reality, it is not so. It can lend itself to such a flexible interpretation that there are real and grave risks of the abuse of this new power for depriving private land-owners of a reasonable price based on appreciation of land values to which they are entitled. Why should the law favour a private firm likely to make lucrative profits by assisting it to acquire land at low prices, which is what compensation under the Land Acquisition Act usually gives? It is only right that a reasonable quantum much in excess of the normal margin of compensation under compulsory acquisition should be provided for in the Amending Bill. Mr. Patil has found a short-cut whereby the time-consuming procedure of the Select Committee could be eliminated. He has agreed to consult the members of the House to decide upon appropriate modifications to the controversial provisions. This is an issue on which Parliament should not compromise the position which it has so commendably taken.

Algeria

THE DANGEROUS VACUUM

FAILURE TO keep the generals in their proper place is now recoiling on the politicians at a cost which has already paralysed the civilian government and jeopardised the establishment of democracy in Algeria. It was Mr. Ben Khedda's helplessness to meet the challenge implicit in the expulsion of the top army officers and Mr. Ben Bella's complacent reliance on the army in his march to power that laid the foundation of the army's authority on a solid base. True, Mr. Ben Bella made a brave declaration of faith that the civilian government must reign supreme and the army must accept its normal position. But these brave words could not be backed by potential power and Mr. Ben Bella could not be unaware of his weakness. The generals who matter in the strategic zonal regions of Wilaya IV and Wilaya III have accused both the political sides with opportunism and treason. Mr. Ben Bella is now going the way of Mr. Ben Khedda, with a tragic confession that the Political Bureau's writ does not run anywhere in this unhappy land torn by dissension. The immediate and most important consequence of this paralysis of the Political Bureau has been the postponement of Free Algeria's first general election scheduled to be held on September 2, sine die.

The generals' demand for the convening of the Revolutionary Parliament is unlikely to be taken as an earnest solution. Even if it meets, what guaranteee is there that it will not be reduced to a captive status? The truth of the situation is that the generals fell out with the Political Bureau over the key issue of the selection of candidates at the elections and their attitude made it clear that their nominees must be assigned the weight they choose. But going a step anterior to this election affair, what antagonized Wilaya IV and Wilaya III was the perfectly legitimate attempt of Mr. Ben Bella and his Bureau to merge the irregular guerillas in the army in pursuance of the avowed policy of army integration. The guerillas who fought the battle of freedom in Algeria (while the Algerian Liberation Army was stationed in Tunisia and Morocco with very little experience of field action) could not be kept out. A vacuum has been created with the capitulation of Mr. Ben Bella. It is a dangerous vacuum which comes at a critical time when the country is seriously undermined by the exit of the Europeans and the common man is crying aloud for work and bread. How and when will the vacuum be filled?

Upper House

PRINCIPLE, NOT PRESTIGE

AN INTERESTING issue arose in the Rajya Sabha early this week which involves a point of constitutional nicety. Mr. K. C. Reddi, Minister for Commerce and Industry, is due to table a motion in the Lok Sabha that the House recommend the constitution of a committee of ten members to be elected by it to investigate into the working of the public undertakings to judge whether and how far their management conforms to sound business principles and practices. Mr. Reddi is scheduled to move a cognate motion approaching the Rajya Sabha for its concurrence with the proposal to nominate five of its members as associate members on the committee. The inclusion of this item on the agenda of the Lower House, probably for August 29, caused great resentment in the Rajya Sabha and drew all the members, irrespective of party affiliations, together in a united and stiff opposition to this move to relegate the House to a subordinate status. An unequivocal pronouncement was made during the heated discussion on the matter that the House would reject outright the proposal derogatory to its position.

It cannot be said by any stretch of reasoning that tempers rose high in the Rajya Sabha over a ticklish issue of prestige. Clearly a point of constitutional principle is involved here. It is only in money bills that the elders have no final say or authority to stay or modify the bill. The proposed motion clearly does not come within the ambit of this curb on the powers of the House. The very purpose of the constitution of the Upper House is to bring moderation and sober consideration to bear on the actions of the Lower House which are sometimes apt to be the result of haste and excessive zeal. The appointment of Joint Committees of the two Houses is a healthy constitutional practice that is followed in India. The Rajya Sabha stands on a solid constitutional ground when it affirms that it will participate only in a Joint Committee offering it an equal position and under no situation will it entertain the idea of the subordinate associate status.

The World Abroad

WHAT'S WRONG WITH BRITAIN?

By

ODYSSEUS

IT IS THE UNDERLYING THEME of Mr. Anthony Sampson's stimulating new book, "The Anatomy of Britain" (Hodder & Stoughton. London. 1962. 35sh.) that Britain's lack of dynamism, and of a sense of purpose, is basically due to leadership with anachronistic values — the old privileged values of aristocracy, the public schools, Oxford, and the exclusive clubs of London — which upholds a complacent conservatism, resistant to innovation of zeal.

I pointed out here last week that the U.K. is not alone in having an "establishment". Every country has one. What is more, "establishments" have their uses. Mr. J. K. Galbraith's "Affluent Society" attacks the U.S. establishment, but as he justly says: "Few men are unuseful and the man of conventional wisdom is not. Every society must be protected from a too facile flow of thought. In the field of social comment a great stream of intellectual novelties, if all were taken seriously, would be disastrous. Men would be swayed to this action or that; economic and political life would be erratic and rudderless. In the Communist countries, stability of ideas and social purpose is achieved by formal adherence to an officially proclaimed doctrine. In our society, a similar stability is enforced far more informally by the conventional wisdom. Ideas need to be tested by their ability, in combination with events, to overcome inertia and resistance. This inertia and resistance the conventional wisdom provides."

"MASTERS OF MUDDLE"

History suggests, however, that innovation overcomes inertia and resistance more easily in some social structures than in others. Nothing emerges more clearly from Mr. Sampson's brilliantly descriptive pages than that bureaucracy permits "enormous incompetence" which need never come to light. Individuals become blurred in committees, and, says Mr. Sampson, "committees are masters of muddle.... Muddle is the extra unknown personality in any committee."

"It comes from people not doing what they were expected to do or doing what they are not expected to do, or simply not bothering to say they have not done what they were expected to do. It springs from the exchanges of memoranda in which everybody puts his position too strongly, from the conference at which complete agreement is reached and which everyone leaves with a different idea of what has been decided, from the order half understood but instantly executed, from the stand on dignity....

"The most engaging feature of muddle at its best is that it proliferates like yeast in a warm room, and every attempt to explain it gives rise to a new and more complete muddle."

In a modern Welfare or Socialist pattern State, personal responsibility and initiative are bogged down in a swamp of licenses, permits, muddle, and high taxation. Including spending by local authorities, nationalised industries, and the national insurance funds, UK State expenditure is not less than 42 per cent of the gross national product, i.e., no less than 42 of the GNP is spent by committees — the "masters of muddle"!

It is not the philosophies of the public schools and Oxford (after all, not only the Conservative Harold Macmillan and Reginald Maudling, but also the Socialist Hugh Gaitskell and Richard Crossman are public school and Oxford men), which damp innovation in the UK: it is the creeping paralysis of Welfarism, which steadily spreads muddling committees and lower standards. In their important study, "Professional People" (Phoenix House. London.), Roy Lewis and Angus Maude explain how Socialism increases the demand for experts and lowers their financial rewards. Under free enterprise, an increased demand for a service raises the rewards offered and so attracts a greater supply. Not only is this contrary to Socialist doctrine, but since national expenditure cannot be increased indefinitely, the amount that can be spent on government employed servants, doctors, nurses, teachers, scientists, etc., is limited. Socialists do not, however, limit their recruitment of experts to the numbers available for a given cost, because this would limit the range of the benefits promised to the electors. The Socialist solution is to provide the promised quantity of benefits but to lower the quality, and they economise by lowering the real salaries, and therefore the qualifications, of their professional employees by inflating the currency and allowing salaries to lag behind the rising cost of living. In order to enable the proportion of experts in the country to go on rising, they must be recruited from lower and lower levels of ability and intelligence.

Mr. Sampson says that he feels, haunted by the Victorians who invented so many of the U.K.'s existing institutions — regiments, public schools, civic universities, the professional civil service, the political parties, the Prudential Insurance Co.: "their vast and confident buildings and churches .... were monuments to their sense of purpose." Precisely. To have a sense of purpose the individual must see the possibility of achieving something for himself, his family, or his group. This is exactly what the bureaucrats and Socialists prevent him from seeing. Indeed, it has come about that the very custodians themselves of "conventional wisdom" in the UK are those who assume that any new social or economic problem requires a new government department.

MANAGERS OR ENTREPRENEURS?

Mr. Sampson hankers after a managerial elite of professional men in place of the public school and Oxford elite whom he regards as amateurs. Now, in a Welfare or Socialist State, industrial and business managers are salaried men, who inevitably tend to think as civil servants in terms of the "national interest" (i.e., what is politically expedient at the mo-

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										
6-7-1962 ..	904,09	1,294,63	2,198,72	54,66	108,52	7.42	1,252,27	172,51†	64.80	598,72
13-7-1962 ..	906,03	1,276,58	2,182,61	51,74	89,54	6.47	1,250,99	168,00†	65.01	578,66
20-7-1962 ..	910,25	1,287,05	2,197,30	49,29	100,61	6.82	1,234,97	168,42†	63.87	620,05
27-7-1962 ..	918,41	1,294,28	2,212,69	49,46	98,40	6.68	1,223,59	170,52†	63.01	655,00
3-8-1962 ..	916,67	1,305,23	2,221,90	48,45	92,96	6.36	1,218,07	177,47†	62.81	672,12

† 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
Nov.* 1961 ..	2,828,54	1,946,11	882,42	861,80	20,62	+ 21,20
Dec.* „ ..	2,876,63	1,983,35	893,29	874,37	18,92	+ 48,09
Jan.* 1962 ..	2,925,49	2,028,19	897.30	877.21	20,10	+48,86
Feb.* „ ..	2,979,64	2,077.17	902,47	883,45	19,02	+ 54,15
March* „ ..	3,081,18	2,122,84	958,34	934,94	23,41	+101,54
April* „ ..	3,141,27	2,174,67	966,60	942,51	24,09	+ 60,09
May* „ ..	3,129,50	2,177,58	951,92	930,65	21,27	— 11,77
June „ ..	3,085,84	2,124,22	961,62	941,36	20,26	— 43,66

*Provisional

† Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

GROWTH OF INSTALLED GENERATING CAPACITY

(By type of plant)

(Figures in megawatts)

State	At the end of 1960-61				At the end of 1961-62				At the end of 1962-63			
	Hydro	Thermal	Oil	Total	Hydro	Thermal	Oil	Total	Hydro	Thermal	Oil	Total
Andhra Pradesh	124.5	83.5	20.2	228.2	124.5	83.5	20.2	228.2	124.5	83.5	20.2	228 2
Assam	9.3	..	10.1	19.4	9.3	..	16.1	25.4	9.3	..	16.1	25.4
Bihar	..	33.5	18.4	51.9	..	33.5	18.4	51.9	..	48.5	18.4	66.9
Gujarat	..	280.9	52.4	333.3	..	310.9	56.4	367.3	..	350.9	60.4	411.3
Jammu & Kashmir	10.6	1.5	0.9	13.0	19.6	1.5	0.9	22.0	28.6	1.5	0.9	31.0
Kerala	132.5	..	4.8	137.3	147.5	..	4.8	152.3	177.5	..	4.8	182.3
Madhya Pradesh	34.5	169.8	28.7	233.0	34.5	169.8	28.7	233.0	46.0	179.8	28.7	254.5
Madras	415.5	101.5	0.5	517.5	450.5	101.5	0.5	552.5	450.5	101.5	0.5	552.5
Maharashtra	281.9	443.2	34.4	759.5	281.9	443.2	34.4	759.5	461.9	443.2	34 4	939.5
Mysore	185.4	..	12.9	198.3	194.4	..	12.9	207.3	236.6	..	12.9	249.5
Orissa	157.4	5.8	7.5	170.7	157.4	5.8	7.5	170.7	266.9	5.8	7.5	280.2
Punjab	221.8	7.9	16.7	246.4	405.8	7.9	16.7	430.4	405.8	7.9	18.7	432.4
Rajasthan	65.2	46.2	24.4	135.8	98.2	46.2	24.4	168.8	109.7	46.2	27.4	183.3
Uttar Pradesh	92.5	270.8	34.1	397.4	342.5	270.8	38.1	651.4	342.5	355.8	38.1	736.4
West Bengal	7.2	512.0	9.4	528.6	7.2	512.0	9.4	528.6	7.2	512.0	9.4	528.6
D.V.C.	104.0	420.0	..	524.0	104.0	420.0	..	524.0	104.0	420.0	..	524.0
Delhi	..	53.6	22.7	76.3	..	53.6	22.7	76.3	..	53.6	22.7	76.3
Other Union Territories ..	0.4	6.0	2.0	8.4	0.4	6.0	2.0	8.4	0.4	6.0	6.5	12.9
Total utilities	1842.7	2436.2	300.1	4579.0	2377.7	2466.2	314.1	5158.0	2771.4	2616.2	327.6	5715.2
Self-generating industrial establishments ..	2.7	968.8	44.4	1015.9	2.7	968.8	44.4	1015.9	2.7	118.8	44.4	1165.9
Total installed generating capacity	1845.4	3405.0	344.5	5594.9	2380.4	3435.0	358.5	6173.9	2774.1	3735.0	372.0	6881.1

THE PATTERN OF ELECTRICITY CONSUMPTION: 1951 — 1966

(Million K.W.H.)

Monthly Average	Electricity Sold							
	Domestic	Commercial	Industrial	Public Lighting	Traction**	Irrigation	Public Water Works	Total
1951 ..	49.6	27.6	254.6	5.7	27.4	16.9	17.6	399.4
1955 ..	67.5	39.5	382.5	8.2	33.5	21.5	24.5	577.2
1956 ..	78.5	44.4	437.5	10.0	33.9	26.3	27.0	657.5
1957 ..	85.9	47.9	488.7	11.5	35.4	33.9	29.1	732.4
1958 ..	95.0	51.5	550.9	12.9	37.0	50.2	33.2	830.3
1959 ..	106.5	58.3	664.2	14.3	35.7	60.0	36.2	974.9
1960 ..	115.9	69.8	769.8	15.8	37.3	64.9	37.8	1,111.2
1961 ..	127.8	74.1	947.9	16.8	42.1	70.9	37.8	1,317.5
1965-66 .. (anticipated)	283.3	158.3	2,366.7	33.3	150.0	158.3	75.0	3,750.0*

* Including consumption of auxiliaries, transmission losses etc. ** Tramways and Electric Railways.

PER CAPITA CONSUMPTION OF FOOD IN SELECTED COUNTRIES

(In kilograms per year)

Country	Period	Cereals	Starchy Roots	Sugar	Pulses	Vegetables	Meat	Milk*	Fats and Oils*
EUROPE									
West Germany	1948-50	114	210	24	4	51	29	4	16
	1960-61	83	131	29	3	48	57	6	25
Sweden	1948-50	88	120	44	3	25	49	11	20
	1960-61	70	87	41	3	29	49	10	22
Switzerland	1948-50	117	89	38	6	73	44	11	15
	1959-60	83	73	41	9	76	54	10	20
Netherlands	1948-50	98	159	36	4	68	28	7	23
	1960-61	83	101	42	4	61	49	8	26
France	1948-50	122	133	23	6	140	56	4	14
	1959-60	107	100	32	7	128	74	6	17
Denmark	1948-50	104	141	36	7	72	62	8	18
	1959-60	79	128	47	4	63	73	9	27
United Kingdom	1948-50	106	115	39	5	61	50	7	21
	1959-60	84	88	50	6	59	71	7	22
Yugoslavia	1952-53	190	64	8	8	32	20	3	8
	1959	183	73	14	10	50	27	4	11
NORTH AMERICA									
United States	1948-50	77	52	41	8	105	82	9	20
	1960	66	47	41	7	97	95	8	21
Canada	1948-50	75	75	46	7	70	70	8	20
	1959-60	68	63	45	5	78	83	8	20
LATIN AMERICA									
Argentina	1948	126	88	35	2	40	116	5	16
	1959	120	67	31	3	44	91	4	16
Brazil	1948-50	86	112	25	24	7	26	1	7
	1957	106	118	31	27	21	29	2	8
Chile	1948	134	80	25	6	54	38	2	6
	1957	129	92	37	8	77	31	3	7
Venezuela	1952-53	82	89	33	15	10	19	3	6
	1959	82	92	37	16	16	25	4	9
FAR EAST									
Ceylon	1952-53	118	35	16	32	42	3	1	4
	1960	138	22	19	29	42	3	1	4
India	1949-50	112	8	12	21	16	1	2	3
	1958-59	136	12	14	26	16†	2	3	4
Japan	1948-50	157	62	4	7	61	2	..	1
	1960	150	68	15	18	87	6	1	4
Pakistan	1949-50	160	..	12	8	18	4	2	3
	1959-60	165	6	15	6	18	4	2	3
Philippines	1952-53	124	48	..	3	30	11	..	3
	1960	125	46	10	6	30	14	..	4
AFRICA AND NEAR EAST									
South Africa	1948-50	156	16	39	3	34	42	3	5
	1959	140	20	41	5	36	43	3	6
United Arab Republic	1948-50	174	11	13	12	46	10	4	4
	1958-59	185	8	12	10	77	13	2	5
OCEANIA									
New Zealand	1948-50	90	52	50	3	79	103	11	16
	1960	87	57	42	4	70	110	11	20
Australia	1948-50	97	50	53	5	66	110	6	15
	1959-60	88	53	50	5	60	114	7	16

† Relates to 1957-58.
* In terms of fat.

Source: F.A.O.

CALORIE AND PROTEIN CONTENT OF AVERAGE FOOD SUPPLIES

Country	Period	Calories	Total protein (grams)	Animal protein (grams)
			(Per capita per day)	
Western Europe				
Germany West	1948-59	2730	79	32
	1960-61	2940	80	48
France	1948-50	2800	92	40
	1959-60	2940	98	52
United Kingdom	1948-50	3130	90	45
	1959-60	3290	87	52
Sweden	1948-50	3110	87	52
	1960-61	2920	81	53
Switzerland	1948-50	3170	96	51
	1959-60	2980	85	51
Denmark	1948-50	3240	105	60
	1959-60	3340	94	59
Netherlands	1948-50	2930	82	39
	1960-61	3080	80	47
Italy	1948-50	2350	70	19
	1960-61	2740	80	28
Yugoslavia	1952-53	2690	87	20
	1959-60	2970	96	26
North America				
United States	1948	3180	91	61
	1960	3120	92	65
Canada	1948-50	3110	93	57
	1959-60	3150	96	65
Latin America				
Argentina	1948	3240	110	66
	1959	2950	91	48
Brazil	1948-50	2180	55	15
	1957	2650	67	19
Chile	1948	2370	73	23
	1957	2570	77	26
Paraguay	1957-59	2500	68	26
Uruguay	1948	2670	91	59
	1954-56	2960	96	62
Venezuela	1954-56	2010	54	21
	1959	2300	64	27
Far East				
Ceylon	1952-53	1990	43	8
	1960-61	2150	47	9
India	1949-50	1630	44	5
	1960-61	2100	..	..
Pakistan	1949-50	2010	48	8
	1959-60	2080	48	7
Japan	1948-50	1900	49	9
	1960	2240	68	18
Africa				
Southern Rhodesia	1951-53	2450	75	16
South Africa	1948-50	2640	73	27
	1959	2560	72	30
Morocco (former French Zone)	1952-55	2350	72	18
Mauritius	1955-56	2290	47	10
	1960	2350	44	12
Oceania				
Australia	1948-50	3220	97	66
	1959-60	3260	93	61
New Zealand	1948-50	3360	100	67
	1960-61	3490	110	75

Source: F.A.O.



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THE EASTERN ECONOMIST

SEPTEMBER 7, 1962.

Prices: India's Unfinished Business

THE debate on prices in the Lok Sabha last week and the indication by Mr. Gulzarilal Nanda, Planning Minister, that the Cabinet would decide on a new policy this week, has naturally left the door wide open to speculation on what urgent, and even hasty, measures may now be produced to arm the country against price rises. It is a fact that the General Index of Wholesale Prices, as well as the cost of living, has risen significantly in the last month. The rise between July 14 and August 11, 1962, was from 128 to 131.8 in the General Index, with the price of the food group alone going up from 128.13 to 132.8. As against a year ago, when the General Index was 128, there has been a rise of about three percentage points in all commodities, and over five in food articles. There is cause enough for concern, although there is a seasonal bulge at this time which has not fully been adjusted in the General Index. The concern on the cost of living is more serious depending on the areas involved. Whereas the all-India figure for June was 130 with 1949=100 as base, the Bombay figure was 148, the Madras City figure 150; Calcutta, for some unknown reason, has been lower at 119. In other words, there are particular centres of pressure in urban areas which reflect more than the usual hardship which is nearly universal. It is right that the country should be deeply concerned about the indication this gives of the deterioration of the standards of living of fixed income groups or lower income groups unprotected by dearness allowances from rising prices. To say that the hardships are great and should be avoided is, however, to express an opinion but not to provide the remedy.

Much of the debate in the Lok Sabha, and practically in all sophisticated circles is a reflection of an emotional revolt with a desire to find a scapegoat without, in fact, providing a working remedy. If one looks at the last copy of the 'Index Number of Wholesale Prices in India' issued by the office of the Economic Adviser to the Government of India, one discovers some curious anomalies. The rise in the General Index of Wholesale Prices as against last year is steep, so far as food articles are concerned, only in three items: 'pulses' where the index has moved up from 91.7 to 112.2; 'milk and ghee' where it has moved from 115.9 to 138.0; and 'sugar and gur' where it has moved from 123.1 to 165.4. The case of pulses is one of a true shortage, because of an unfavourable crop last year; it is conceivable that it might set itself right without a policy. The case of milk and ghee is one which cries out for a special investigation. This is obviously a case where much new management, as in the case of the Delhi Milk Supply Scheme, and co-operative supply as from Aarey and Anand for Bombay, could be introduced over wider areas. The case of sugar and gur is a true scandal, with prices maintained high in spite of a large supply surplus. Here Government controls have operated to maintain prices whilst sufficient controls over middlemen who are profiteering are absent. There must obviously be a drop in retail sugar prices at both ex-factory and intermediate levels. This implies a more realistic policy on cane prices as well as adequate releases, regardless of the pressures of vested interests.

While there is ground enough for complaint on milk and ghee and sugar and gur, there is none on 'industrial raw materials' as a whole which today in the general index sub-group stand at 139.5 against 150.5 a year ago, or in manufactures which stand today at 129.0 as against 127.9 last year. The same is true of 'intermediate products' and 'finished products'. The only items among finished products which have witnessed substantial rise are woollen goods (141.3 now as against 123.1 last year), and silk and rayon (130.8 now as against 118.0 last year). Special investigations need to be undertaken in respect of woollen and silk and rayon articles.

If one excludes these few items where special investigations are required, it appears that a general restrictive policy to control rising prices is far more likely to do injury to production than to assist the main purpose which is to depress prices further. The country has often been misled, not least by discussions in Parliament, on the true elements in a policy of development. Indeed, largely because of the constant protestations of the Government of India that the price line will be held, the people of India have gathered the erroneous impression that the spacious Third Five-Year Plan can be executed without any price rises. This, of course, is a foolish illusion. It is time that a Government responsible for the Plan shook off its habitual slogans and deceptions practised for political purposes, generally referred to as the protection of the people against "vested interests". By and large, there are few vested interests operating in the areas where price rises have taken place. It is quite true some big business houses have an undue share of participation and, therefore, of profit, in India's economic development. But this is not substantially the cause of the price rises to which reference has already been made. It has been pointed that recent price rises are not in the industrial raw material or in the manufactures group as a whole, though there are still a few items where action is required. It is time the country faced the truth, which is that a definite price rise was written into India's Third Plan.

The built-in inflationary pressures in the Third Plan have not been given wide publicity. A concrete study of the results of the large outlays of the Plan, including the elements of taxation, particularly excise duties, proposed for raising additional resources, was prepared eighteen months ago in a brief study presented in the 28th issue of the Quarterly Economic Report of the Indian Institute of Public Opinion. It was there shown that there was likelihood, because of the changes in money supply and the fact that the Plan provided an inadequate cushion of consumer goods, of a price rise of about 26 per cent over the five years. It was shown that this price rise itself would imply a corresponding change in the price of the Plan. If India adhered to the original plan in physical terms, notwithstanding the price rises, and financed three-fourths of the additional outlay by taxation, the total price rise would be of the order of 37 per cent instead of 25 per cent. At the present time, expenditure has been running roughly according to the Plan and according to this calculation we should, indeed, have had a rise of about 10 per cent already. The real

reason why this has not occurred was a remarkably good agricultural year in 1960-61 which cushioned the entire rise for a period of a year. These exceptional circumstances cannot always be repeated. Both 1961-62, particularly in respect of pulses, and 1962-63, possibly in respect of rice, might be unfavourable. One might expect a further rise of 5 per cent to be written into this situation if the Plan is to be pursued without a major cut-back in its physical and financial components.

These are some hard facts which the Indian people will need to face. The Government of India — largely because of the ostrich-like attitude of the Planning Commission—insists on arguing that the Plan can be fulfilled without a rise in prices. This is a falsehood which should no longer be allowed to deceive the Indian people. The truth is that it is intrinsic in the Plan and the pattern of taxation proposed that there will be a rise in prices of between 3 to 5 per cent per year on an average, depending on the agricultural conditions which prevail from year to year. The Central Cabinet of the Indian Union may seem to be invested with supreme political power, but it cannot command the course of prices any more than King Canute could command the waves. The belief that the Central Cabinet has a price policy which can master the price situation is, of course, one of the great superstitions which the Central Cabinet has done more than any single element in the country assiduously to perpetuate.

Prices, therefore, remain India's unfinished business. It is vital that everything should be done to control prices by assisting production and productivity which are, in the long run, the major elements in price control as they are of welfare and of financial resources. The idea that by administrative action one can prevent prices from rising in spite of short production and abundant money is too patently absurd to be argued in any society with understanding of the issues involved. It is not the path of honour because it is based on a fundamental deception, which should be the prime purpose of public policy to destroy. What is vital at this time is that the Indian people should be told the truth in regard to the Plans for development and the price that is necessarily entailed therefor. If they are unwilling to pay the price for any reason, the Plan will need to be curtailed according to the hardship which the people can bear. This is a psychological, and not an economic, test. It is time that the Indian people faced squarely their own destiny which is that of free men choosing the financial burdens for themselves for the benefit of generations still unborn.

Land Acquisition for Companies

FEW legislative bills have provoked a controversy of the first magnitude and drawn all the sections of the House together in united opposition as the Land Acquisition (Amendment) Bill introduced in the Lok Sabha. Mr. S. K. Patil, who piloted the Bill, far from being allowed to retain the initiative in the discussion, was put on the defensive throughout the entire proceedings. At each stage the mover of the Bill had to yield ground in what he termed respectful submission to the profound feeling of the House on the subject.

It would appear that the deeper implications of the amendments proposed in the Bill were not either realised or properly weighed by the Government, which seems to have taken the view that it was a harmless enabling measure, necessary to meet the changed situation in the contingencies that would call for compulsory acquisition of agricultural land. Acquisition of land for companies is provided for in Sections 40 and 41 of the Land Acquisition Act, but a ruling of the Supreme Court given in December last year put a very strict restriction on the circumstances under which such acquisition could be made by the Government. There the Supreme Court ruled that an indispensable test of the validity of the acquisition would lie in the right of the public to use the constructional work for which the acquisition is made for its benefits, according to the circumstances of the individual case. Quite clearly, this ruling made it virtually impossible for land to be acquired for private companies for ordinary industrial use.

The effect of this ruling would have been altogether upsetting in the case of a large number of acquisitions which have been made in the different States and a spate of litigation would have caused considerable disturbance to the existence of established industrial units. To tide over the difficulty, an ordinance was promulgated on July 20, 1962, to validate the acquisitions which did not satisfy the test laid down in the ruling of the Supreme Court. It was incumbent on the Government to replace the ordinance by an Act of Parliament in the current monsoon session in the absence of which it would have lapsed and the situation would have been restored to the point of emergency created by the Supreme Court's ruling.

With this background the Government seems to have come to the conclusion that the passage of the Act in the current session of Parliament was inescapable, and, therefore, the amendments should aim at removing the disability, so to say, imposed by the decision of the Supreme Court. Thus it was that a very restricted and narrow view of the Amendment Bill was taken in the context of the expediency. But in reality the seemingly innocuous amendment was fraught with very significant and far-reaching consequences. It was these consequences which weighed with the Members of the Lower House and led to a concerted demand that the clauses of the Bill should be thrashed out fully and recast to prevent any likely hardship and injustice to the displaced agriculturists.

Much of the debate on the Bill was surcharged with undue emotion from both sides. On the one hand, the view-point was vigorously pressed that, if compulsory acquisition was not facilitated by the Amendment Bill as envisaged, industry would have to face a very difficult situation and in quite a large number of cases the very progress of the projected units would be seriously retarded. Its cumulative effect would be to slow down the pace of industrialisation to the detriment of the economy. On the other side, serious apprehensions were raised that wholesale acquisition of agricultural land at low prices and on an indiscriminate scale would drive agrarian discontent deep underground and an explosive situation might be created. Both these view-points were out and out exaggerated out of all proportion to the likely reality of the emerging situation. The basic fact is that the location of industry in future is bound to be diverted to the areas in the vicinity of cities and towns and also in the countryside where transport and other resources are conducive to their growth. But the spread of industry in the semi-urban and rural areas is certainly not going to change radically their cost structure.

Furthermore, it is an accepted fact that rapid industrialisation is absolutely essential to relieve the lopsided pressure on land and restore a proper occupational equilibrium in the economy. This transition, of course, is not without its hardships and sometimes even painful effects. But in the process of economic growth it is an essential phase. It is in this rational spirit that the necessity of the liberalisation of the legal provisions for compulsory acquisition of agricultural land needed to be considered. If such a view had been adopted, the area of divergence of view-points would have been considerably narrowed down.

The compulsion of having to pass the Bill in all its stages in the present session of Parliament itself ruled out the possibility of a reference of the Bill to the Select Committee. But a *modus vivendi* was devised by Mr. S. K. Patil to provide a substitute for the instrumentality of the Select Committee. The consideration of the Bill was postponed for about ten days, during which time there were consultations between the Minister and a small ad hoc committee representing the united opposition. When the debate was resumed after the interval, it transpired that the opposition had become stiffer by reason of the fact that the House took the view that the amendments proposed by Mr. Patil were calculated to confer blanket powers on the State Governments.

His amendments, in short, purported to enable acquisition to be made for a company if its activity was essential for the life of the community or it was likely to promote the economic development of the country or otherwise it was in the public interest. Any industry can certainly be regarded as promoting the economic development of the country and the term "public interest," in the absence of any precise definition in the Bill, would be stretched to include a wide range of objects. Unfortunately, the State Governments have shown hitherto a callous disregard for the interest of the land-owners in administering their powers of compulsory acquisition of land and some typical illustrations of this attitude were cogently pointed out. The objection to these amendments was that, the State Governments being what they are, the situation would be made much more worse than before for the land-owners.

It was quite obvious that the acceptance of fresh amendments proposed by the Members of the House was the only way to secure the passage of the Bill. Practically all the amendments were accepted by Mr. Patil with the solitary exception of the one disqualifying all privately owned companies from the benefit of compulsory acquisition. Acquisitions of agricultural land are to be justified on the ground of "public purpose"—a term with a clearly defined legal meaning. How the test of "public purpose" will be fitted into the requirement of acquisition of land for a variety of industrial firms will remain to be watched over time. The law on this elusive subject cannot, of course, be made foolproof, but the loopholes can certainly be plugged by rules made from time to time as they come to notice.

The most significant provision incorporated in the Bill is about the withdrawal of the rule-making power from the State Governments and placing it in the hands of the Central Government. The rules made or revised are to be placed before both the Houses of Parliament which will exercise the right to get them suitably modified. These rules are intended to safeguard the interests of the land-owner and also to provide for his rehabilitation either by means of offer of alternative plots of land or by offer of shares in the company or employment in the company. Mr. Patil gave the House the assurance that high grade agricultural land will not be acquired for siting industrial units as far as possible. But members were prompt in reminding him that this was a promise which the Government would find extremely difficult to fulfil. The best that could be done in the situation has been incorporated in the Bill. Any shortcomings that will be disclosed by its implementation can be rectified when the comprehensive Bill to bring about the overhaul of the Land Acquisition Act of 1894 is placed before the House as announced on behalf of the Government.

The State Loans

ALTHOUGH the fourteen State loans, aggregating a total amount of Rs. 93.50 crores, floated last week, were fully subscribed within three days — eight of them were even over-subscribed — and cash subscriptions at Rs. 104.27 crores were substantially higher than Rs. 87.05 crores last year when the total amount called for was Rs. 80 crores, evoking optimism about the fulfilment of the target set in the Third Plan for the borrowing programme of the State Governments, the response to the State loans this year can hardly be described as anything spectacular. This inference is based on the fact that not only the money market conditions this year were more propitious than last year, there were two additional factors which should have been reflected in this response to the State loans in a far more impressive manner. Firstly, the interest rates on the new State loans were made more attractive in the sense that they all provided higher yields. Secondly, asking the commercial banks to increase their liquidity ratios should have prompted them to go in for State securities, gilt-edged as they are known, in a greater measure than hitherto. The support from the Life Insurance Corporation and the Provident Fund Accounts could have been expected to be more encouraging in view of the record business done by L.I.C. last year and the steadily growing application of the Provident Fund Act to more industries and trades.

Another fact that illustrates the not-so-very-encouraging response to the State loans is the amount of maturing securities offered by the holders for conversion into new loans. Although the total amount of maturing loans was larger this year at Rs. 15.60 crores, as against Rs. 12.88 crores in 1961-62, actual conversions were lower at Rs. 4.73 crores, as against Rs. 4.95 crores last year. This is an intriguing phenomenon in view of the stepping up of the interest rates this year. The only explanation that has been offered for this curious development is that although the rates of interest offered were higher, the increase was by no means substantial in the prevailing context of the falling value of the rupee, on the one hand, and the growing demand for funds for trade and industrial purposes, on the other. Does it imply that there is a case for further upgrading of the interest rates on Government loans?

Mention must also be made here of another interesting development in the States' borrowing programmes in the recent years and this has been

(Continued on page 441)

A DELHI DIARY

GUIDED DEMOCRACY

I AM abandoning this week a description of my international tour to concentrate on events much nearer home. Throughout the week interest in Delhi has concentrated on a wholly unexpected windfall in the form of both views and news coming in bursts from Jakarta. The extraordinary events which seem to have occurred need not and, indeed, cannot be described in full here. Everyone knows the climax was the wrecking of the Indian Embassy at Jakarta pretty substantially although the Indonesian claim is that only the reception room was damaged. But the pursuit of the person of Mr. G. D. Sondhi is not denied, though he received, it seems, a parcel of mangoes from some well-wishing Minister speeding his departure. He seems to have leapt into fame on a wicket on which he had never bowled previously. All this seems to show that history has a particularly fickle way of behaving, both in respect of men and in respect of countries. As far as I can see from the Prime Minister's statement the Indian Government has been deeply pained by the campaign of extremism which seems to have run pretty heavily through responsible quarters in Indonesia. The Prime Minister described the attack on the Indian Embassy as "highly deplorable and distressing," and mentioned, innocently enough, while 'normally in Indonesia processions could not be organised without the prior knowledge of the Government', this one seems to have got by pretty easily. The Prime Minister also said in reply to a question that he did not think what Mr. Sondhi had said constituted an affront to President Soekarno. Very few people in India disagree with the Prime Minister, and everyone wants to be friendly with Indonesia. I expect, however, that something deep below the surface exists on both sides. Can it be that while we are for personal expression of opinion even when in error, Indonesia is not. This is probably, for those who do not know it, the essence of guided democracy.

THE ASIAN GAMES

I am sorry to say that I am in no position to describe Mr. G. D. Sondhi who has suddenly appeared in my horizon of awareness on the basis of the slings and arrows with which Outrageous Fortune has visited him. I am told he is a remarkably calm and patient gentleman who smokes the pipe of peace and resides in Simla, happily outside turmoil of Indian politics. How he managed to get into this particular battle is explained by the fact that history without giving him any warning projected him into the role of the Vice-President of the Organizing Committee of the Asian Games. I now recognize how dangerous it is to allow oneself to slip into high responsibility even if one is only visiting a neutral country. Apparently, the great thing about neutrality is that it must not only be dynamically neutral, but relatively silent. This, of course, has never been India's policy, but only the Prime Minister can play the troubled game of international politics in a truly dynamically neutral way. For Mr. Sondhi and for myself true neutrality, meaning silence, seems much the happier way. For the moment, I reproduce one of the two cartoons by which my naughty cartoonist desired to explain the situation. I take no responsibility for the wildness of my cartoonist's exuberations.

POSTSCRIPT ON THE ASIAN GAMES?

Should one not institute a great name like the 'Ashes' to describe our international performance in hockey over the last two years? The Ashes, it seems, have now passed to Pakistan. When will they return?

DUSAN KVEDER

I leave the Asian Games (not very reluctantly!) to pay a tribute to a great Plenipotentiary of a very friendly country. I refer to Dusan Kveder, Ambassador of Yugoslavia in New Delhi who left, they say, for good this week. The Ambassador and Mrs. Kveder have over the last four years carved a place for themselves in Delhi society which is almost unique. They had the widest circle of friends, going far beyond their immediate diplomatic interests. Their personal attraction and charm added to super diplomatic gifts has enabled almost every aspect of Indo-Yugoslav relations to benefit exceedingly. Very few, even amongst their friends know of their distinction in their own country.

Dusan Kveder was the youngest Field Marshal, I believe, in the world at any time in its long exacting military history. He became a Field Marshal at 25, holding charge of the Western front in Yugoslavia during World War II. I happened to have seen a good deal of the area over which the young Field Marshal reigned almost supreme, leading the Yugoslav guerillas against the enemy throughout the War. His problems were immense since he was without supplies for the most part and his personal staff had to be carefully chosen because of the live possibility of a Fifth Column at every moment. The attack had to be on both fronts against the Germans in Serbia as well as the Italians in Trieste. It was not an accident that, fighting shoulder to shoulder with Marshal Tito, he became one of his lasting friends.

This is the time also to pay tribute not only to Dusan Kveder, but to his great predecessors, Joze Vilfan and Crnobrnja. It seems a law of nature that Ambassadors from India become Secretary-General of the President of Yugoslavia. Will this be the destiny of Dusan Kveder? I might add that Mrs. Kveder is ranked in Yugoslavia as the foremost and most skilful translator in the world. She interpreted for Jawaharlal Nehru when he visited Yugoslavia and I heard reports from everywhere that almost every sentence drew applause. I dare to say that much of it was due to the interpretor! She could put magic into words.

ARGUS

What a Life!



"We found him standing there and not throwing stones at the Indian Embassy, Sir!"

Courtesy: The Hindustan Times

THE WEEK'S NOTES

The Economy

WORLD BANK'S VIEW

OF THE WORLD BANK'S periodical surveys of the progress of the economies of the beneficiary countries, it cannot in fairness be said that they are of a formal, routine character made in compliance with its procedure. There is much more in them than this superficial view may purport to convey. The Bank's teams of experts, chosen with an eye on the special problems of the individual countries, have never deflected from their duty to be as critical in expressing their views as they are sympathetic in understanding the forces operating behind the working of the individual economy. The team which was sent to India early this year had to be more penetrating in its assessment of the progress of the economy in view of the emergence of a phase of stagnation, implying a flattening out of its pace. It could not be expected to accept at face value the commonplace explanation, so repeatedly publicised, that at the root of the stagnation lay the persistence of the shortage of foreign exchange attributable to causes beyond the strict control of the nation's Government.

Some precious little which has percolated to the Press from the team's draft report remitted to the Government confirms the criticism of the Government for lack of vigilance and energetic drive in the pace of the utilisation of foreign aid, granting that the legislative procedure in the aid-giving countries and the procedure involved in concluding the project agreements consume considerable time. Even so, the Bank's team has put its finger firmly on the lapses on the part of the Government of India in its failure to speed up the use of the approved amounts of aid. This is stressed as one vital factor contributing to the effective shortage of foreign exchange. There is yet another contributory factor of effective shortage on which it has again put its finger. The reference in this second context is to the persistence of idle capacity in several industries, particularly in the category of the engineering industries, arising allegedly from the inadequacy of maintenance imports. The team is reported to have questioned the propriety of expending foreign exchange on new projects in the same industry when the existing one was not being fully exploited. The current earnings of foreign exchange are critically reviewed to be below what an energetic drive for export promotion can secure. A more determined promotion technique is urged which throws up a challenge to the Department of International Trade set up after the expiry of the period covered by the review.

Mr. Gulzari Lal Nanda, replying to the Lok Sabha debate on the shortages in the Third Plan, made an assertion about throw-forward of a quantum of foreign aid from one Plan period to the next, which reveals a disturbing trend in the thinking of the Planning Commission and the Government. He referred to the carry-over of some Rs. 400 crores from the Second Plan to the present one and on the assumption of the inevitability of a carry-over of this order, he made the assertion that if Rs. 2,600 crores worth of external assistance by way of actual receipts is essential for the Third Plan, the commitments ought to be higher by at least Rs. 400 crores representing the margin for the carry-over. The fact of carry-over need not be disputed. But must it be on the scale which the Planning Minister takes for granted? The World Bank's critical observation on non-utilisation should force serious revised thoughts on this issue.

Singapore

SIGNIFICANCE OF VERDICT

SINGAPORE HAS given its verdict for merger in the Federation of Malaysia by a significant vote which has taken even Prime Minister Lee Kuan Yew and his People's Action Party by surprise. The verdict came after the referendum held in graceful deference to the wishes of the Opposition parties. The agreement on merger entered into between the Prime Ministers of Malaya and Singapore was endorsed by the legislature of the latter and in strict constitutional propriety this would have been a good sanction for merger. But the majority of the ruling party in the legislature rests on a narrow margin and it was the contention of the Opposition parties that an open appeal by way of a referendum was the really equitable mode to settle this momentous issue. It has now been settled.

A point of criticism or grievance that has been made out is that there was no choice allowed at the referendum for outright rejection of merger. On a closer look at the division in voting it would be apparent that this contention is without force. The three options allowed at the vote were (a) merger with autonomy in respect of education and labour, (b) unconditional merger and (c) merger on the pattern that will be decided by the Constitutional Committee for the remaining three units in the course of next few months. The Barisan Socialist Party, which was so confident of the anti-merger majority, devised a fourth option, so to say, by campaigning forcefully for casting blank votes which could be interpreted as disapproval of the merger, if not rejection in the constitutional sense. The difference is technical, though vital. The real test is: how many cast blank votes to give vent to their anti-merger verdict? They were a little over 144,000 in a total electorate of 624,000. Of the 85 per cent votes polled, the blank votes amounted to 25 per cent. Over 397,600 voted for the first option of merger with autonomy, while the second and their options got a poor 9,000 and 8,000. The 25 per cent blank votes need more analysis. The Barisan Socialists are composed almost entirely of citizens of Chinese origin and the blank votes go to their group. But the Chinese constitute something like 75 per cent of Singapore's population. It is obvious that an overwhelming majority of the Chinese resisted the anti-merger appeal and have made up their minds to cast their lot with the people of the greater Federation of Malaysia. This is an encouraging trend that has emerged from the referendum.

Parliamentary Democracy

FLOUTING THE CHAIR

FRIDAY, AUGUST 31, turned to be a sad day in the monsoon session of the Third Lok Sabha. On that day, Mr. Ram Sewak Yadav, leader of the Socialist group in the House, freely (and unashamedly) indulged in acts of rowdyism and in the process disrupted the proceedings of the House for full fifteen minutes. He persisted in this unseemly behaviour challenging the ruling of the Chair in disallowing his adjournment motion over the floods in UP, Bihar and Assam. His grievance was that the Chair had acted improperly in not allowing his adjournment motion on a subject of great concern, while an adjournment motion on a railway accident that occurred the previous day was allowed. Possibly, the Chair's ruling was influenced by the consideration that railways being the responsibility of the Central Government and the occurrence of railway accidents in the recent past having taken place repeatedly on an unusual scale, this adjournment motion

needed to be discussed. Similar considerations — particularly absence of direct and exclusive responsibility of the Centre — did not arise in the case of Mr. Yadav's motion and, therefore, it was disallowed. Once the Chair's ruling is given, there must be respectful submission to it; it cannot be challenged, whatever the views of the individual members about its propriety. Mr. Yadav disregarded this elementary but fundamental rule of parliamentary procedure and flouted the authority of the Chair by persistently challenging it. On being named and suspended for one day, he refused to leave the House. On the motion of the Minister for Parliamentary Affairs the House suspended him for a week. His behaviour was disgraceful.

The Socialist Party members have earned the disrepute of creating scenes of rowdyism and inviting expulsion from the legislatures in Madhya Pradesh and Uttar Pradesh since the last general elections. They are doing a great disservice not only to the Party but to the cause of parliamentary democracy. In UP after the sheer inability of the Marshal to remove the suspended member of the Legislative Assembly, the services of the police were requisitioned for the purpose. The use of the police inside the precincts of the legislature was resented by the members and the propriety of this course was seriously questioned. True, it was an unfortunate step to take. But had the members any alternative to suggest to meet such an exigency? Frustration and intolerance lie at the root of the misbehaviour of this type. But no party which defies the rudimentary rules of discipline can qualify itself for the electorates' approbation. On Monday this week, the unblemished record of the Rajya Sabha was marred by a Socialist member, Mr. G. Mara Hari, by defying the Chair. By unanimous consent he was suspended from the Upper House for the rest of the session. It is to be trusted that the responsible leadership of the Socialist Party will make a deep heart-searching and mend the ways in which their members are indulging — by design as the public has good reason to suspect.

Asian Games

A SHAMELESS TWIST

NO WORDS can be too strong for the condemnation of the organisers of the demonstration, more than 2,000 strong, which marched on the Indian Embassy at Jakarata on Monday this week, smashed window panes and furniture and inflicted still more damage on the property at the chancery. These organizers were none others than members of the Jakarta branch of the Indonesian National Front, the all-party movement sponsored by President Soekarno. What was all the more reprehensible was the dastardly attempt made by some among the rabble to pull down the Indian national flag, which, however, was energetically foiled. All this was intended for the so-called mission of presenting a memorandum of protest to the Indian Embassy against the proposal of Mr. G. D. Sondhi, Senior Vice-President of the Asian Games Federation, to change the name of the Fourth Asian Games, with which the Indian Government had nothing to do. The army men who accompanied the demonstrators at the head could have prevented the ugly development, but they did not. A mile long procession could not be organized without careful planning. This was a disgraceful exhibition of the intrusion of politics in sports and also an exhibition of hyper-sensitivity.

The facts of the episode, which have been twisted and distorted by Indonesia, are plain enough. It is an issue of sports, pure and simple, and ought to be decided in the real sportsmanlike spirit. Politics does not enter into it on merit and ought not to have been imported by the Indonesians. Israel and Taiwan are members of the Asian Games Federation and as such an invitation ought to have been extended to them to participate in the celebration at Jakarta. The Council of the Asian Games Federation rightly censured the Indonesian Olympic Committee for breach of the Olympic Code in not extending the invitation to the two countries. The Indonesian Olympic Committee pleaded that it did its duty in this behalf, but could not succeed. By implication, the attitude of the Indonesian Government in bypassing this issue by evasive tactics was responsible for the exclusion of the two countries. The naked truth is that the Indonesian Government was afraid of hurting the susceptibilities of China and the Arab countries. If Mr. Sondhi moved the proposal that, in case the unjustified exclusion is to stand, the name of the Fourth Asian Games at Jakarta ought to be changed, he was not only right but discharging his duty as a responsible office-bearer in an upright manner. No insult whatsoever could be conceived by any stretch of reasoning either to the Head of the Indonesian State or to the Government of Indonesia. But it was presumed. Was this not a blatant case of a guilty conscience? Dr. Soeharto, Indonesia's Minister for Trade, poured his wrath with the threat that the trade agreement between the two countries would not be renewed. Subsequently, however, Dr. Subandrio, the Foreign Minister, gave an assurance of maintaining friendly relations with India intact. Mr. Sondhi acted impartially, and fearlessly. Dr. Shrimali, the Indian Education Minister, did the right thing in emphasising in the Lok Sabha that "we cannot disown him" and thus made amends for the Government's earlier vacillating attitude.

Mr Krishna Menon

TWO FREEDOMS

MR. V. K. KRISHNA MENON has given a unique proof of his conception of intellectual freedom and freedom of speech. The occasion was his address at the Planning Forum of the Dayal Singh College in the capital city on September 3. Mr. Krishna Menon apparently thinks that his peculiar freedom of speech extends to casting serious doubts on the agreed decisions or atitudes adopted by the Cabinet of which he is a senior and important member. The Finance Minister, apart from other Ministers, has given unequivocal and assertive expression to the view that the European Common Market is to be welcomed as a force for the acceleration of the trade of the underdeveloped countries in course of time. India expects at its hands a fair treatment in her trade relations. But Mr. Krishna Menon proclaimed before his young audience that the ECM was an instrument of the cold war, representing the economic counterpart of NATO. Can such contradictory attitudes be entertained consistently with the functioning of the Cabinet system of Government? Now that Russia has taken the lead in consolidating and energising the Comecon, would Mr. Krishna Menon, with his sense of balanced assessment, tarnish the Comecon with the same brush as he has used for the ECM?

Mr. Krishna Menon welcomed the opportunities to speak at academic gatherings since they gave him scope to exercise his intellectual freedom — a scope which is practically denied to him by his pre-occupations with ministerial responsibilities. Significantly, he expounded his remark by asserting that most of his time as a Minister was taken up by "thinking, talking and discussing" subjects like Kashmir, colonialism and disarmament. The conspicuous omission in this list of pre-occupations is China. It is incredible how the Defence Minister tries to underrate the danger from China. Only a few hours earlier Mr. Krishna Menon was rudely heckled in the Lok Sabha for his calculated and cultivated technique of giving the unavoidable minimum of information about China's recurring fresh aggressive moves on the northern frontier.

The World Abroad

STAGE COACHES V. RAILWAYS

By

ODYSSEUS

HOW to speed the economy's growth rate is the question of the day.

Real explosive growth, like that of mid-nineteen century Britain, or of France, Germany, and Italy in the 1950's, does not spring primarily from increasing investment in response to internal consumer demand in the established industries. Additional income so generated (a) is likely to increase the demand for imports, (b) will not stimulate foreign demand for exports, and (c) may divert exportable goods into the home markets. As the American economists M. Abramovitz and R. M. Solow have estimated by statistical analysis, real growth springs from investment in new technologies, particularly those which raise productivity in exportable goods and services. The balance of payments benefits and wealth is multiplied both at home and abroad. Many who accept these ideas as abstract propositions recoil from their concrete application to the contemporary textile, coal, or railway "Establishments." "Ah! That's different!" they exclaim.

Very well. Let us recall—all passion spent—the case history of the biggest single stride in growth that the UK ever took—the inauguration of the railways in the 1830's when the stage coach was at its zenith.

In 1839, 9,388 persons were licensed to hire out post horses, there were 3,632 stage coaches, 2,619 coachmen and guards, and 1,116 turnpikes, which raised £1,532,956 in tolls from 22,000 miles of roads. With frequent changes of relay-horses, carried out to the split second by precision drill, speeds had been raised from 4 miles per hour in the 18th century to swaying, spanking averages of 7 to 10½ miles per hour.

Yet within five years or so, technological advance, in the shape of the railways, had driven virtually every coach from the roads, and the turnpike trusts were £9 millions in debt. Several thousand coach proprietors, coachmen, guards, booking clerks, and others, had to look for new jobs.

TECHNOLOGICAL ADVANCE

The first serious warning of trouble had come in 1830 when the Liverpool and Manchester railway had been opened. Before this, twenty coaches a day had plied between the two cities, carrying 108,000 passengers a year. But within the railway's first year, it carried 460,000 passengers at twice the speed and half the price, and all the stage coaches had gone. A journey by stage coach from London to Edinburgh cost £10-10 (excluding meals on the road) and took up to forty-five hours. By train it would cost £2, would at first take less than half, and, within a few years, less than a third, of the time.

The coach proprietors petitioned Parliament to reject all applications to build railways. They bemoaned the destruction of "our turnpike roads—the admiration and wonder of Europe—the abandonment of old inns, and the extermination of our noble race of horses." They agitated for the repeal of the taxes on coaches. These taxes, complicated and unsystematic accretions from a long past, were admittedly heavy, and compared with the straight-forward, and light, railway mileage duty (one eighth of a penny per passenger per mile) they constituted an unanswerable case of discrimination. In 1840, when the penny post was introduced, eighty-six mail contractors and stage coach proprietors protested that the GPO should not be allowed to inaugurate a cheap parcel post and so compete with a most lucrative side of their business. They appealed to the House of Commons for tax relief "to protect the large capital embarked in the old mode of conveyance." By 1843, however, only eleven mail coaches a day were setting out for the provinces from the GPO, compared with 80 of a few years earlier.

Parliament, dominated by the ideas of Adam Smith's "Wealth of Nations," was deaf to the opposition to the railways of canal companies, turnpike trusts, landlords, and coach proprietors. Between 1845 and 1847 Parliament sanctioned the investment of £227 million in 7,000 miles of railway. This amounted to an annual investment rate of 25 per cent of the national income (according to a contemporary estimate).

INCREDIBLE GROWTH

These millions invested in the new technology triggered a quarter of a century of incredible growth, which consolidated Britain as the workshop of the world. By multiplying the demand for labour, by opening wide new markets to agricultural products, by creating the export trade in coal, as well as in locomotives and railways themselves, and by lifting the iron and steel industries onto an altogether higher plane, the railways transformed Britain's economy.

Was this transformation built on the misery of the thousands engaged in the coaching industry? It is true that the railways killed the long distance coach, but they proliferated horse-drawn traffic. The number of coaches, cabs, and parcels collection and delivery vans, feeding the new railway stations employed more vehicles, coachmen, and horses, than the old system. Adaptable carriers like Pickfords (a 1962 survival of the pre-railway era) signed contracts with the railways. William Chaplin, who owned 70 coaches and 4,500 horses, was a man of vision. At the age of 51, he sold his coaches on routes where railways were being built and invested the proceeds — in railways. He ended his days as chairman of the London and South Western Railway. The terms "railway booking clerk" and "guard" are reminders that the coach booking clerks and guards, were, as skilled workers, mostly absorbed by the railways. The owners and employees of country inns suffered eclipse until motor cars restored their prosperity, but the old inns were killed not by the railways but by the speeds attained by the early 19th century coaches on Macadam's new road surfaces. Against this, the railways boosted the catering industry by opening up new buffets and station hotels all over the country.

STAGE COACH ITSELF A PIONEER

In their own day, the stage coaches had themselves constituted technological advance. They put the 17th century pack horse owners out of business. As far back as 1673, innkeepers were protesting that they would be ruined unless the new stage coaches, which rushed past their doors at 4 miles per hour, were suppressed in favour of the established system of pack horses, which

ambled along at a sensible rate that compelled travellers to stop to eat and sleep on the way. Instead of one horse per traveller, the coaches used four horses per ten travellers; horse breeders said the race of horses would be destroyed. Whereas pack horse riders arrived wet and mudstained, coach passengers arrived dry and clean; clothiers asserted that 100,000 of their number would be "deprived totally of bread."

The period after the Napoleonic wars up to about 1830 was one of stagnation and adjustment. The turn of the tide came gradually with the railways. Between 1846 and 1850, when the population was 19,000,000 and existing factory workers numbered 600,000, the railways created 600,000 'new' jobs.

What would have happened if the 19th century opposition to the railways had been as vocal, well organised and sympathetically heard, as are the opponents of change in the British coal and railway industries today? It is difficult to believe that the coach proprietors' demand that no further railways be sanctioned would have been granted, but sanctions might have been fewer and farther between; the coaches might have been relieved of all taxes, as they asked; and a tax (similar to the £2 a ton imposed on oil in 1961 for the benefit of coal) might have slowed the progress of the railways for the benefit of the coaches. The period of adaptation, instead of being short and largely painless, would have been long drawn out. The growth rate of the whole economy would have been slowed to the detriment of all. Indeed, the delay might conceivably have enabled France or Germany to become the workshop of the world by getting ahead of Britain in exploiting the new technology.

The moral is not that workers should be thrown out of jobs without adequate compensation or rehabilitation, but that real growth, with its corollary, a favourable balance of payments, is unlikely unless technological advance is welcomed, cordially and positively.

IMPORTANT STATISTICAL SOURCES

Two publications, which have recently come across my desk, which should be of particular value to economists, leader writers, reference libraries, banks, and business economic intelligence units, are the "United Nations Statistical Year Book for 1961", obtainable in India from Orient Longmans, and "The West German Economy", published by the Deutsches Industrieinstitut, Cologne. The "United Nations Year Book" provides 186 tables covering the population, manpower, production indices, agriculture, forestry, fishing, mining, quarrying, manufacturing, construction, power, consumption, transport, communications, finance, housing, education, and social statistics of all UN member countries, and is one of the most impressive statistical compilations yet attempted.

Besides general chapters covering all aspects of the economy, the West German handbook has 107 statistical tables covering population, employment, agriculture, industry, foreign trade, commerce, communications, prices, consumption, finance, East Germany, and a useful series of international comparisons of economic data in various countries.

In my own work, I find both these publications invaluable.

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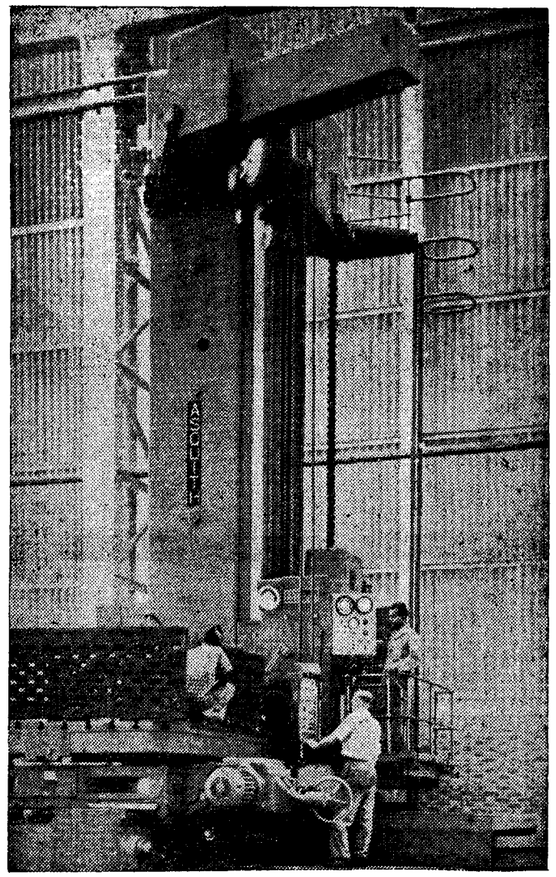
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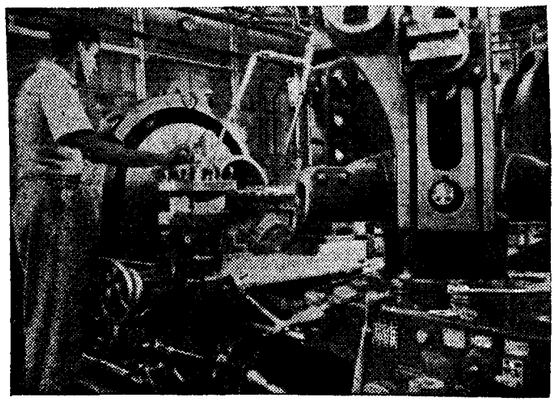
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The European Scene

THE SAHARA AFTER INDEPENDENCE

From Our Special West European Correspondent

PARIS, August 31.

AMONG the ten conventions signed here this week by the French Government and the Provisional Algerian Executive were three relating to exploitation of the Saharan oilfields. The immense resources of this region have been rather forgotten during the months of political confusion that have followed Algeria's independence, although they constitute the main hope of economic viability of the new republic and the main reason why France will continue to aid that country even when most of her nationals have quit. The new agreements, implementing the Evian accord, set up the technical organism that will manage the empty desert; it will have six Algerian and six French members and will sit in Algiers. Its first meeting must be held in a month. Also, the conventions fix the terms on which French companies will enjoy preferential treatment in the allocation of research permits and the like.

The signing of the agreements is less important than the question of who will represent Algeria in their implementation, in other words, the nature of the Algerian authority. As is known, in other fields besides the Sahara, this is still an open question. After several months of obscure and sterile controversy, Algeria has no government, no central authority and no accepted leaders; it has not been able to hold elections nor apply for admission to the United Nations. The effects of this anarchy have been disastrous in the settled, northern regions of the country: over six lakhs of the minority community have fled and the economy is paralysed. Curiously, the effects have been much less noticeable in the Sahara, and the exploitation of the oil deposits is proceeding more or less normally. True, there is too much uncertainty to permit continued search for new deposits, but in any event the Saharan summer is too torrid for this work and it is always suspended at this time of year.

All that most companies have reported to their Paris offices is that soon after independence reconnaissance groups of the nationalist army came jeeping down the desert track alongside the pipeline, and sought to persuade local company officials to hoist the white and green flag instead of the tricolour. Being private concerns, they naturally refused. The nationalists could not think of anything else that would symbolise their independence and their sovereignty over the desert, both already recognised in the Evian accords, and are contenting themselves with guarding the pipelines—it is not clear from whom, for the installations have never suffered attack during the colonial war nor during the settlers' counter-terrorism. One company, S.N. Repal, used to have its offices in Algiers, for the Algerian Governor-General held 41 per cent of the shares; it has had to withdraw its administration to Paris and reports many resignations from its minority-community employees; but that has not affected work on the oilfields.

Thus in spite of the political chaos, the Sahara will this year produce the expected 21 million tons of oil, against 16 million last year, 8.5 million the year before and 1.3 million in 1959, the first year of large-scale exploitation. There seems to be no obstacle to the target for 1965 being reached; 35 million tons. In short, the discovery, development and transport of Saharan oil, which makes up one of the most striking chapters in the history of the world oil industry, will have gone on undisturbed by the longest and most tragic of modern colonial struggles. The only serious hitch was the temporary interruption of the flow of oil across Tunisia, when M. Bourguiba chose to seek extra prestige in the Arab world by his ill-fated and perfectly useless attack on Bizerta. Once the Algerian people extricate themselves from present confusion and find a responsible central authority, this latter will depute its agents to the desert and the companies will have someone more serious to deal with than the odd local chieftains and ex-terrorist squad leaders who have appointed themselves "police" and "political commissars" around the oil wells. Even then, the companies will be answerable rather to the joint Franco-Algerian commission. The only major innovation the new government, when it emerges, might want to make is the nationalisation of S.N. Repal, by increasing the 41 per cent share it has inherited from the Governor-General to 51 per cent, but this will not alter the terms on which the oilfields are exploited.

There are evident reasons for forecasting that the Sahara will continue to escape political disturbance in the north, and provide an example of Franco-Algerian co-operation even if the French and Algerian communities on the seaboard cannot live in harmony. For a start, the world has plenty of oil from other sources, and however well disposed Arab "brethren" and Soviet sympathisers may be toward Algeria, they will have no hesitation in offering their own oil to replace Saharan oil if this is withheld in view of obtaining better terms. Secondly, the guiding force in the development of the Sahara has all along been the French Government, and not private companies; its concern has been to have oil payable in francs, rather than in foreign currency, and it is willing to pass over its control to an Algerian government if this condition is met, as it will be as long as Algeria is in the franc zone. Thus it is a matter of co-operation between two governments who both have similar views about how to handle private oil companies and are equally suspicious of the international cartels; one of them is interested in the royalties and other revenues, and the other is not, as long as it can buy oil in its own currency.

Finally, Algeria's neighbours—both the Arab states to east and west, and Negro states to the south—cast covetous eyes on Saharan oil. They had indeed as much right to it as the Algerians, for the desert does not belong to anyone of the riverine states more than to the others; the French just happened to administer it from Algiers, for reasons of imperial convenience. The Algerians succeeded, nevertheless, in making good their claim, thus acquiring the largest part of the earth's surface that has ever changed hands in a dubious diplomatic deal. The French had envisaged exploiting the oilfields to the advantage of all the riverine states (i.e. all those on the shores of this sea of sand) and if they allowed the Algerians alone to usurp their neighbours' rights, it was no doubt because they saw the advantages this offered for peaceful exploitation. Jealous of its

prize, Algiers will be more concerned to co-operate with France than to start trouble that could awaken rivals' ambitions. Exploration is continuing, and it is likely that oil will be found in regions liable to be disputed by some of these neighbours; as long as the French and the Algerians are hand in glove, they will find it hard to press their claims.

What is the extent and value of the prize that France has bequeathed to the Algerians after 10 brief years of work? (The first permits for exploration were awarded in 1952.) As far as is so far known: reserves that are proven and exploitable of 700 million tons of oil, and 2 billion (real billion: million million) cubic meters of natural gas. Neglecting the natural gas, which is worth a fortune but whose value cannot readily be calculated, one can work out what it cost to find and market the 700 million tons of oil. Between 1951 and 1961, about 227,500 million old francs (at their 1961 value) were invested in exploration in the Sahara. Between 1956 and 1961, development of the fields discovered cost 200,400 million old francs. Between 1957 and 1961, the construction of pipelines and other transport facilities cost 157,800 million old francs. A total, in a decade, of 585,700 million francs. Thus every million tons of oil found cost 836 million francs. But a million tons of oil at the posted price without discount f.o.b. Bougie, on the Mediterranean coast, is worth 9,800 million old francs. In other words every 386 francs invested has brought a return of 9,800 francs, in the shape of located oil for which evacuation facilities already exist. Of course, these are merely global figures that aim to show no more than that the Saharan adventure was worth while. Individual companies, not all of whose areas yielded results, will not make any such gross profits; the return in question will go, probably as to half, to the Algerian republic, whose contribution to the work has been virtually nil apart from the diplomatic task of excluding all other African states from the share-out.

The 700 million tons in question is by no means a final estimate. Apart from technological improvements that will increase the yield of known deposits, exploration is continuing and new finds have been reported quite recently. Just before the summer interruption of exploration, a field described as important was located 100 kilometers east of Hassi Messaoud, and the companies at work are confident that similar discoveries will be made in the future. Exploration outlays reached their peak of 41,400 million old francs in 1959 and have been maintained there ever since; these considerable expenses are now being auto-financed by the Sahara, for income from current oil sales is already enough to pay expenses, taxes and amortisation of earlier investments while leaving funds for new work—only French shareholders who put their savings into oil stock during the 1956-57 boom after the first big strikes are still awaiting their reward.

Increased pace of exploitation in proven fields and the discovery of new deposits will not call for significant fresh investment in transport facilities. Existing pipelines have a good margin for increased throughflow, though extra pumping stations might be required. There are 24-inch pipes from Hassi Messaoud to Bougie (660 kilometers), from Edjeleh to the Tunisian coast, as well as pipelines that centralise the output of the various fields at the head of these major connections. There are also two natural gas pipelines from the fields to Algerian coastal centres. As is known, various projects are on foot for the transport of this gas to Europe by methane tanker and undersea pipes.

Investors who bought French petrol shares at Rs. 600 or more in 1957 today see their stock standing at Rs. 280, and they have meantime received no dividend from the Sahara. The commotion, both in Algeria and in France, associated with Algeria's liberation has caused heavy depreciation of these shares. Yet the one field where the struggles of the past decade have had no echo is the Sahara, and however dubious the prospects for cohabitation of the Muslim and minority communities on the coast, continued development of the desert's wealth seems assured.



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Special Article

DEVELOPMENT FINANCE IN NEPAL

By Dr. Y. P. PANT*

MOBILISATION of resources for securing an adequate rate of growth is the crux of the problem of economic development. The scale of investment to be decided on is, in the last analysis, a matter of judgment depending on the availability of various sources of finance. Broadly, there are three sources from which capital for financing economic development can be found in a developing country. They are domestic savings or current revenues, foreign aid and deficit financing. Like any underdeveloped country Nepal also suffers from the problems of development finance even if foreign aid has been flowing into the country quite smoothly during the past one decade. The purpose of the present article is to analyse various sources of finance for Nepal's economic development, in the context of the overall emphasis on mobilising internal sources.

The taxation policy is the chief criterion in the revenue position of the Government. In Nepal's financial system revenue from customs, land revenue and forests account for even more than three quarters of the annual revenue. In the First Five-Year Plan, out of 330 million rupees, 145 million rupees or 44 per cent was estimated to be raised from internal sources, including taxation, internal borrowings and proceeds from governmental services and sales. The Plan, of course, anticipated, even on rough basis, that the Government would seek to realise progressively a policy of taxation. However, as the following lines show, experience of the First Five-Year Plan highlights the fact that despite all the care that may be taken in estimating the contribution likely to be secured from each of the above sources, the out-turn on individual items is in practice liable to diverge greatly from the estimates.

In the budget beginning with the fiscal year 1959-60 some new taxes including urban property tax, business profits tax, land revenue surcharge and so on were introduced; but revenue from them could not have been quite substantial so far. With the exception of a few ad-hoc taxes, whose yield was almost negligible, the budget for the fiscal year 1959-60 proposed to raise as much as 8.5 million rupees from new taxes including taxes on land and income. However, due to lack of administrative machinery and other conditions as evidenced from tradition and custom, taxes, as expected, could not be realised. Thus even the additional taxes were levied only in the fourth year of the Plan. The budget for 1961-62 introduced an increase of some new taxes like hotel guest tax, embarkation tax, water rates and the urban property and land registration tax. All these have, however, given satisfactory returns. The budget for the current year (1962-63) has introduced some changes in land revenue and revenue stamps to add to about 30 million rupees. The point to stress is that taxation should be sufficient to keep consumption down to limits consistent with the requirements of investment as envisaged in any process of economic development. A good beginning has been made in this direction in 1961-62.

The needs of an underdeveloped country like Nepal cannot be met by taxes alone particularly when there is the lack of tax paying habits of the people. Taxation has sometimes a discouraging effect on private savings.† Taxes have, therefore, to be supplemented by other sources, particularly loans and small savings. In spite of the fact that at initial stages prospects of internal borrowings are quite doubtful, the mobilisation of internal resources, with a view to encouraging private savings, is necessary for development. The First Five-Year Plan sought to increase net income to the tune of 26 million rupees by floating development bonds, pay roll savings and so on. Thus there was an indication to use this source gradually keeping with the psychological reaction of the people. Of course, no co-ordinated efforts were made regarding this aspect in the early years of the Plan. In the budget speech for the fiscal year 1961-62 there was a reference to the possibility of raising an internal loan and in fact during the year, for the first time in the country's history short-term treasury bills to the amount of 7 million rupees was raised. In the current year's budget it has been proposed to cover certain portion of the budgetary deficit both by long-term and short-term loans. Even if the psychology of the people is gradually geared to the desirability of such loans, in the subsistence economy like Nepal's substantial savings are not possible unless the economy develops considerably. The dynamic effect of public investment rising at a significant rate will definitely be one of the important pre-conditions for its success.

It is accepted that foreign aid in the form of equipment and technical personnel facilitates home investment and provides a necessary initial push towards the economic development of an underdeveloped country. Foreign assistance started significantly in Nepal after 1951 in specific projects. Indian aid to Nepal began in 1951, but it was on an ad hoc basis during the first four years. On April 1, 1956 India agreed to give Nepal aid up to 100 million rupees during the time of India's Second Five-Year Plan. On January 23, 1952 the US Government signed an agreement to help Nepal's development. Later on, other countries and the UN specialised agencies also extended help to the country in various ways. In March 1960 agreement on economic aid with China was signed by which China agreed to give aid amounting to 100 million Indian rupees. This amount together with 40 million Indian rupees unutilised from the earlier loan, (of October 1956) thus made a total of 140 million Indian rupees for the establishment of a few industries. On April 24, 1959 an economic aid agreement was signed with the USSR, under which Russia agreed to give Nepal 'free of charge economic and technical assistance' amounting to 30 million roubles for the erection of two industries and a hydro-electric station. The United Kingdom, Switzerland, New Zealand, Canada, Australia and West Germany have also been assisting Nepal.

The table on the next page gives some idea of the foreign aid available to Nepal, including that estimated for the current fiscal year (1962-63). Aid has been so far available in four main forms; cash contribution, commodity contribution, training facilities and technical services. At the same time, each individual country has more or less specialised in particular fields of development projects. Financial and technical aid from India and the United States have been utilized in agriculture, irrigation and village development. People's Republic of China and the Soviet Union have chosen to play an important role in the process of industrialising

*The views expressed here are purely personal.

†While in countries like Ceylon, Burma and India the amount of the national income which goes in taxation and other sources is more than 10 per cent, in Nepal it may not exceed 3 to 4 per cent.

the country. Other countries also have taken to one or the other types of projects.

TOTAL AID RECEIVED TILL 1960 - 61 AND EXPECTED FOR 1961 - 62*

(In thousands of Nepalese Rupees)

Country or Organization	Received till 1960-61	Committed for 1961-62	Total	Estimated for 1962-63
U.S.A.	24,50,70	6,55,61	31,06,31	7,92,72
India	17,42,59	3,83,42	21,26,01	2,50,92†
China	3,20,00	30,00	3,50,00	57,44
Ford Foundation	2,89,70	10,04	2,99,74	10,33
U.S.S.R.	—	1,61,00	1,61,00	1,41,09
U.K.	1,60	9,60	11,20	50,60
New Zealand	11,26	9,76	21,02	9,00
Canada	11,20	—	11,20	
Switzerland	21,33	—	21,33	
WHO	50,23	7,50	57,73	
West Germany	—	5,00	5,00	
UNO	86,03	16,50	1,02,53	
ILO				1,50

* The fiscal year is from July to June.

† The amount shown for India for 1962-63 does not include finances for all such projects which are directly handled by Indian Aid Mission and do not pass through HMG's budget. Including all such projects which are not undertaken by His Majesty's Government, the total amount of aid would come to about 50 million rupees.

However, in the past both internal and external resources for even financing the First Five-Year Plan and their allocations appeared to be, on the whole, tentative, since the estimates were based upon certain assumptions, which could not materialise properly in subsequent years. The country's economic development in the past one decade shows that even the process of a foreign aid collaboration came to be changed with the progress of the Plan.

The use of deficit financing as a method of accelerating economic development and the dangers inherent in such a policy have been discussed by various economists and policy framers in recent years. Though in Nepal in a strict sense the expansion of money for development finance does not seem to have been liberally used, still as a result partly of widening the Nepalese currency‡ and expansion of the monetized sector in the recent years monetary expansion has been made in the past few years. For example, during the First Five-Year Plan period there was an increase in the circulation of currency from a little over 30 million rupees to 93 million rupees, and during January 1961 to July 1962 further 26 million rupees came into circulation. However, during the First Five-Year Plan period there was an increase of only 4 per cent in the price level of commodities.

Since in the existing monetary conditions in Nepal where the accepted weapons of monetary control cannot be applied and where in the absence of statistical facts it is impossible to assess even the trend correctly, monetary expansion as a source of development financing can be possibly ruled out. Even a moderate amount of deficit financing cannot possibly be indulged in, as appropriate safeguards, under the existing conditions of under development, cannot be effectively used. The recent experiences of inflationary pressure in most Asian countries have resulted in a growing appreciation of the pressing need for accelerating the mobilisation of domestic financial resources of non-inflationary character. Once inflation develops in the economy, it may be difficult to control it, especially in under-developed countries.

In a mixed economy, the role of private sector is quite substantial. Private investment draws on the same pool as public investment. More than 95 per cent of Nepal's total economic activity is believed to be conducted under private auspices, though large economic enterprises are till now few and far between in the country.

Though the First Five-Year Plan emphasised on the aspect of inclusion of the private sector, the financial parts of this sector, which come through corporate and individual savings were not considered in any length. It is quite difficult in a country like Nepal to indicate even roughly how the savings will emerge in private sector as in the existing conditions of vast regions of the non-monetized sector only a small proportion of the total savings utilised in the sector pass through institutional agencies. Again, private investment in the agricultural sector is very difficult to estimate as it is financed by direct savings. The Three-Year Plan also has recognised all such difficulties.

What is important is that in the process of development the progress of investment in this sector has to be constantly watched as much as that in the private sector and adjustments in policy have to be made from time to time.

Thus in any developing economy from a longer range internal sources have to play a predominant role in the economic development. The Government budgets in recent years appear to have emphasized on this approach. More attention is being given to framing a bold tax programme to raise funds necessary for development. In the development part of the budget for the fiscal year 1959-60, 71 per cent of development expenditure was expected from foreign aid and in 1960-61 about 88 per cent and almost 90 per cent in 1961-62, while about 83 per cent is expected in the current fiscal year. Thus measures to exploit internal financial resources for development works are being increasingly taken.

In the outline of the Three-Year Plan (1962-65) there is a proper emphasis on mobilising domestic savings for 'the effective utilization of foreign assistance'. The amount of foreign aid to be available during the Plan period is estimated at 360 million rupees, leaving a gap of 100 million rupees. The outline of the Plan has proposed to mobilise domestic savings to the extent of half of the deficit, or roughly about 10 per cent of the total financial outlay.

Since there is a limit to the exploitation of internal sources, His Majesty's Government seems to have been serious to increase the country's productive capacity and means. As the Finance Minister remarked in the budget speech for the fiscal year 1962-63, "the Government's intention is to distribute land among the people in a just manner by means of institutional reforms and to induce the private sector to undertake technological reforms". This is definitely a promising trend. In the field of development finance it is always necessary to review all decisions from time to time and there has to be a measure of flexibility in the Plan to permit the necessary adjustments in outlays. Since, however, the main objective is to carry through the physical programmes approved, and since any shortfall or slowing down on these affects the pace of further advance, effort has always to be concentrated on mobilisation of the resources required. The techniques of resources mobilisation and the scope for using each one of these more effectively have thus to be kept under continuous review.

‡Both Nepalese and Indian currencies have been in circulation in various parts, the latter particularly in the Tarai region.

THE BUSINESS WORLD

Cotton and Cloth Production

By

CROESUS

GOING through the annual reports of the Millowners' Association, Bombay, I was rather struck by the utter dependence of the Indian cotton mill industry on a variety of factors over which it can hardly be expected to have any control. Take, for example, the main raw material of the industry — cotton — and you will realise how unpredictable the planning of cloth production could be and has, in fact, been. For, if, in one season, there is a glut of cotton, you cannot be sure that the glut will continue in the next season as well; on the other hand, the chances are that, almost every alternate year, the industry has to be prepared for a shortfall in supplies of cotton. Hitherto, the industry did not have to bother very much about the availability of adequate supplies of cotton even during years of a lean crop or crop failure, thanks to the prospect of imports from abroad, but the position has changed radically with the worsening of the foreign exchange situation. During the season that has just ended, that is the 1961-62 season, although the total quantity allocated for import was over nine lakh bales — in the 1960-61 season, it was higher at over 11 lakh bales — the phasing of the imports to synchronise with the needs of the industry presented a no mean problem. Cotton had to be imported not from sources best suited to this country from the point of view of the industry's actual requirements, but from countries from where India could import either on a no-payment or a deferred payment basis, or under a barter rupee payment arrangement. In such circumstances, it would be clearly impossible for anyone to match the imports to the precise needs of the industry. Incidentally, the acute scarcity of cotton in 1961-62 thus proved how difficult, if not unworkable, price control could be in a year of unusual shortage.

It is significant that, although the 1961-62 season was a short crop season, it was not so allround; actually, the production of Bengal Deshi during the season turned out to be a record one and was a welcome source of additional foreign exchange earning too. There is a section of opinion in cotton circles which holds that the overall quota of Bengal Deshi in 1961-62 might well have been considerably higher, but for the Government's unwillingness to allow more exports. True, the export quotas for Bengal Deshi granted during the last season was fairly large at 2,76,000 bales, but this has to be compared alongside the record Bengal Deshi crop of the season of 5,65,000 bales.

A very important factor in ensuring adequate supplies of cotton is the price factor, and caught between the conflicting demands of the mill industry, which naturally wants a reasonably low price for its raw material, and those of the cotton cultivator, who, in his turn, wants a high return for his commodity in keeping with the market prices of other agricultural commodities, the authorities are certainly in an unenviable position to hold the scales even. It is only to be expected that the industry would urge the Government to introduce control measures to ensure an uninturrupted supply of cotton at reasonable prices, but then the authorities are also confronted with the problem of having to determine a level of prices below which they cannot let them fall, if only not to discourage the grower from continuing to grow cotton. It is not always that this level corresponds to the level of prices that would be considered economic by the grower. To the grower, only that price is economic which will enable him to go in for his requirements from out of the sale proceeds of his produce and will also compare favourably with the sale proceeds of other agricultural crops produced by his neighbour. But this is cutting too fine into the relative costs of raising competitive crops and, more often than not, it is the supply and the demand factors at a given time that determine the prices of any commodity, including cotton. Be that as it may, during the 1961-62 season, the Government was forced to raise the ceiling price of cotton by Rs. 105 per three quintals for the basic variety — Moglai Jarilla 25|32".

Another effect of the shortfall in cotton supplies in 1961-62 was that, instead of the usual three futures contracts — March, May, and August — futures trading was confined only to the March, 1962 delivery. Starting on July 30, 1961, at Rs. 604.25, the Jarilla March Contract finished the season at Rs. 693.00. The still unsatisfactory cotton position during the last season was also responsible for the commencement of the new crop contract of Jarilla March, 1963, after a long spell of uncertainty that lasted for nearly one and a half months.

The question has often been raised in cotton circles as to why the position in 1961-62, when the final crop estimate amounted to 46.5 lakh bales, was worse off than in 1959-60, when the crop was very much smaller at only 38 lakh bales. The explanation is simple enough. In the first place, the total consumption requirements in 1961-62 were very much higher than in 1959-60. Secondly, while the actual outturn of the crop in 1961-62 fell short by nearly eight lakh bales of the estimated crop, the position could not be met as easily as in, say, the preceding season, by resort to imports. The total import allocations in 1961-62, it may be noted, were only around nine lakh bales, as against over 11 lakh bales issued in the previous season.

It is against this background that one would have to forecast the outlook for the current season. For reasons which should be evident by now, the season 1962-63 has opened with an estimated carry-over of only 14.50 lakh bales of Indian cotton (plus three lakh bales of foreign cotton). However, as against crop of only 46.5 lakh bales in 1961-62, informed cotton circles anticipated the current season's crop, on the basis of the prevailing indications, at about 52 lakh bales. Imports

are estimated at another ten lakh bales, giving in all a total supply of 79.50 lakh bales. Total consumption needs during the season, on the other hand, have been put at 60 lakh bales (56.5 lakh bales, including ten lakh bales of foreign cotton, for mill consumption plus three lakh bales for exports of Bengal Deshi plus 50,000 bales for miscellaneous uses). On this reckoning, the 1962-63 season should end with more or less similar carry-over as the 1960-61 season, but it should be added at this point that all these figures are still in the nature of "guestimates", in that the size of the crop as well as the total quantity of imports depends upon a number of unforeseeable factors.

The statistical position of cotton during the current season and the season that has just ended is indicated in the table opposite for purposes of comparison.

(In lakh bales)

	1961-62	1962-63
1. Carry-over from the previous season	20.00	17.50
2. Crop outturn during the season	46.50	52.00
3. Imports	9.00	10.00
4. Total Supplies	**75.50**	**79.50**
5. Mill consumption	54.74	56.50
6. Extra-factory consumption	0.50	0.50
7. Exports	2.76	3.00
8. Total Disappearence	**58.00**	**60.00**
9. Carry-over for the next season	17.50	19.50

Business Notes

Textiles

EXPORT OUTLOOK CONSIDERED ENCOURAGING

AGAINST THE recent undertaking by the Cotton Mill Industry to export 12½ per cent of its production (on the basis of the 1961 production, this would amount to 643 million yards, as against the export target of 850 million yards, per annum during the present Plan period), it would be interesting to refer to what the Foreword to the latest annual report — Report for the year 1961 — of the Millowners' Association, Bombay, has to say on the subject. On the whole, it is gratifying to note, the Association is optimistic about the prospects. "There is reason for cautious optimism about the prospects of our textiles", says the Foreword, "since the countries with maturer economies appear to be convinced that a judicious encouragement to exports from the developing countries is one of the surer methods of helping them to take forward steps towards material progress than mere spoon-feeding through gratuitous assistance". But the industry is not content to rely wholly on this "judicious encouragement to exports". Says the Foreword thus: "It is realised by the industry that, if India's export goal in textiles is to be attained, **there is no substitute for modernising its productive equipment, for attaining higher levels of productivity and for achieving a general reduction in costs.** It is only by this means that it can expect to offer its goods abroad at competitive prices and gain a firmer foothold in the world market."

Apparently, the Association is satisfied with the progress made in the negotiations between this country and the British industry in regard to the export of textiles to the U.K. (It may be noted here that, as a result of changes already agreed upon, the Indian ceiling figure for 1962 has been raised from 175 million square yards to 195 million square yards; also the control over the administration of licensing has been made over to India. The position in regard to exports of yarn to the U.K., however, does not yet appear to have been settled to the satisfaction of the industry). The industry also seems to be satisfied with the progress of negotiations in Geneva for a long-term textile scheme, as suggested by the G.A.T.T. But as regards the E.C.M., it is the opinion of the Association that the task of export promotion "is likely to be rendered even more competitive, if the subsisting favourable terms for the export of Indian cloth and yarn to Britain are withdrawn, when that country joins the E.C.M." Accordingly, it has been urged that Britain's membership to ECM should not result in disruption of the long-established trade relations between her (Britain) and the Commonwealth countries. The industry has also pointed out the desirability, on the part of the ECM countries, as most of these have already been helping the economic development of this country, to encourage Indian exports by purchasing more and more of this country's products, especially textiles.

Two interesting points about exports are made in the Foreword. One is that, in spite of the incentives offered by the Government, the export trade in textiles has not increased, but, in fact, it has declined somewhat. And, this, the Association attributes to the severe competition from countries like Japan and China. Secondly, the Association is of the view that realisation of the physical target alone will not serve the purpose, since the basic aim of increased exports is to enable the country to earn sizeable quantities of foreign exchange. The Association has also suggested a way out of the difficulty. According to it, "if India is to earn even Rs. 75 crores worth of foreign exchange a year as envisaged in the Plan (for exports of textiles), efforts should be made to export finer and finished piece-goods on a much bigger scale than at present". But, as against this, the position today is that, apart from the fact that 95 per cent of our textile exports are of coarse and medium categories, about 60 per cent of the cloth exported is in grey state, while another 20 per cent is merely bleached.

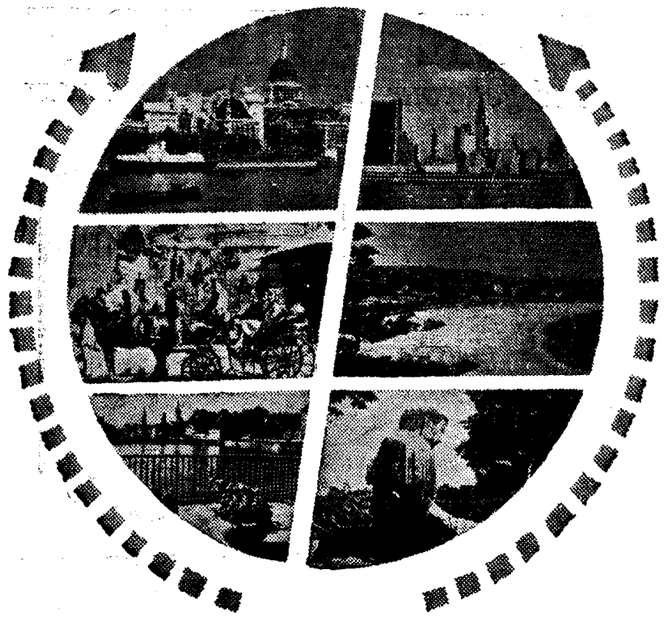
Foreign Aid

BRITISH AUTHORISATIONS COMPLETE

WITH THE signing of the two agreements between the Government of India and the British Government this week on extension of £18 million aid during the current year, the British commitment of making available £95 million assistance under the Aid-India Club for the first two years of the Third Plan has been fulfilled.

Of the two new loans, one for 13 million (Rs. 17.3 crores) is to provide finance for a number of important Third Plan projects, including equipment for the Heavy Electricals Plant at Bhopal, a ropeway system and other equipment for the coal-mines and supplies for the River Steamer Companies operating in Eastern India. The second loan of £5 million (Rs. 6.7 crores) is an untied one and is available for spending on a wide range essential imports from Britain. While the former loan is welcome on the score that it will assist in the development of power resources in the country by helping in stepping up the production of electrical equipment at the Bhopal plant and coal output, the latter loan is of particular significance at the present juncture when India is facing an acute foreign exchange crisis and is finding it extremely difficult even to finance the essential maintenance imports. Similar loans expected in the near future from some of the other Aid-India Club members, particularly the United States and West Germany, should go some way in alleviating the distress caused by the inadequacy of freely convertible foreign exchange at the disposal of this country at present. If adequate untied assistance is available from consortium members in the near future, as is expected, the recent

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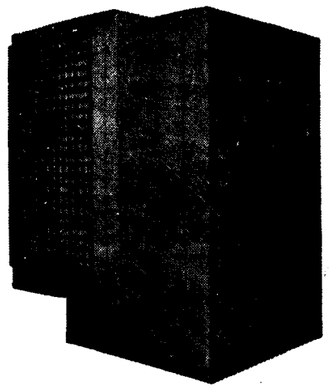
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50 per cent blanket cut in imports would be restored to a substantial extent.

Like all the previous loans signed by the Government of India with Britain during the Third Plan period, the new loans are repayable over 25 years with a grace period of seven years, implying that the first principal repayment in respect of the two loans will fall due in 1969 and the last one in 1987. The rate of interest on these two loans is governed by the usual formula governing Commonwealth Assistance Loans — the rate is to be the same as applied by the British Treasury at the date of issue to a loan for a comparable period from its domestic Consolidated Fund plus one-quarter per cent administrative charges.

The total assistance made available by the UK so far for the implementation of India's Second and Third Plans amounts to £175.5 million. The following are the details :

A.	Grand total of disbursed and committed assistance during the Second and Third Plans to date:	£ 175.5 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:	£ 95 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 — Novembed 1961	£ 5 million
	General balance of payments loan — May 1962	£ 10 million
	Durgapur Extension Loan — May 1962	£ 22 million
	Mixed project and development goods loan — September 1962	£ 13 million
	General balance of payments loan — September 1962	£ 5 million
	TOTAL Signed:	**£ 95 million**

Costs

SICC CHIEF EXPRESSES CONCERN

THE TWO major problems that are facing the Indian industry today are the rising costs of raw materials and the non-availability of foreign exchange. Naturally, therefore, Mr. Kumararajah M. A. M. Muthiah Chettiar of Chettinad, President of the Southern India Chamber of Commerce, chose to highlight these two elements which pose a serious problem to the producers of the region. The phenomena of high prices of industrial raw materials and components, he believed, was aggravated by excise duty and in turn it has tended to increase the cost of end-products very considerably. The alround increase in the prices of consumer articles in turn leads to widespread discontent among the middle classes which are significantly vocal as well as the working classes who in turn demand higher wages. While primary raw materials continued to cost more because the producers of cotton, jute, sugarcane etc. do demand higher returns, the pressure on prices as a consequence of higher costs of electricity charges, transportation and wages cannot be ignored. While, therefore, these pressures exist, the continuous rise in the excise duties has made higher prices nearly compulsory. The President of the Chamber was of the opinion that under these conditions sales tax levied by various State Governments made the things much worse. He stressed that the sales tax can be so eliminated as to be added to the excise duties considering that it will facilitate administrative processes and also in view of the fact that excise duty has begun to be levied on almost all commodities. The merchants are put to avoidable difficulties because the manufacturers and producers have to present books of accounts to furnish twice over, once to the excise duty authorities and again to the sales tax authorities. Sales tax has now been merged with excise duties in regard to commodities like cotton textiles, sugar and tobacco. As this system has been working quite satisfactorily, it is time that the Central Government tried to extend his practice to cover as many commodities as possible.

The President of the Chamber also very plainly raised the question of acute shortage of foreign exchange in the private sector. There are several industries in the private sector which have been licensed output capacities, and depend partly or wholly on external resources of supply of raw materials. In fact several of them have been licensed for implementation of expansion schemes. Now with the increasing difficulty of foreign exchange they are being advised to work below capacity which creates several problems for them and the one being that of higher costs because working below capacity would ultimately mean relatively higher capital costs. It may not be out of place to indicate that a part of the foreign exchange resources that are available from the countries that constitute the Aid-India Club and several other ones should definitely be made available to the private sector so that the existing plant and machinery may be kept going and made to work economically. It is not possible to dispute the fact that the shortages of foreign exchange are acute, but it will be a colossal economic waste if plant and equipment already installed are kept idle while foreign exchange is spent on the installation of new units. The heavy industry units in the public sector do demand priority but that should not mean a lopsided programme of output. The Central Government, the President of the chamber advised, should give due weight and consideration to vital needs of the industries in the private sector.

Plantations

PROBLEMS AND PROSPECTS

THE PROBLEMS of the plantation industry in prospect and retrospect were discussed at length at the 69th annual general conference of the United Planters' Association of Southern India. Mr. W. C. F. Simmonds, President, UPSAI, pleaded that the plantation companies should be left with adequate finances to keep the gardens in order and to enable them to comply with the onerous requirements of the Plantations Labour Act. He pointed out that if the volume of our exports of particular commodities had been going down, it was because of our failure to bring down our prices to international levels. In the case of tea, he said, taxation had been responsible for undermining the development of exports. Without mentioning the array of taxes and imposts that have been levied by the State Governments and the Centre, the President of UPASI asked the authorities to modify the rigours of these taxes so that a better atmosphere could be created and exports increas-

ed thereby. It may be recalled that the Tea Board delegation which visited recently the United States and Canada submitted in its report that the abolition of export duty could go a long way in boosting our tea exports. Since this export duty is inconsistent with our export drive, there is no reason why it should not be set aside or at least scaled down further. The picture in the outside markets is not altogether gloomy, what is needed is the production of right stuff so that we might be able to compete successfully in other markets. The President of UPASI at the same time expressed the opinion that it would be in the interests of the economy if we paid greater attention to the domestic market because it was the sheet-anchor which could well save the plantation industry from foundering on the rocks.

Dealing with coffee, Mr. Simmonds observed that it was absolutely necessary to concentrate on quality for our exportable grades. So far as the International Coffee Agreement is concerned, a new one replaces the old one in force since October 1, 1959. Although full details are not yet available, it seems India will not have to worry much as all producers are to retain a proportion of their exportable surplus. In regard to rubber, the position is not so happy because of the increasing use of synthetic rubber in various parts of the world. The depressing feature is that the cost of production of natural rubber is rising. The remedy on the face of it would appear to be to evolve a co-ordinated price policy in regard to natural and synthetic rubber and at the same time plant the low-yield areas with high-yielding planting material. All said and done the suggestions made by the UPASI President are quite realistic and need to be considered sympathetically. The plantation industry is our most important foreign exchange earner and it is time we devote full attention to its problems.

New Issues

METERS AND ELECTRICAL APPARATUS LTD.

TWO MORE companies have finalised their plans for raising subscriptions from the public for their share capital.

India Metal Agencies, Bombay, is floating a public limited company, called Meters and Electrical Apparatus Limited, to undertake a Rs. 65 lakh-project to manufacture electric house service meters. Its authorised capital will be Rs. 1 crore — Rs. 70 lakhs in equity shares of Rs. 10 each, Rs. 10 lakhs in preference shares of Rs. 100 each and Rs. 20 lakhs in the form of unclassified shares. Of this, capital worth Rs. 40 lakhs — Rs. 35 lakhs in equity shares and Rs. 5 lakhs in preference shares — is proposed to be issued in the first instance. The promoters, directors and their friends are envisaged to subscribe to half of the equity issue. The remaining 50 per cent equity issue is proposed to be offered for public subscriptions. The entire preference issue will also be offered to the public, but it is mostly expected to be subscribed by institutional investors.

The company proposes to meet the remaining requirements of the project (to the tune of Rs. 25 lakhs) through a loan from the Industrial Finance Corporation (Rs. 20 lakhs) and from bank borrowings.

The project envisages manufacture of 60,000 single-phase and 24,000 three-phase electric house service meters per annum. Technical collaboration has been secured from the Bulgarian firm Technoexport. The foreign collaborators would supply the complete plant for the project, valued at Rs. 25 lakhs, on rupee payment basis and will also train Indian personnel. The plant is to be located at Thana, an industrial suburb of Bombay. Production is expected to start by mid-1963.

ARUNODAYA MILLS LIMITED

THE OTHER COMPANY which will be shortly entering the capital market is Arunodaya Mills Ltd., a textile concern floated by a Rajkot businessman, Mr. Gulabchand Talakchand Seth, to set up a spinning mill at Morvi, in Maharashtra. The authorised capital of the company is Rs. 75 lakhs, of which capital worth Rs. 37 lakhs is proposed to be issued in the first instance. The initial issued capital will consist of equity shares worth Rs. 32 lakhs and preference shares worth Rs. 5 lakhs. The promoters and their friends will take up equity capital to the tune of Rs. 16 lakhs. The balance equity capital and the entire preference issue would be offered for public subscriptions. An application has been made to the Industrial Finance Corporation for a loan of Rs. 25 lakhs to meet the cost of the project over and above the finances made available by the share capital. The promoters intend to make this new spinning unit a model one.

Electricity

OPTIMISTIC OUTLOOK

AT THE 22nd annual general meeting of the South Madras Electric Supply Corporation Limited, Mr. K. A. P. Visvanatham struck a note of optimism in regard to the affairs of the Corporation and pointed out that capital extensions to the value of nearly Rs. 20 lakhs have been executed. A dividend of 10 per cent as against 9 per cent in the previous year has also been declared because of the slightly increased earnings. The company has made a special appropriation of Rs. 1,21,600, making up the total of such appropriation to Rs. 2,47,600 for augmenting the company's capital resources.

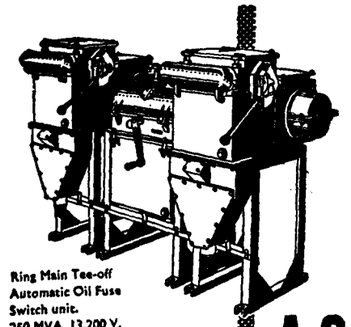
So far as the rural electrification scheme is concerned the company, Mr. Visvanatham declared, is in a position to contribute its mite and has submitted to the Government of Madras that the loan assisance should be substantially increased to meet the demands of such an enlarged programme of work. It is expected that this request might receive a sympathetic consideration from the Government. Mr. Visvanatham hinted that the gap between the supply and demand for power would continue to remain in spite of the development programmes envisaged in the Plan. Although there have been great power shortages in most of the capital towns, Madras had not to face difficulty to the same extent. The storage position in most of the hydro-electric reservoirs is considered to be satisfactory and with the expected commissioning of the power plant at Neyveli in the course of this year, the situation is expected to improve further. Referring to the levy of graded tax on the electricity supplies made to different classes of consumers to augment the resources of the State, Mr. Visvanatham pointed out that this levy has been received by the consumers with mixed feelings. The industrial consumers are particularly more apprehensive. He, therefore, pleaded that the Government should take cognizance of these indications and afford whatever relief is possible in the interest of the industrial growth.

Insurance

SATISFACTORY PROGRESS

AT THE 26th annual general meeting of the Ruby General Insurance Company Ltd., Mr. B. M. Birla, Chairman of the Company in his speech revealed the satisfactory progress made by the company and underlined that it has risen to the position of one of the leading insurers in the country. The most encouraging factor is that the net premium has increased from Rs. 74,24,000 in 1951 to Rs. 1,81,80,000 in 1961, i.e. an increase of 246 per cent. The fire premium income for the year amounted to Rs. 71,99,000 as against Rs. 70,50,000 during the year 1960. The working has resulted in a profit of Rs. 16,13,000 as against Rs. 4,99,000 in the previous year. Reserves have also increased to Rs. 35,99,000 from Rs. 34,19,000.

The reduction in fire premium rates came in for a



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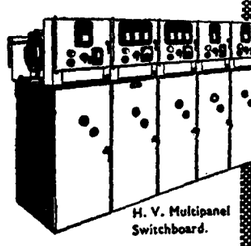
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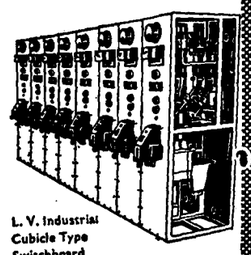
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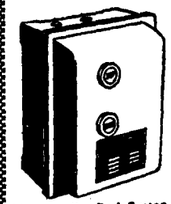
Bangalore 21.



H. V. Multipanel Switchboard.



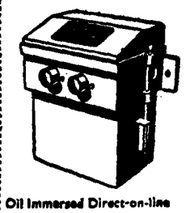
L. V. Industrial Cubicle Type Switchboard



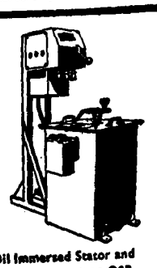
Direct-on-line Push Button operated AC Motor Control Starters upto 20 H.P.



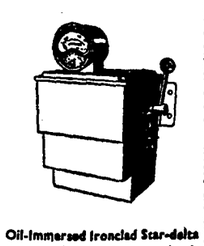
Air Break Hand Operated Star-delta Starters Type NASD/NT, for squirrel cage motors upto 20 H.P



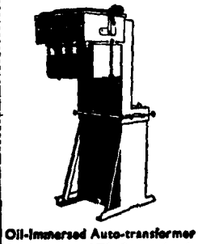
Oil Immersed Direct-on-line Starters type OND. Max. rating 15 H.P.



Oil Immersed Stator and Rotor starters type OSR for AC. slipring motors upto 200 H.P.



Oil-Immersed Ironclad Star-delta Starters Type NSD. For squirrel cage motors upto 100 H.P.



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good deal of criticism. A plea was made that since the Indian insurers are passing through a period of transition they should be allowed to build up their reserves and thereby serve the country better. If the progress in the fire department of the company has been quite up to the mark it is equally heartening to find that losses in motor and miscellaneous departments have been reduced and the reserves in the marine department have increased from 58½ to 100 per cent. Loss in the marine department can be assigned to the unsatisfactory conditions in the ports and it is considered that a careful watch and ward at these ports would certainly reduce the losses further. Mr. Birla also referred to the move of having a comprehensive marine tariff. This, he felt, could help in improving the results in the marine department. He pointed out that the Government should encourage importers and exporters to obtain policies in the country itself, as far as possible, as this would help in conserving foreign exchange to some extent.

Dealing with general insurance, Mr. Birla pointed out that the total premium incomes of all insurers in India in 1960 was only Rs. 38 crores. The scope of it can certainly be enhanced further if suitable steps are taken to educate the public bringing home to them the benefits of general insuarance. A lot, of course, would depend on the field staff as to how they are able to approach the problem. It is high time they activised themselves.

MANDYA NATIONAL PAPER MILLS LIMITED

WITHIN A period of less than a month since its inauguration by President Radhakrishanan on August 2, 1962, the Mandya National Paper Mills has achieved its rated capacity of 35 tons of paper per day. This outstanding success achieved by the company should strengthen the hopes that its plan to expand the capacity to 70 tons per day would materialise at none-too-distant a date.

The Mandya National Paper Mills Limited is the first factory in Asia manufacturing paper by making use of non-conventional raw materials like bagasse which is available in huge quantities in the neighbourhood of Belagula, Mysore State, where it is situated. The digestion system made use of at this factory is the Pandia continuous system which, unlike the conventional digestion system, is capable of utilising a variety of raw materials for pulping such as bagasse, straw bamboo, wood, etc., with equal facility. The quality of the paper now being manufactured by MNP Mills is claimed to be of a very superior order.

The MNP Mills came into existence through a collaboration between Messrs. Bedi and Co., Management Private Ltd., the Indian partner, and Messrs. Parsons Whittemore Lyddon Organisation of the United States, which is a reputed pioneer in utilising a variety of other than conventional raw materials for manufacturing paper.

ARBITRATION AGREEMENT BETWEEN INDIA AND HUNGARY

FACILITIES FOR the amicable settlement of commercial disputes arising between parties in India and the Hungarian People's Republic are now available as a result of an agreement entered into between the Arbitration Tribunal of the Federation of Indian Chambers of Commerce and Industry and the Hungarian Chamber of Commerce, Budapest, Hungary, on August 22, 1962.

The arbitration clause to be included in contracts between the Hungarian Foreign Trade Organisations on the one side and the Indian parties on the other side runs as follows:

> "Any dispute or claim arising out of or relating to this contract shall be heard and decided upon by arbitration in accordance with the agreement concluded between the Federation and the Hungarian Chamber of Commerce. The arbitration is to be conducted in the country of domicile of the defendant. If the arbitration is held in India, the dispute shall be submitted to the Arbitration Tribunal of the Federation of Indian Chambers of Commerce and Industry, Federation House, New Delhi, and settled in accordance with the rules of that Tribunal. If the arbitration is to be held in Hungary, it shall be submitted to the Hungarian Chamber of Commerce, Budapest, and decided in accordance with the Rules of Arbitration of the Hungarian Chamber of Commerce."

This is the sixth agreement in the field of international commercial arbitration to be entered into by the Federation with commercial organisations of foreign countries. The other five agreements were signed with the U.S.A., Japan, the German Democratic Republic, the U.S.S.R. and Poland.

(Continued from page 421)

reiterated by the last week's performance. The development is to the effect that response is growing for the loans of even the economically backward States. A striking instance of this is provided by the overwhelmingly large subscriptions (Rs. 11.81 crores) offered for the Uttar Pradesh loan of Rs. 9 crores. The response to the Andhra Pradesh loan has also been very encouraging, even better than the response to the loans of such highly industrialised States as Gujarat, Maharashtra and Mysore. The West Bengal loan just scraped through; the total subscriptions amounting to only Rs. 3 lakhs in excess of the Rs. 7 crores called for. Is all this an indication of the fact that the investors in the State loans consider the prospects of development in the hitherto economically backward States more promising due to the regional bias in the country's planning?

It will be only prudent for the States and the Centre to depend on market borrowings to a great extent than has been envisaged under the Third Plan. There are reasons to believe that the borrowing programme of the Government can be exceeded if appropriate measures are taken towards this end. This should obviate the necessity of going in for higher taxation than the target stipulated, which, to see the Plan through, would apparently be required in view of the shortfalls that are expected on the resources front in the contributions to be made by small savings and surpluses from public sector enterprises. Larger market borrowings should also have a salutary effect on the price level in the country which is causing no small concern to the authorities and the consumers alike.

FROM THE CAPITAL'S CORRIDORS

SCRAP COMMITTEE'S REPORT

THE Union Government has released the report of the Scrap Committee constituted last year, along with the action taken by it on this report. The main recommendations of the Committee are:

(i) There should be an over-all quota for exports of scrap. Export of heavy melting scrap and No. 1 sheet cuttings, including main producers' skull scrap, should be completely banned. Export of other types of scrap, like 2, 2A and 3 class of sheet cuttings and high silicon sheet cuttings, should be freely permitted upto the overall ceiling. Export of turnings and borings should be permitted only at the discretion of the Iron and Steel Controller. So far as electric furnace skull scrap is concerned, there should be no ban on exports until the producers and furnace owners in this country are in a positions to utilise this scrap.

(In considering what the export policy for scrap during the current year should be, the Committee had taken into account the two opposing sets of considerations, namely, the importance of not losing foreign exchange earnings and provision of an incentive for raising the domestic collection of scrap. These considerations, it says, would indicate a liberal export policy. But if exports are allowed without restrictions and price and distribution controls are lifted, it is of the opinion that there may be a steep rise in domestic prices. This will not only affect the domestic production, particularly of billets, but may also affect the exports of steel castings and other steel products. On balance, the Committee has felt that it would be best to impose an overall quota on exports of scrap and to fix the quota at the same level as in 1961, namely, at a little over 4 lakh tons. If the Government finds that the domestic prices of scrap settle at relatively low levels, the Committee has suggested that further liberalisation of this quota may be considered. On the other hand, if the foreign demand for scrap, which at present is low, rises so that an upward pressure is exerted on domestic prices, the Government may either restrict the quota or levy an export duty.)

(ii) The present policy of no control on cast iron scrap, except for the stipulation that cast iron cuttings should first be offered to foundry Associations and then allowed for export if refused by them, should continue.

(iii) The restriction on the export of stainless steel scrap may be lifted since such scrap cannot, at present, be utilised in the country.

(iv) Imports of only certain categories of industrial and re-rollable scrap may be permitted at the discretion of the Iron and Steel Controller, Calcutta.

(v) Price and distribution controls on melting scrap should be removed altogether, while the control on industrial and re-rollable scrap should continue. The price control over all varieties of cast iron scrap should also be abolished.

(The Committee has reached the conclusion that since exports are to be quantitatively restricted, the primary reason for the existing price and distribution controls, namely scarcity, will largely disappear. It says that even today a large number of purchases are from other than the control source and the actual price paid for heavy melting scrap has been as high as Rs. 235 per ton. The consumers of melting scrap told the Committee that considerable amounts of scrap had been purchased outside the control. The Committee, thus, says: "If the supply position permits, it would obviously be preferable to let the normal trade channels handle the distribution of scrap and this, in fact, is necessary to develop a healthy scrap trading industry". The Committee further observes: "It is, of course, undeniable that the free market price of scrap will probably settle at a level somewhat higher than the controlled prices though, in the Committee's opinion, the free market prices are likely to be below the top prices paid for extra purchases of scrap in the past. Even if a moderate increase in price per ton does take place, it is not necessarily undersirable ..... Actual collection of scrap in India would appear to be far below the levels feasible and a higher domestic price would act as an incentive to better collections. Since scrap is such a valuable resource, this means of increasing collections should be tried ..... It should also be noted that an increase in the price of scrap should lead to a much smaller rise in the price of finished products since the cost of scrap forms a minor part of the costs of production, particularly in the case of castings. The price of castings is not controlled and either the producer or the consumer should easily be able to absorb the increase in the price of scrap. It is true that the price of billets is controlled, but the electric furnace owners can adjust the production between billets and castings in the manner that they find economical. The long-term objective of policy should be to encourage the production of castings and other quality products by the electric furnaces).

(vi) The present price and distribution controls for ingot moulds should continue.

(vii) The freight rate of scrap should be re-examined so as to encourage collection.

(viii) Since there will be a surplus rolling capacity in 1965-66, no new re-rolling mills should be set up.

(ix) Immediate expansion of electric furnace capacity upto the limit set by scrap availability should be considered. The furnaces should be distributed regionally taking into account the economic size of ten ton capacity following the method of continuous castings of billets.

(The Committee has expressed the opinion that sizeable surpluses will accrue in the first three years of the Plan, while in the last year, unless availability increases significantly, there will be a shortage of scrap. It is, therefore, very important that the planned expansion of furnace capacity should be set underway immediately. After calculating the foreign exchange cost per ton of installing equipment for continuous casting of billets, with an average life of 15 years, around Rs. 14 per ton, and correlating it to the net foreign exchange cost of exporting scrap and importing billets around Rs. 200 per ton, the Committee has opined that there is a very strong case for the immediate expansion of electric furnace capacity up to the limits set by scrap availability. New furnaces, which the Committee says should be distributed regionally, taking into account the economic size of 10 ton capacity, would help in improving and encouraging widespread collection of scrap. Some concentration of furnace capacity, the Committee thinks, is, however, inevitable since the choice of location will depend at least as much on the demand for end-products as on the sources of supply of scrap).

The Government has accepted the Committee's recommendations (i), (ii), (iv), (vi), (vii), (viii) and (ix).

As regards recommendation (iii), the Government proposes to further examine the quantum of utilisation of stainless steel scrap in the country, in consultation with the technical consultants of the Ministry of Steel and Heavy Industry. As regards recommendation (v), the Government has decided that prices and distribution control on all categories of scrap, other than fresh unused defectives detailed in part IA of the Scrap Schedule, re-rollable scrap (Part II of the Scrap Schedule) and ingot moulds in all forms should be removed.

The Committee has made the following estimates of the demand and availability of scrap during the current Plan period:

('000 metric tons)

	1961-62	1962-63	1963-64	1964-65	1965-66
Availability	762	854	889	962	1,072
Demand	371	471	577	878	1,258
Surplus (+) Deficit (—)	+391	+383	+312	+ 84	— 186

POWER SHORTAGE

During the first year of the Third Plan, the actual additional installed capacity for power generation created amounted to only 579.6 MW., as against a target of 604 MW. There was a shortfall of 98.4 MW. in the target fixed for this year for the total installed generating capacity. The delays occuring in the commissioning of the 50 MW. thermal set at Neyveli (Madras), the 23 MW. hydel set at Chambal (Rajasthan and Madhya Pradesh), the 15 MW. hydel set at Neriamangalam (Kerala), the 9 MW. hydel set at Tungabhadra Left Bank (2nd unit) (Mysore) and in the setting up of diesel sets with a total capacity of 1.4 MW. in the Union Territories accounted for this shortfall.

The Planning Commission's Working Group on Power, which recently investigated this slower-than-anticipated growth on the power front during the last year, has held the following factors to be responsible for the delays in the commissioning of the new power projects:

(1) **Delays in Release of Foreign Exchange:** There occurred delays in the release of foreign exchange and issue of import licences mainly because of the need to get clearance of the Development Wing from indigenous angle.

(2) **Shortages of Steel:** Although the general position regarding supply of steel improved slightly last year, certain categories of steel, such as plates, continued to be in short supply. Shortage of steel for power project was further accentuated by the distinction that continued to be made by the Iron and Steel Controller between the requirements of "core" and "non-core" projects.

(3) **Shortage of Cement:** The third important factor that hampered the construction work on the new power projects was the shortage of cement, arising out of the actual deliveries falling considerably short of the allocations made by the Regional Cement Controller. For various projects, allocations of transport were not properly co-ordinated with the allocations of cement.

(4) **Shortage of Explosives:** The work on the new power projects was also grievously hampered by the supplies of explosives being not adequate in some States. The overall shortage of explosives was created by stringent import policy in regard to this item while the expansion programme of ICI took time to materialise.

(5) **Inadequate Supplies of Equipment from Heavy Electricals:** The Heavy Electricals (India) Limited, Bhopal, also contributed its share in creating bottlenecks in the way of implementation of the plan for power. It probably accepted orders for equipment in excess of its present production capacity.

(6) **Organisational Defects:** In some States prevalance of two or three departments or organisations entrusted with the various phases of the power programme also created difficulties and delays in deciding on tenders (extending in some cases to over a year) and in proceeding with various components of projects. In some State Electricity Boards there was also a shortage of personnel (the personnel needed to be properly reinforced in regard to design of power stations, procurement of material and processing of power projects).

In the recent past, steps have been taken to remove most of these bottlenecks. As a result of this, it is envisaged that unnecessary delays in the execution of the power programme during the remaining years of the current Plan would be obviated to a considerable extent. The Ministry of Irrigation and Power is creating a special unit to devote undivided attention to watch the progress of power projects and for assisting the States in removing the bottlenecks, particularly in respect of procurement of steel, cement, coal, explosives and expeditiously arranging for them foreign exchange import licences and timely procurement of equipment from indigenous sources.

To mitigate the distress caused by power shortage to the new industrial units coming up in the country, the State Governments have been advised that when delays in the commissioning of the new power projects become known, their concerned prospective consumers should be kept informed of ths delays so that they might readjust their own programmes and plans. It has also been arranged that a representative of the Ministry of Irrigation and Power should be invited to attend the meetings of the Licensing Committee to watch this particular aspect. The State Governments have been requested to express a definite opinion regarding availability of power whenever they sponsor a new undertaking or a substantial expansion of an existing one involving demands of over 2,000 KW. to be licensed.

ADDITIONS TO THE THIRD PLAN POWER PROGRAMME

The following are the power schemes that have been included in the Third Plan after its finalisation. Their aggregate capacity is 500 MW.

(i) 125 MW.—Trombay in Maharashtra.
(ii) 50 MW.—Calcutta Electric Supply Company.
(iii) 5 MW.—Dishlrgarh Electric Supply Company.
(iv) 75 MW.—Durgapur Coke Oven Plant, West Bengal.
(v) 6 x 1.5 MW. package sets in West Bengal.
(vi) 2 x 50 MW. instead of 2 x 30 MW. at Barauni in Bihar.
(vii) 2 x 30 MW. for Kanpur.
(viii) 2 x 50/60 MW. at Satpura instead of 1 x 30 and 1 x 50/60 MW. in Rajasthan.
(ix) 30 MW.—Durgapur Steel Plant.
(x) 40 MW.—Koyna Dam Power House.
(xi) 20 MW. instead of 10 MW. at Kalakot in Jammu and Kashmir.

PARLIAMENTARY COMMITTEE ON PUBLIC UNDERTAKINGS

The following is the text of the Resolution which the Union Minister for Commerce and Industry had tabled in the Lok Sabha for sponsoring a debate on setting up a Parliamentary Committee on Public Undertakings and which was subsequently withdrawn due to

lack of unanimity between the two Houses of Parliament and persistent differences within the Congress Party :

"(1) That a Committee of this House to be called the Committee on Public Undertakings be constituted with ten members who shall be elected from among the members of this House according to the principle of propertional representation by means of the single transferable vote.

(2) That the functions of the Committee shall be—

(a) to examine the reports and accounts of the Public Undertakings specified in the Schedule ;

(b) to examine the reports, if any of the Comptroller and Auditor-General on the Public Undertakings ;

(c) to examine, in the context of the autonomy and efficiency of the Public Undertakings, whether the affairs of the Public Undertakings are being managed in accordance with sound business principles and prudent commercial practices; and

(d) such other functions as are at present vested in the Public Accounts Committee and the Estimates Committee in relation to the Public Undertakings specified in the schedule by or under the Rules of Procedure and Conduct of Business of this House as are not covered by clauses (a), (b) and (c) above :

Provided that the Committee shall not examine and investigate any of the following matters, namely :

i. matters of major Government policy as distinct from business or commercial functions of the Public Undertakings ;

ii. matters of day-to-day administration;

iii. matters for the consideration of which machinery is established by any special statute under which a particular Public Undertaking is established :

Provided further that with regard to the Public Undertakings specified in Part III of the Schedule, the Committee shall not adopt and pursue any procedures which are not consistent with the interests of security.

(3) That the Committee shall have the power to examine witnesses so however that such examination shall take place in the presence of the representatives of the Ministries concerned.

(4) That as from the constitution of the Committee, the Estimates Committee and the Public Accounts Committee shall cease to exercise their functions in relation to the Public Undertakings specified in the Schedule and steps shall be taken separately to make necessary amendments in the Rules of Procedure and Conduct of Business of this House.

(5) That the members of the Committee shall hold office for a period of five years :

Provided that one-fifth of the members shall retire every year by rotation and the members to retire by rotation every year shall be those who have been longest in office since their last election but as between members who were elected on the same day, those who are to retire shall be determined by lot.

(6) That in other respects the rules of this House relating to Parliamentary Committees shall apply with such variations and modifications as the Speaker may make.

Schedule

(List of Public Undertakings)

Part I

(Public Undertakings established by Central Acts.)

1. The Damodar Valley Corporation.
2. The Industrial Finance Corporation.
3. The Indian Airlines Corporation.
4. The Air India International.
5. The Life Insurance Corporation.
6. The Central Warehousing Corporation.
7. Oil and Natural Gas Commission.

Part II

(Public Undertakings which are Government Companies formed under the Companies Act)

Every Government company whose annual report is placed before the Houses of Parliament under subsection (1) of section 619A of the Companies Act, 1956, other than the Public Undertakings included in Part III hereof.

Part III

1. Hindustan Aircraft Ltd., Bangalore.
2. Bharat Electronics Ltd., Bangalore.
3. Mazagon Docks Ltd., Bombay.
4. Garden Reach Workshop Ltd., Calcutta.

IMPORT SUBSTITUTION

The high level expert Technical Panel on Import Substitution, decided to be set up by the Planning Commission under the chairmanship of Mr. G. L. Mehta, would have as its members Mr. S. Mulgaonkar, Dr. M. D. Parekh, Mr. S. L. Kirloskar, Mr. K. Sreenivasan, Dr. Lal C. Verman, Dr. G. P. Kane, Dr. B. D. Kalelkar, Mr. S. T. Thadani and a representative of the Planning Commission. Mr. K. Rajagopalan will be its secretary.

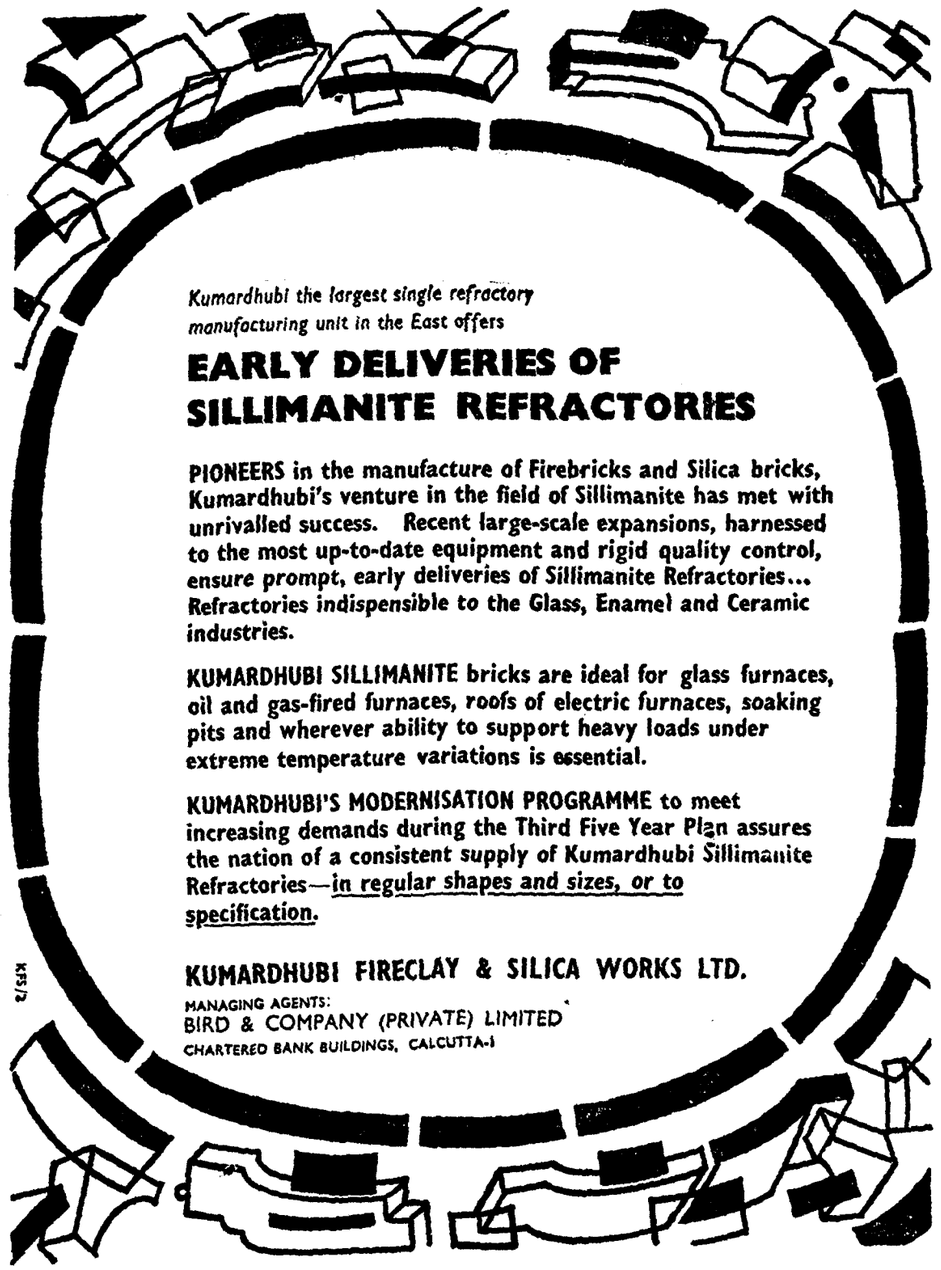
The panel will examine technical and other possibilities of replacing maintenance imports, formulating specific programmes and recommending appropriate measures in respect of specified industries. These industries are industrial machinery and parts (including boilers); cement machinery; paper-making machinery; dairy machinery and cranes; automobiles and ancillaries, including diesel and petrol engines; construction equipment, including pile driving equipment, earth moving machinery and agricultural tractors; railway rolling stock, equipment and materials; electrical industries; metal-working machines, such as rolling mills, foundry equipment, wire drawing machinery, machine tools, etc.; scientific and industrial instruments; substitutes for non-ferrous metals, fibres, rubber, tinplate, etc., and chemicals and dyes.

According to a Resolution of the Planning Commission, the Panel might make recommendations concerning individual industries as its studies are completed and might also submit interim reports. It might constitute special expert groups for evolving detailed proposals in co-operation with the industries concerned and might, for this purpose, co-opt such members to the Panel or to its experts groups as considered necessary.

RECOGNISING EXPORT HOUSES

The Union Government has adopted a revised scheme for recognition of export houses. Recognised export houses have been assigned an important role in the export promotion plans.

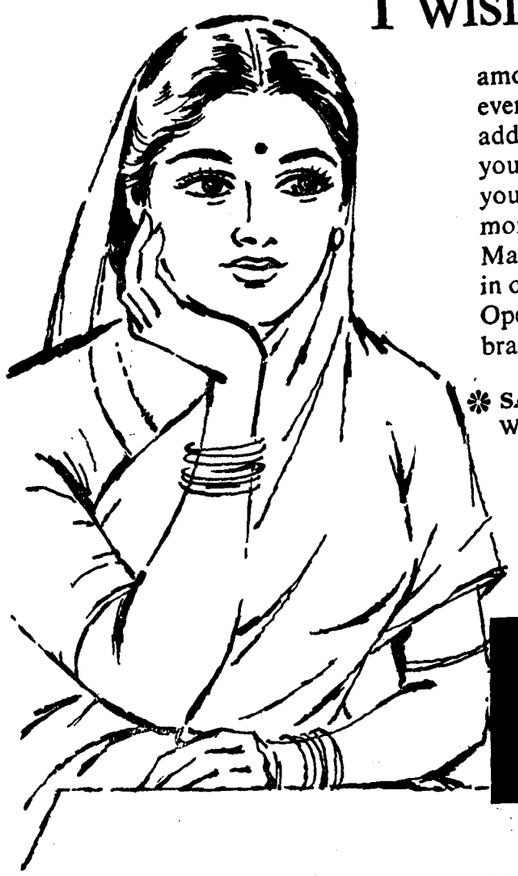
The Government will be prepared to consider according of recognition as an "Export House" to any



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I wish...
I wish....

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institution which satisfies the following conditions:

(a) It should be a company registered under the Companies Act, 1956.

(b) It should be dealing or proposing to deal in a wide range of articles, more specially for exports.

(c) Members of the "Export House" should have substantial standing and experience in export business; failing this, recognition may be on a provisional basis.

(d) It should have a broad programme of exports, which may include financing of production for export (including purchase of raw materials), market surveys, participation in fairs and exhibitions, advertising, opening foreign offices as may be approved by Government, after-sales service, warehousing and repacking in foreign countries etc.

(e) It should prepare and work out a plan of export; keep the Government informed periodically of the progress made in this direction; and set high standards in the performance of contracts for exports and, in particular, regarding maintenance of quality, adherence to specifications, delivery schedules etc.

Export houses recognised by the Government will be given adequate facilities to carry out export plans. Such facilities may, where appropriate and necessary, cover incentives to facilitate implementation of particular export plans including release of foreign exchange, assistance for establishing branches or agencies abroad and developing contacts with foreign buyers. The existing procedure of clearing such proposals from the Government of India or Reserve Bank of India will continue to be followed.

The continued recognition of an "Export House" by the Government will be subject to continued good performance on the part of the "Export House" and it will be open to the Government to withdraw such recognition, if in its opinion, an "Export House" has failed to perform quantitatively or qualitatively its functions in the field of exports.

Companies wishing to be recognised by the Government as export houses have to apply to the Directorate of Export Promotion with a copy of the Memorandum and Articles of Association and giving a broad export programme indicating the commodities and countries to which these exports are likely to be in large quantities and also the organisational and other steps proposed to be taken for this purpose. On being recognised as an "Export House" by the Government, the "Export House" will get itself registered as exporters with different Export Promotion Councils for the items covered by these Councils.

DEVELOPMENT WING'S REAPPRAISAL

The Boothalingam Committee set up by the Government to review the working of the Development Wing of the Ministry of Commerce and Industry, according to a statement issued by the Government, will examine the working of the Development Wing in the context of planned industrial development and make recommendations for improvement in—

(i) its structure and organisation;
(ii) the definition of its functions; and
(iii) its methods of working.

The Committee will consider inter alia the Development Wing's status and functions vis-a-vis the Ministry of Commerce and Industry, other Ministries of the Government of India and the Planning Commission, its relationship with industrial units, both in the private sector and the public sector, and its responsibility for the collection and collation of industrial statistics.

The Committee consists of four members, namely, Mr. S. Boothalingam (Chairman); Mr. N. C. Shrivastava, Adviser, Planning Commission (Member); Mr. S. S. Kumar, former Chairman of the Central Water and Power Commission (Member); and Mr. G. Ramanathan, Deputy Secretary, Department of Iron and Steel, Ministry of Steel and Heavy Industries (Secretary). It is expected to submit its report within a period of three months.

The setting up of this Committee follows the recommendation of the Estimates Committee in its 133rd Report on the Development Wing to the effect that since the Development Wing had functioned for a long enough time to necessitate a comprehensive review, its was prudent to institute this review with the purpose of not only to improve the working and efficiency of the Development Wing, but also to ascertain its exact impact on the industrial development of the country.

ALUMINIUM MANUFACTURE

The Government of India has issued a "letter of interest"—a new term coined for the issue of provisional licences to an industrial unit to allow it to process its manufacturing programme to a stage when a licence under the Industries (Development and Regulation) Act can be issued to it — to Hindustan Aluminium Corporation to step up its capacity by 30,000 tons to 50,000 tons per annum. Whether this expansion would be allowed to take place in the Third or in the Fourth Plan period will largely depend on the implementation of the other two aluminium manufacturing projects in the private sector.

It is regretted in knowledgeable circles here that the Mysore Aluminium Project is still facing heavy weather. Although the project depends on Maharashtra for its basic raw material, attempts, it is believed, are being made to bypass this State which under the scheme has been allocated 6 per cent share in its equity capital. The handling of the project is stated to be having unfortunate reactions on the foreign collaborator, Reynolds of the United States.

SHELL INTERNATIONAL'S NEW VENTURE IN INDIA

The Union Government has also agreed to issue "a letter of interest" to Shell International Chemical Company, of Great Britain, to manufacture 1,200 tons yearly of Isopropyl alcohol, 6,000 tons of acetone, 2,400 tons each of Diacetone alcohol and methyl isobutyle ketone, 840 tons byproduct polymers residual propane. The proposal envisages the use of Propylene gas from Burmah Shell Refineries in Trombay for establishing a plant for the manufacture of Isopropyl alcohol, acetone and other solvents. Technical know-how will be available from Shell International. Foreign exchange requirements will be met by 60 per cent equity participation by the overseas applicant. The balance capital will be offered to Indian companies.

India's demand for acetone is placed at 9,500 tons by 1965-66 and 18,000 tons by 1970-71. This includes conversion of acetone to other derived solvents like diacetone alcohol etc. Against the 1965 requirements of 9,500 tons of acetone, India has already licensed capacity of approximately 11,000 tons. Out of this, 1,500 tons capacity is in operation, but no effective steps have been taken so far for implementing the remaining capacity.

Shell International has indicated that it might be prepared to consider the payment of royalties involved as a lump sum and as a part of equity shares. Terms of collaboration with the overseas subsidiaries will be

subject to further consideration separately. Shell International will float a rupee company to undertake this venture. The "letter of interest" is a prelude to the issuance of a regular industrial licence which would be granted after the terms of collaboration have been approved by Government.

EXPANSION OF THE NEYVELI POWER STATION

Negotiations are stated to be in progress with the Soviet authorities for the supply of plant and machinery for the Neyveli thermal power expansion scheme which is expected to be implemented by the end of the current Plan period.

The scheme envisages stepping up of power generation at Neyveli to 4 lakh KW. When this potential is reached, 1.29 lakh KW. of power will be consumed by the industrial units included in this complex. After allowing for a stand-by unit for periodical overhaul, the net firm power which will be fed from this source into the Madras State Electricity Grid will be between 1.7 lakh KW. and 2.21 lakh KW.

COAL WASHERIES

The existing washeries of Hindustan Steel Limited are envisaged to be expanded during the current Plan period. Besides this, the National Coal Development Corporation is planning to set up six new washeries for coking coal and two new washeries for non-coking coal. Three of the NCDC's new washeries, however, are expected to come up only in the Fourth Plan period.

Two coking coal washeries are also planned to be set up in the private sector. Some of the public sector washeries are being linked with foreign credits; foreign technical assistance would be available for them.

THE BRNO TRADE FAIR

Holding a unique place among the trade fairs held all over the world so far as specialisation is concerned, the Fourth International Trade Fair to be held at Brno from September 9 to September 23 would be surpassing all the previous three such fairs held in this second largest city of Czechoslovakia not only in the wide range of engineering products that would be on display, but also in respect of the interest being shown by the participating countries from both sides of the Iron Curtain. As many as 41 countries, belonging to the European, the African, the American and the Asian continents, would be participating in this Fair, the prominent among them being the U.S.A., the U.K., West Germany, France, the Soviet Union, Poland, and the German Democratic Republic, besides the host country. India would be represented at this Fair by five leading concerns, two of them dealing with handicrafts, one with agricultural machinery, one with hides and skins and the remaining one with mica industry. Government of India is not officially taking part in the Fair, but this is due to the fact that an invitation from the Czechoslovak Government for its participation came rather too late. The Indian Government, however, is understood to have assured the Czech authorities that India would officially participate in the next Brno Fair.

About 50 Indians are expected to visit the Fair to study the latest techniques developed in the engineering industries. Two of these would be officials from Madras connected with the Heavy Boilers Plant to be set up at Trichy with Czech collaboration. Some of the Czech exhibits are envisaged to be sent to India after the Fair for utilisation in the setting up of the Heavy Machine Tools and Foundary/Forge plants at Ranchi and the Steam Turbines unit at Hyderabad. All these three plants are being set up in the public sector with Czech assistance. The Trichy Heavy Boilers Plant is still in the preparation stage. The equipment to be supplied to it, part of which would be on display at the Brno Fair, will, of course, be shipped later when required.

In the course of the Trade Fair, the Czechoslovak Scientific and Technical Society will be organising an international scientific and technical symposium.

Talks between India and Czechoslovakia for the extension of the current trade agreement between the two countries, which expires on December 31, 1962, are expected to take place next month. An Indian delegation is shortly leaving for Prague for this purpose. This year trade between India and Czechoslovakia is anticipated to go up to Rs. 40 crores, both ways. There is a proposal to step up this trade to about Rs. 100 crores in course of time. During the ensuing trade talks this aspect will obviously be borne in mind by the two parties. There is, thus, every possibility of providing for more trade between India and Czechoslovakia next year by the inclusion in the new pact of some more commodities that the two countries are in a position to export.

IN BRIEF....

Messrs. Engineering Developments Ltd., Calcutta, and the East Asiatic Company (India) Private Ltd., Bombay, hold licences under the Industries (Development and Regulation) Act for the manufacture of power-tillers, sometimes known as small tractors, of below 10 H.P. Neither of these companies, however, has yet gone into production.

*

A Bill has been introduced in the Rajya Sabha to enhance the rate of contributions under the Employees Provident Fund Act, 1952, from 6¼ per cent to 8 per cent of basic wages, dearness allowance and retaining allowance, if any, in cigarettes, electrical, mechanical and general engineering products, iron and steel and paper industries. Necessary notifications enhancing the rate of contributions from 6¼ per cent to 8 per cent of the total emoluments under the Coal Mines Provident Fund Scheme with effect from October 1, 1962, have also been issued.

*

A joint meeting of the Import Advisory Council and the Export Promotion Advisory Council will be held here on September 8, 1962.

*

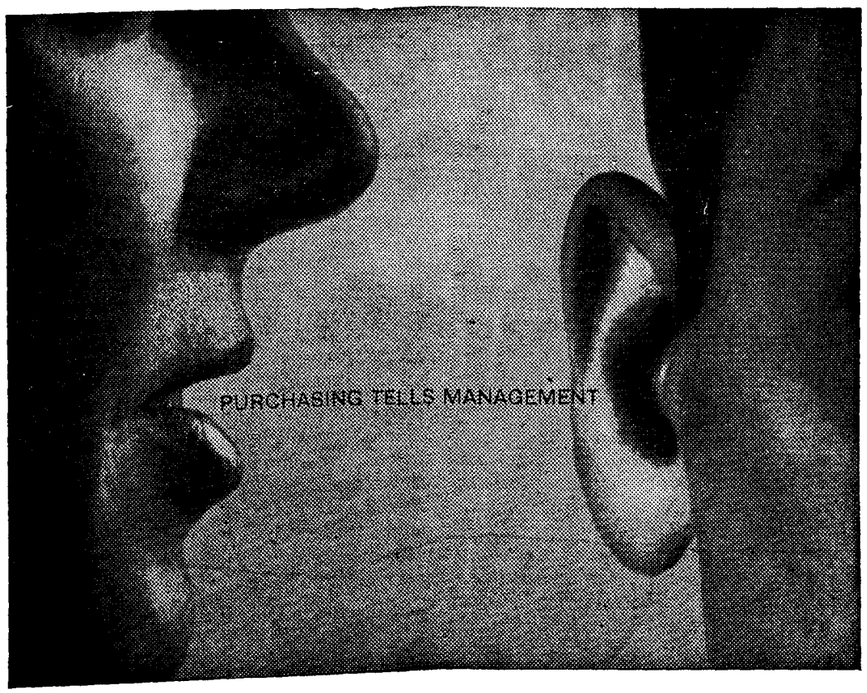
The Ministry of Commerce and Industry has set up a planning cell, under the chairmanship of Dr. Rao, to prepare its schemes for the Fourth Five-Year Plan.

*

Eighty cases of foreign collaboration were approved by the Government during the quarter ending June 30, 1962, as against 123 cases approved in the previous quarter. They included 23 arrangements with the United Kingdom firms, 11 with those of the United States, 13 with West German concerns, 6 each with French and Swiss concerns, 5 with Italian firms, 3 with those of Sweden and one each with Canadian and Norwegian interests.

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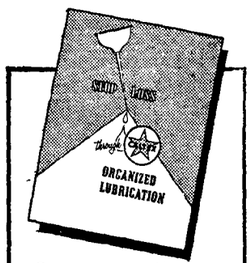
Till the end of August, 1962, as many as 461 "show cause notices" had been issued by the Government to industrial licensees. Till then, 129 industrial licences had been revoked and time-limit in respect of 62 had been extended. The largest number of "show cause notices" that have been served so far are to cotton textile licensees, followed by those holding licences for manufacturing machine tools, automobiles and automobile ancilliaries.



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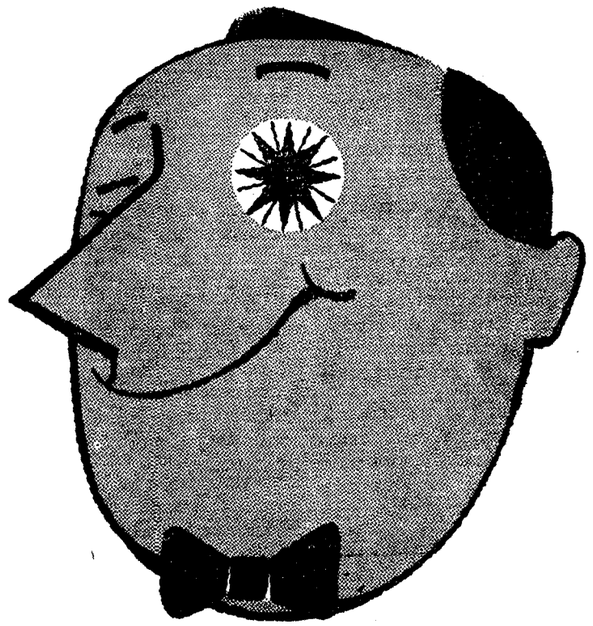
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NEWS IN BRIEF

INDIA

Provision has been made for setting up 80 new post offices in the Ladakh District during the current Plan period.

*

India has been allotted an export quota of 3,60,000 coffee bags for the year 1962-63 by the executive committee of the International Coffee Conference.

*

The NEFA administration has announced a programme of rehabilitating some 5,000 Tibetan refugees along the NEFA frontier. Model villages with suitable amenities will be built for this purpose.

*

India has been allocated an additional export quota of 497 short tons of sugar by the United States Agricultural Department.

*

The Union Government has established three land customs stations in the Western region of the Indo-Tibetan border.

*

The Union Home Minister will lay the foundation stone of a six-storey super-market in Connaught Circus, New Delhi, on September 10. The market will be equipped with escalators and lifts and will accommodate nearly 300 shops and commercial establishments. The construction work would begin this month.

*

Changes in the Iron and Steel Controller's organisation are being contemplated with a view to ensure better distribution of steel among the consumers.

*

Preliminary work in connection with the development of Tuticorin as a major all-weather port has been started.

*

The Government of Punjab plans to start 20 industrial training institutes in the State next year at an estimated cost of over Rs. 8 crores. Each of the 17 districts in the State will thus have at least two or three institutes, which will provide a two-year technical training to about 9,000 students.

*

A Press Institute for India affiliated to the International Press Institute, Zurich, will come into existence next year.

*

The Governing Body of the Indian Council of Agricultural Research has sanctioned 99 new projects and extended 112 projects at a total cost of Rs. 158 lakhs.

*

The Government of India is studying the offers of technical and financial collaboration from many foreign firms for the construction of the second ship yard in Cochin.

*

The Government of India proposes to establish five export promotion councils to cover the entire international trade area.

*

Three tea centres will shortly be opened in the UK and seven more in the European capitals and other cities as a measure to inculcate tea drinking habit among the people there.

*

The State-run NEPA newsprint and paper mills has plans to produce 60,000 tons of paper per annum during the rest of the current plan period as against the present annual production of 25,000 tons.

*

The Geological Survey of India plans to undertake an intensive study of the Diamond belt in Andhra Pradesh.

FOREIGN

The United States Government has granted a $42 million interest-free loan to Pakistan, to help her in importing basic commodities for the Projects included in Pakistan's Second Plan.

*

The Inter-American Development Bank has approved a $3,850,000 Social Progress Trust Fund loan to help finance the construction of 8,500 houses for low-income families in Brazil.

*

The West German Minister of Transport has announced a major plan for the expansion of the famous autobahn motorway network from 2,700 miles to 3,700 miles by the end of 1970. This project costing DM 13,000 million, will be undertaken simultaneously with further improvements in the federal highways network, involving the construction of 2,400 miles of new routes and 4,800 new bridges.

*

The United Steel Companies Ltd., Sheffield, has announced the installation of a plant for the continuous casting of steel in the Appleby-Frodingham Steel Company of Scunthorpe, Lincs., England. Built at a cost of £1 million, this plant, with an annual capacity of 250,000 tons of semi-finished products, is designed to cast continuously 9 in. square blooms in four strands simultaneously.

*

Brazil has joined a UNESCO-sponsored agreement on the free entry of education films, sound recordings, glass slides, wall charts, maps and posters.

*

British scientists of the Vegetarian Nutritional Research Centre, Hertfordshire, England, have developed a method for producing milk from outer cabbage leaves, pea pods and other greenstuffs. The centre is in close contact with the Central Food Technological Research Institute in Mysore who work along the same lines, but with groundnut instead of green leaves.

Commercial production in this line after the necessary period of further experiments could open a new chapter in the nutritional needs of under-developed countries.

*

The Soviet Union has provided a credit of $100 million for the construction next year of a big oil refinery in the Red Sea port of Assab, Ethiopia. The refinery will have an annual capacity of 500,000 tons of Petroleum.

*

The Nissan Automobile Company, Japan, will export 2,900 Blue Bird Small cars to Finland at a price of US $778 f.o.b. per car.

*

The first state-owned Tea factory of Ceylon was opened recently by the Minister of Agriculture and Lands. Built at a cost of Rs. 1,300,000 with local material, the factory has an annual production capacity of one million tons of tea.

*

Agreement was reached between two Yugoslav companies and the Ethiopian Ministry of Mines for the delivery of equipment worth $580,000 for the Adola gold mines.

COMPANY AFFAIRS

BIRLA JUTE

The Directors of the Birla Jute Manufacturing Company Limited indicate in their annual report for the year to March 31, 1962, that all the four units of the company worked efficiently throughout the year. The company had borrowed Rs. 33.3 lakhs from National Industrial Development Corporation for modernisation of its jute mill machinery. Although this loan was repayable in instalments upto July 1, 1974, it is indeed a measure of the company's economic strength that the whole of the loan was repaid in full in June, 1962. It can be concluded therefore that the company has done admirably well.

The conditions regarding raw jute continued to be difficult till the middle of September, 1961 and these mills had to reduce working hours and to block looms. The situation, however, changed as the crop for 1961-62 came in. Demand for jute goods has been extremely good since January 1962, may be due to increased world consumption. The jute industry, the Directors add, was able to work with larger capacity during this year. The prospects during the coming year also look quite bright. The Government of India has already permitted the mills to import the additional spinning machinery.

The company's cement plant at Satna worked smoothly throughout the year. The total clinker produced during the year was 2.14 lakh tons and the total cement produced was 2.51 lakh tons. The capacity of plant during the next year will rise from 750 tons to 1750 tons per day. Plant and machinery have already arrived and the plant will be put into commission about the middle of 1963.

The spinning mill for staple fibre also worked satisfactorily with an installed capacity of 30,000 spindles. The calcium carbide factory of the company, the Directors point out, started receiving power supply from the State Electricity Board which has enabled the furnaces to attain a combined output of 35 tons of carbide a day.

This year's surplus of the company was Rs. 160.28 lakhs. After the provision of depreciation (Rs. 63.62 lakhs), taxation (Rs. 42 lakhs), development rebate reserve (Rs. 4.33 lakhs) and general reserve (Rs. 17.82 lakhs), the Directors have recommended the payment of a dividend on ordinary shares of Rs. 10 each at the rate of Rs. 1.50 per share (15 per cent per annum). This will absorb Rs. 23.93 lakhs. After the payment of a dividend on preference shares, there will be a balance of Rs. 1.08 lakhs which is proposed to be carried forward.

UNIVERSAL ELECTRICS

The Directors of Universal Electrics Limited have submitted their first annual report for the period to March 31, 1962. The company was incorporated on February 3, 1961. The company has undertaken a project of manufacture House Service Meters in collaboration with Messrs. Mitsubishi Electric Manufacturing Co. Ltd., of Japan. A public issue of its capital was made in January this year and was over-subscribed in spite of the list being closed on the fourth day. Work at the factory site has since begun and at present the building is under construction. The plant is expected to commence trial production by the middle of next year. Other necessary arrangements are also being made. The expenditure as shown in the Balance Sheet under the heading "Construction Period Expenses" amounting to Rs. 62,28,449 will be allocated to the Fixed Assets on completion of the factory buildings and erection of the machinery.

ACC - VICKERS BABCOCK

The Third annual report of ACC - Vickers Babcock Ltd., for the year ended March 31, 1962, gives a very interesting reading. It is reported that the great part of construction work at Durgapur has been completed ahead of schedule. Although certain heavier machine tools have yet to arrive from abroad, it is expected that the initial construction programme will be completed and works fully equipped by the end of September, 1962. The company has received firm orders for the manufacture and delivery of boiler plant to the extent of an estimated value of Rs. 8.23 crores. Further projects are in hand and Directors are hopeful that orders for further 5 boiler units of the value of Rs. 7.5 crores will be received. Orders for cement-making machinery and ancilliary plants have also been received to an estimated value of Rs. 68.76 lakhs.

The Directors add that the company has issued 4,00,000 equity shares of Rs. 100 each against which payment has been made in full. During the year, First Mortgage Debentures of the face value of Rs. 3.3 crores were issued in favour of the State Bank of India as security against cash-credit arrangements of upto Rs. 3.3 crores. Seven per cent Third Mortgage Debentures of a total value of Rs. 2,02 lakhs (on which interest is not payable upto 31st March, 1964) were issued in favour of The Associated Cement Companies Ltd., Vickers Ltd., London, and Babcock & Wilcox Ltd., London, in the proportions of 50 per cent, 25 per cent and 25 per cent. Negotiations for the loan of £1 million Sterling from Babcock & Wilcox Ltd., London, or their Nominees are progressing and it is expected that this loan against the pledge of Second Mortgage Debentures will be made available before the end of the current year.

NEW ISSUES

Six companies are given consent by the Controller of Capital Issues to issue capital totalling Rs. 2.15 crores. Of these, two are banks and one is an insurance company. Two companies are issuing bonus shares. The consent of the Controller in all cases is valid for 12 months.

Jayanti Shipping Co. (Pvt.) Ltd., Delhi, is issuing Rs. 2 crores divided into 2,00,000 equity shares of Rs. 100 each, to be issued for cash at par. The proceeds of the issue will be utilised in paying off the balance of amount to the sellers of the oil tanker 'Adi Jayanti' and getting it released from mortgage.

The Panipat Woollen & General Mills Co. Ltd., Kharar (Punjab), having a paid-up capital of Rs. 10,51,984 will raise further capital of Rs. 3,12,630 divided into 31,263 equity shares of Rs. 10 each to be issued as bonus shares on capitalisation of the company's general reserve to a like extent.

Asian Distributors Ltd., Rajasthan, is issuing bonus shares of the value of Rs. 5 lakhs on capitalisation of reserves to a like extent.

Sri Mayuram Bank Ltd., Mayuram, is to issue capital of Rs. 2,54,000 in 2,540 class shares of Rs. 100 each, for cash at par. The proposed issue will strengthen its capital base.

Indian Mercantile Insurance Co., Ltd., will capitalise Rs. 4,23,060 from its reserves for the purpose of raising the paid-up value of 42,306 shares already issued from Rs. 40 per share to Rs. 50 per share.

The Chettinad Mercantile Bank Ltd., is to issue capital of Rs. 1,800 in 18 shares of Rs. 100 each, for cash at par, Rs. 60 per share paid-up. The proposed issue will strengthen its capital base.

THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS AND PERSONS INTERESTED IN THE MATTER ARE REQUESTED TO APPLY FOR A COPY OF THE PROSPECTUS FOR FULL DETAILS.

"An industrial 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 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."

"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 Head Office of the Company."

A copy of the Prospectus with the documents required to be attached thereto has been filed with the Registrar of Companies, Maharashtra, Bombay, for registration. Applications are invited only on the basis of the Prospectus, copies whereof may be obtained at the Registered Office of the Company, its Bankers, Underwriters and Brokers mentioned herein.

Application will be made to the Stock Exchange, Bombay, for admission of the Company's shares dealings on the exchange and for an official quotation.

CHITALE SUGAR WORKS LIMITED

AUTHORISED CAPITAL :

3,60,000	Equity Shares of Rs. 10 each	Rs.	36,00,000	
9,000	Cumulative Redeemable Preference Shares of Rs. 100 each, carrying a rate of dividend of 9.285% free of Company's Income-tax but subject to deduction of tax at source at the prescribed rates	Rs.	9,00,000	Rs. 45,00,000

ISSUED SUBSCRIBED AND PAID - UP :

1,48,250	Equity Shares of Rs. 10 each held by Chitale Agricultural Products Ltd., the Holding Company of this Company ..	Rs.	14,82,500	
9,831	Equity Shares of Rs. 10 each	Rs.	98,310	Rs. 15,80,810
352	Cumulative Redeemable Preference Shares of Rs. 100 each carrying dividend as described above			Rs. 35,200
				Rs. 16,16,010
	Less Calls unpaid			Rs. 300
	PAID - UP CAPITAL			Rs. 16,15,710

PRESENT ISSUE CONSISTS OF :

2,01,919	Equity Shares of Rs. 10 each	Rs.	20,19,190	
8,648	Cumulative Redeemable Preference Shares of Rs. 100 each, carrying a rate of dividend of 9.285% free of Company's Income-tax but subject to deduction of tax at source at the prescribed rates	Rs.	8,64,800	Rs. 28,83,990

TERMS OF PAYMENT :

	On Equity Shares of Rs. 10 each	On Cumulative Redeemable Pref. Shares of Rs. 100 each
On application	Rs. 5 per share	Rs. 50 per share
On allotment	Rs. 5 per share	Rs. 50 per share

UNDERWRITING

The whole of the above Issue of Equity and Preference Shares offered for public subscription has been underwritten by the Union Bank of India Limited, Bombay. There is no contract or arrangement entered into in respect of any preferential right to subscribe for these shares.

BOARD OF DIRECTORS :

Shri Murarji Jadavji Vaidya (Chairman) Businessman, Jadavji Mansion, 3, Cuffe Parade, Colaba, Bombay-5.

Director.

The Indian Rayon Corp. Ltd., Bombay.
The Polson Limited, Bombay.
The United Bank of India Ltd., Calcutta.
West Coast Paper Mills Ltd., Bombay.
Bhopal Sugar Industries Ltd., Sehore (M.P.)
Asian Cables Corp. Ltd., Bombay, etc.

Raje Malojirao Mudhojirao Naik Nimbalkar, Public Worker, At & Post: Phaltan, Dist. Satara.

Ex-Minister, Labour, Industry and P.W.D., Government of Bombay, Ex-President, Maharashtra Vibhag Congress Committee.

Lt. Cmdr. His Highness Iqbal Mohammed Khan, Nawab of Palanpur, Windmere, New Cuffe Parade, Colaba, Bombay-5.

Director

Asian Cables Corp. Ltd., Bombay.
Indian Aluminium Cables Ltd., New Delhi.
Rohit Pulp & Paper Mills Ltd., Bombay.
Indian Rubber Regenerating Co., Ltd.

Shri Limjee Kaikhushroo Panday Member, Stock Exchange, Kilachand Bldg. 45/47, Apollo Street, Bombay-1.

Indian Rayon Corp. Ltd., Bombay.
Travancore Electro Chemical Industries Ltd., Kerala.
United Wire Ropes Ltd., Bombay.
Freight Carriers Pvt. Ltd., Bombay. etc.

Shri Ganpatrao Deoji Tapase Public Worker, 71/2, Jahangir Bldg., Hughes Road, Bombay-7.

Ex-Minister for Backward Classes, Industry, Rehabilitation, Housing, Local Self Government, Bombay. Member, Rajyasabha.

Shri Chaturbhuj Vithaldas Jasani, Businessman, Gondia, Dist. Bhandara, (Maharashtra State).

Rice Mills, Tendu Leaves, Agriculture.

Shri Dattatraya Ramchandra Naik, Landlord & Merchant, Sitaram Building, Crawford Market, Bombay-1.

Director

Chitale Agricultural Products Ltd., Bombay.
Chitale Syrups & Allied Products Ltd., Bombay.
Dattatraya Industries Pvt. Ltd., Poona
Dhootpapeshwar Industries Ltd., Panvel.

Shri Govind Dattatraya Modak, Business, Sangli Bank Building, 296, Bazargate Street, Bombay.

Modak & Modak.

Mrs. Leelabai Ganesh Khare, Social Worker & Writer, Pallonji Mansion, Colaba, Bombay-5.

Chitale Agricultural Products Ltd., Bombay.

Shri Shrikrishna Dattatraya Chitale, Merchant, Flat No. 8, 'Fair Field', Churchgate Reclamation, Road No. 4, Bombay-1.

Chitale & Company Pvt. Ltd., Bombay.
Chitale Agricultural Prod. Ltd., Bombay.
Chitale Syrups & Allied Products Ltd., Bombay.

Shri Waman Dattatraya Chitale, Ex-Officio Director, Sugarcane Expert & Merchant, At & Post: Chitalenagar, Dist. Sholapur.

Chitale Agricultural Products Ltd., Bombay.
Chitale Syrups & Allied Products Ltd., Bombay.
Chitale & Company Pvt. Ltd., Bombay.

BANKERS

The State Bank of India, Bombay-1.
The Bank of India Ltd., Bombay-1.
The United Bank of India Ltd., Bombay-1.
The Union Bank of India Limited, Bombay-1.
The Central Bank of India Ltd., Bombay-1.
The Punjab National Bank Ltd., Bombay-1.
The United Western Bank Ltd., Bombay-1.

AUDITORS

Messrs. Kirtans & Pandit, Poona-2.

LEGAL ADVISERS

Messrs. Ramanlal & Himatlal, Solicitors, Bombay-1.
Shri J. L. Joshi, B.A. LL.B., Bombay-7.

UNDERWRITERS

The Union Bank of India Limited, Apollo Street, Bombay-1.

MANAGING BROKER

Shri L. K. Panday, Kilachand Building, 46/47 Apollo Street, Bombay-1.

BROKERS TO THE ISSUE

BOMBAY

Batlivala & Karani, Union Bank Building, Apollo Street, Bombay-1.

P. H. Subramnyam, 70/A, Stock Exchange New Bldg., Apollo Street, Bombay-1.

Chimanlal J. Dalal & Co., 107, Stock Exchange New Bldg., Dalal Street, Bombay-1.

J. R. Motishaw & Company, 32, Apollo Street, Bombay-1.

Mahadevia Bros., Stock Exchange Old Bldg., Dalal Street, Bombay-1.

CALCUTTA

M/s. G. M. Pyne, Allahabad Bank Bldg., 14, India Exchange Place, Calcutta-1.

Place, Siddons & Gough Pvt. Ltd., 6, Lyons Range, Calcutta-1.

DELHI

Raj Paul Chadha & Co., Delite Cinema Building, Asaf Ali Road, New Delhi.

K.B. Malik & Company, 7, Prem House, Opp. Odeon Cinema, Connaught Place, New Delhi.

P.S. Khambete & Company, M/45, Connaught Circus, New Delhi-1.

Desh Bandhu Gupta & Company, 45, Stock Exchange Bldg., Asaf Ali Road, New Delhi.

Raja Ram Bhasin & Company, 13, Stock Exchange Building, New Delhi.

MADRAS

Patterson & Co., 22, Errabalu Chetty Street, Madras-1.

Maconochie & Company, Mercantile Bank Building, Madras-1.

Chitra & Company, 322/323 Linghi Chetty Street, Bombay Mutual Bldg., Annexe, Madras-1.

AHMEDABAD

Chinubhai Chimanlal Dalal, Manek Chawk, Ahmedabad.

M/s. Chimanlal Lalbhai, Manek Chawk, Ahmedabad.

BANGALORE

M. Nanjappaiah Jehgirdar, 181, Cavlry Road, Bangalore-1.

MANAGING AGENTS

Messrs. Chitale & Company Private Limited, 31, Western India House, Pherozshah Mehta Road, Fort, Bombay-1.

Registered Office : 31, Western India House, Pherozshah Mehta Road, Fort, Bombay-1.

OBJECTS OF THE COMPANY

The Company was incorporated for establishing a Sugar Factory at Chitalanagar in District Sholapur (Maharashtra State), at a distance of 90 miles from Poona. The factory having a crushing capacity of 800 tons of sugarcane per day will produce approx. 1,38,000 bags of sugar by crushing about 1,20,000 tons of sugarcane during an average crushing season of 150 days.

PROGRESS MADE BY THE COMPANY

Construction of the main Factory Buildings has been already completed. After proper investigation the bulk of the plant and machinery has been purchased from indigenous sources at comparatively cheap prices thereby bringing down the capital cost to a considerable extent. The experts have opined that the selection of the machinery has been well planned, and efficiently made with modest capital cost. The Company has already spent Rs. 63,90,000 towards the project.

START OF PRODUCTION

As the construction of the Buildings and the erection of the machinery have reached an advanced stage, the Company expects to go into production during the manufacturing season of 1962-63.

LOCATION AND ITS ADVANTAGES

The Factory is ideally situated at Chitalenagar, in frost free canal zone. The supply of water is abundant and labour comparatively cheap. The supply of sugarcane in the neighbouring areas is quite adequate with an average yield of about 50 to 60 tons of sugarcane per acre and an average sugar recovery of about 11½ per cent to 12 per cent, the yield and recovery both being reckoned as amongst the highest in India.

There is a ready market for sugar in the area surrounding Chitalenagar which obviates necessity of long distance transport.

LOAN FROM INDUSTRIAL FINANCE CORPORATION

After a very careful study of the Company's project the Industrial Finance Corporation of India has sanctioned a loan of Rs. 32 lakhs on the first mortgage of the fixed assets of the Company, and has already paid an interim loan of Rs. 20 lakhs.

MAHARASHTRA AGRICULTURAL LANDS (Ceiling on Holdings) Act 1961

The Company is not covered by the provisions of the above mentioned Act as it does not have sugarcane plantations of its own.

ESTIMATED CAPITAL OUTLAY, AND FINANCIAL REQUIREMENTS

Particulars	Expansion incurred	Expansion to be incurred	Total	Other financial requirement
	Rs.	Rs.	Rs.	Rs.
(1)	(2)	(3)	(4)	(5)
1. Expenditure on Land & Buildings, Plant and Machinery etc.	63,90,000	20,91,000	84,81,000	
2. Margin for working capital	Nil	5,00,000	5,00,000	
3. Expenses of this issue	—	—	—	1,27,000
4. Repayment of dues to Holding Company	—	—	—	23,78,000
5. Repayment of dues to sundry creditors	—	—	—	1,38,000
TOTAL	63,90,000	25,91,000	89,81,000	26,43,000

FINANCIAL RESOURCES

It is proposed to raise the above amount of Rs. 25,91,000 and Rs. 26,43,000 totalling Rs. 52,34,000 from the following resources :

	Rs.
1) Proceeds of this issue	28,83,990
2) Balance amount of the loan from Industrial Finance Corporation of India	12,00,000
3) Borrowings from Banks and others ..	11,50,010
TOTAL	52,34,000

The Holding Company has assured this Company that it will make available to this Company adequate sums towards any unexpected increase in the estimated capital cost of the project if any, or towards working funds that may be required over and above borrowings from Banks, out of its loan of Rs. 23,78,000 proposed to be repaid by this Company, as shown above.

SCOPE AND PROSPECTS

The Industrial Licence granted to this Company is so far the last in the private sector in the State of Maharashtra, as further licensing of new units has been suspended.

With growing population of the country, demand for sugar is continuously increasing. The demand for sugar will further increase with exports rising.

During the last year India produced about 27.10 lakh tons of sugar against a target of sugar production of 35 lakh tons at the end of the Third Five-Year Plan. There is, thus a wide gap to be filled. With exports growing and internal consumption of sugar increasing, experts believe the present surplus position of the sugar stocks is likely to be a temporary phase.

ESTIMATED PROFITS

On the basis of existing prices and manufacturing cost arrived at after careful investigation, and also after considering the substantial savings effected in capital outlay, it is estimated that in the absence of any unforeseen circumstances, the Company will be in a position to provide an attractive return to the shareholders. As the plant is expected to go into production during the manufacturing season of 1962-63, it is expected that the Company will earn profits earlier than similar new units which usually take about 2 to 3 years to start operation.

UNDERWRITING COMMISSION AND BROKERAGE

The underwriters will be paid an underwriting commission of 2 per cent on the face value of the shares in terms of the underwriting agreement with them.

Brokerage at the rate of 1 per cent will be paid on all allotments made in respect of applications bearing the stamp of a Bank or a recognised broker including the Managing Broker. Brokerage on the same basis is payable to the underwriters, in addition to the underwriting commission, on all allotments in respect of applications made or procured by them and bearing their rubber stamp.

No commission and/or brokerage will be payable to the Underwriter, Managing Broker, Brokers or Bankers to this issue in respect of shares which may be allotted to Chitale Agricultural Products Limited, the Holding Company of this Company.

APPLICATION FOR SHARES

Application for shares should be made on forms accompanying the Prospectus and should be sent before the closing date of the subscription list to the Bankers of the Company at their Head Office or any of their Branches in India or the Managing Broker or Brokers to this issue or to the Registered Office of the Company, duly accompanied by the amount payable on application. Up-country drafts or cheques should not include Bank Charges, as the Collection Charges will be borns by the Company.

THE SUBSCRIPTION LIST WILL OPEN AT THE COMMENCEMENT OF BANKING HOURS ON 12TH SEPTEMBER, 1962 AND WILL CLOSE AT THE CLOSE OF BANKING HOURS ON 19TH SEPTEMBER, 1962 OR LATER AT THE DISCRETION OF THE DIRECTORS.

Company Meetings

THE SOUTH MADRAS ELECTRIC SUPPLY CORPORATION LTD.
TIRUCHIRAPALLI

Address delivered by Sri K. A. P. Visvanatham, Chairman, at the 22nd Annual General Meeting of the Company held on 30th August, 1962.

It is my privilege to once again preside over and welcome you to an annual general meeting being the Twenty-second meeting.

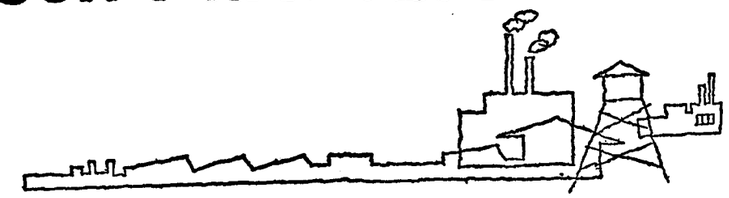
Since we met last year about this time, I am glad to say that we have generally done well as would have been revealed to you by the Directors' Report, the Auditors' Report on the accounts, the Balance Sheet and the other statements which have been in your hands for sometime now and which I have no doubt have had your careful scrutiny and attention. I therefore will take these documents as read and will invite your comments on them after the close of this address.

As has been mentioned in th Directors' Report, we executed capital extensions to the value of nearly Rs. 20 lakhs, which I consider a fair and satisfactory achievement. At the same time, I hasten to add that the demand for electric power is so great that there is yet a large measure of dissatisfaction from the unsatisfied applicants for agricultural and other categories of power, a state of affairs which, while causing us a lot of mental exercise, is from the national point of view a healthy sign being an index of the rate of growth of our prosperity.

The Government of Madras were pleased to give us loans to the extent of Rs. 15,24,634 for executing rural schemes in the year under review. We proposed to execute all these schemes in the current year besides urban extensions and system improvements to the extent of Rs. 10 lakhs from our internal finances.

It is the declared policy of the Madras Government to electrify all the villages in the State in this plan period and we have agreed to wholeheartedly participate in this venture, by accelerating and executing construction programmes on the one hand and also by handing over to the State Electricity Board such parts of the area which are more contiguous to their expansion plans. We have also submitted to the Government of Madras that the loan assistance should be substantially increased to meet the demands of such an enlarged programme of work and we expect that this request will

JENSON & NICHOLSON-1962



PAINT AT WORK FOR INDUSTRY

J & N's FIRST PAINT WAS AN INDUSTRIAL COATING

—a glossy, lustrous varnish called 'Japan Black' It was used to paint 'society' carriages—the status symbol of 19th century London. Little did John Jenson suspect in 1821 that his Japan Black was destined for fame. It was to become the forerunner of a varied range of J & N coatings. Today, J & N can meet any industrial need.

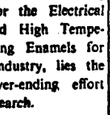
APPLYING THE THREE 'R's' AT J & N

Range.....Reliability.....Resourcefulness—words which thoroughly sum up J & N's service to industry. The *range* is exhaustive—it extends from finishes for folding chairs to marine paints for ships; from polychromatic enamels for typewriters to non-yellowing whites for fans. *Reliability* is as much part of a J & N coating as the shade of colour—the happy result of J & N's achievements as Solventless Insulating Varnishes for the Electrical Industry and High Temperature Stoving Enamels for the Cycle Industry, lies the tireless, never-ending effort of J & N research.



WHEN MR. A WANTS TO PRODUCE A MORE ATTRACTIVE FAN...

...he approaches the J & N Technical Advisory Service. Mr. A's problem is simply stated: he wants to improve the finish of his product in appearance and durability. One of J & N's Industrial Representatives—an experienced chemist—visits the factory and discusses the entire problem. He may make recommendations on the spot, or return to the laboratory and work out a detailed plan. The scheme accepted, the representative supervises application at Mr. A's factory till he is satisfied that a more attractive fan has been produced. If *you* have a paint problem, call, write or 'phone J & N.



NOT JUST ANYONE'S CUP OF TEA !

A number of conventional treatments were tried and found wanting. Much time was wasted. A lot of money was spent. The Tea Industry had a paint problem and it wasn't just anyone's cup of tea ! Then they were introduced to EPILAC...The trade name for a range of outstanding Epoxy based industrial coatings, Epilac is noted for toughness, adhesion, good gloss retention and resistance to staining, heat and chemicals. When the Tea Industry required coatings which could be successfully used for cement floors, machinery etc., J & N recommended Epilac. It suited the industry to a 'T'. Write to Jenson & Nicholson at 2 Fairlie Place, Calcutta 1, for your free copy of the booklet 'Paint For The Tea Industry'

J & N PAINTS = $...£...₹

Keenly aware of the country's need for foreign exchange, J & N contributes to the national effort by providing specialised coatings to exporting industries. Almost all cycles exported are finished with J & N products. Sewing Machines...Electric Fans...Insulating Cloths...all kinds of manufactured goods carry J & N coatings to foreign markets.

In this challenging period of economic expansion, J & N continues to play an increasing role in providing India's new and growing exporting industries with the indispensable components they must have.

Do you often SEE RED ?
In which of J & N's shades ?

century-old policy: quality first ! J & N's *resourcefulness* has led to coatings like the popular rivelling enamel, with its wrinkled finish, so often found on cameras, office equipment etc. Equally ingenious is the polychromatic finish which reflects light in all directions. At J & N, the phrase 'paint is one of the lubricants of industry' finds practical outlet.



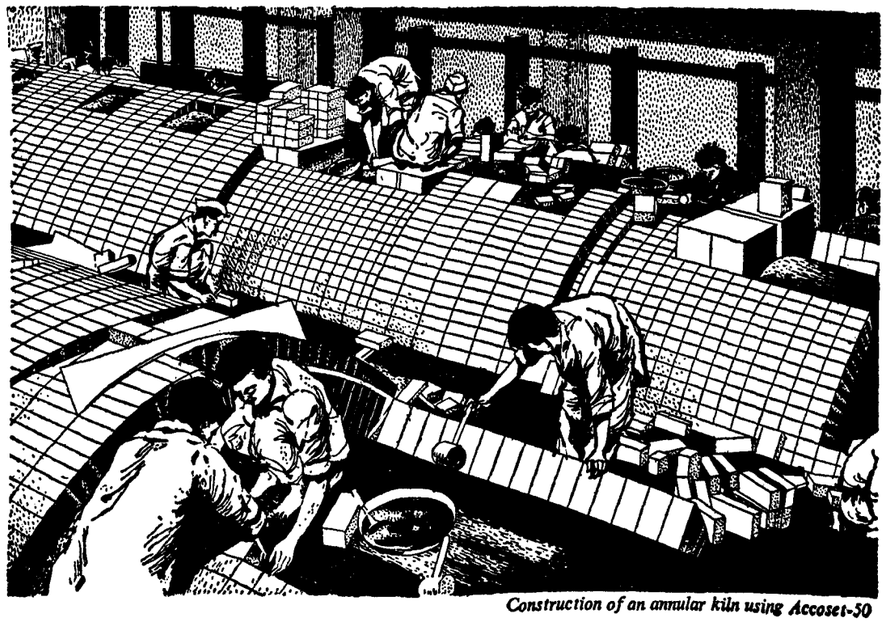
RESEARCH PRODUCES RESULTS

The research laboratory at the J & N factory near Calcutta is geared to a fine degree of up-to-the-minute efficiency. When necessary, it draws upon the pooled knowledge of J & N laboratories abroad. Behind such



EPILAC Primers and Finishes are outstanding for their toughness, adhesion, high gloss and resistance to staining, heat and chemicals. Backed by J & N's world-wide experience, EPILAC is one of a number of coatings specially formulated by J & N to meet the needs of Indian Industry.
Specify EPILAC Primers and Finishes for
- Excellent adhesion to the most difficult surfaces
- Toughness comparable to vitreous enamels
- Flexibility and impact resistance not found in other types of industrial coatings
- Exceptional chemical and electrical resistance, particularly in alkaline conditions.

QUALITY SELLS J & N COATINGS



Construction of an annular kiln using Accoset-50

ACC'S REFRACTORY CEMENT

ACCOSET-50

makes linings and joints as strong as the firebricks themselves

Composed of finely ground plastic clays, high alumina burnt refractory materials and special chemicals, **ACCOSET-50** gives good bonding strength and high heat resistance. Once it is dried and burnt **ACCOSET-50** becomes *one with the bricks.*

YOU CAN USE ACCOSET-50

for jointing, repairing and patching
for bonding and laying firebricks of any shape
for protective wash for furnace walls and floors
for monolithic and rammed linings

ACCOSET-50 — your refractory monolithic cement that makes strong joints to improve furnace thermal efficiency

ACCOSET-50 — saves your time, saves your money.

Technical literature sent free on request.

For your requirements of **ACCOSET-50** *contact*

THE CEMENT MARKETING COMPANY OF INDIA LTD.
Bombay • Madras • Calcutta • Delhi • Kanpur • Patna • Indore
Ahmedabad • Secunderabad • Bangalore • Coimbatore

ACC
the hallmark of top quality cement

THE ASSOCIATED CEMENT COMPANIES LIMITED
The Cement Marketing Company of India Limited

JWT-CHL. 4031

receive the Government's sympathetic consideration.

Position as regards construction materials like poles, conductors and cement has not been too good and these contributed in some measure to delays in construction. But our Managing Agents & Chief Engineers have been alert and have risen to the occasion by scouting round and securing substitute materials wherever possible. I have every confidence that with their ingenuity and enthusiasm our Engineers can fulfil any reasonable programmes we place before them.

We had a short spell of grave power shortage towards the end of June, 1962. This was on account of the delayed onset of the monsoon. Fortunately the crisis was over in a few days, thanks to rains. It is a matter for gratification that one 50MW. set of the Neyveli Lignite Corporation has been put into commission recently. We are informed that the storage position in most of the hydro-electric reservoirs is satisfactory and with the expected commissioning of further power plant at Neyveli in the course of this year, we may not be put to any inconvenience this year. It is however pertinent to point out that the demand for power far exceeds the pace of development throughout the country and this critical race between demand and supply is bound to be there, in spite of the vast and ambitious power development programmes envisaged in the Plan. You would have read in the papers of power shortages in Delhi, Bombay as well as Calcutta areas. I think we got out of the trouble much earlier than the others.

In this context, I would like to pay a special tribute to Sri V. P. Appadurai, who has been the architect of the Madras State Electricity development over the last decade and has been a worthy successor to such stalwarts as Sri Henry Howard and Sri G. Sundaram. He is doing a wonderful piece of work and has successfully placed the Madras State in the forefront of all the Indian States (why all the Asian countries!) in rural electrification and in the planned development of the State's power resources. He has been recently elevated to the position of the Chairman of the Madras State Electricity Board and I would like to tender to him on your behalf and mine our sincerest good wishes and many years of association with the Madras State Electricity Board as its chief administrator.

Besides leading in rural electrification, this State had also the reputation of having had the lowest tariffs in the Republic for electricity supply to industries in particular and comparably advantageous tariffs for agricultural and domestic lighting. This position is likely to suffer a setback now—I mean the enviable status as a producer and seller of cheap power—in view of the costlier thermal power that has to be injected into the power system from Neyveli, Madras and Madurai thermal stations. We should be prepared to accept soon, increases in all tariffs and I may say that this is inevitable, if we take into account the enormous increases in cost of construction and management.

The Government have also decided to levy a graded tax on the electricity supplies made to different classes of consumers, to augment the resources of the State mainly to meet the capital requirements in the plan period. This proposed levy has been received by the consumer-public with mixed feelings—the industrial consumers feeling particularly apprehensive, as even with cheap power they have been at a disadvantage when compared to manufacturers of the Bengal area. I sincerely hope the Government will take cognisance of these indications and afford whatever relief is possible in the interests of industrial growth.

The long standing disputes with the Income-tax authority, which related mainly to rates of depreciation on fixed assets were settled in our favour by the Income-tax Appellate Tribunal; but the Income-tax authorities have appealed against these decisions to the High Court. I should imagine that this will take some further considerable time for a decision to be reached.

Relationship with consumers and power supply applicants has been satisfactory in spite of the inevitable delays in extending supplies to villages. The Directors and the executive of the Company have been constantly exercising their minds as to how best to improve consumer services and accelerate supplies. (If in spite of their efforts there are delays, I appeal to the consumers for patience with the assurance that every effort will be made by us to serve them better and these delays are mainly because of the enormous demand which necessarily involves a planned execution of schemes.)

The Company has made a special appropriation of Rs. 1,21,600 this year also (making up the total of such appropriation to Rs. 2,47,600) for augmenting the Company's capital resources. The appropriation is with reference to the suggestion given by the Federation of Electricity Undertakings of India as a result of their talks with the Government of India and is subject to approval by the Madras Government.

The Federation of Electricity Undertakings has also been ceaselessly working to get some of the stringent provisions of the Electricity Supply Act relaxed or modified so that profitability in Electricity investments is made more attractive to enable private capital to flow in, in a larger measure. I hope this effort will succeed. The indications are, the Government of India are sympathetic and are appreciative of the need of some such measure if capital is to be attracted to the supply industry.

At the level of the Government of Madras, the fact that Sri R. Venkataraman has been assigned charge of Electricity besides industry augurs well for both. He has been an outstanding success as Minister of Industries in placing Madras truly on the industrial field. He is fully aware and conscious of the role played by electricity as a tool to industry and I have no doubt that as Electricity Minister he will bring to bear his unbounded enthusiasm to increase our power resources and power distribution and have always a soft corner "for the private sector" which promises to implement his programmes.

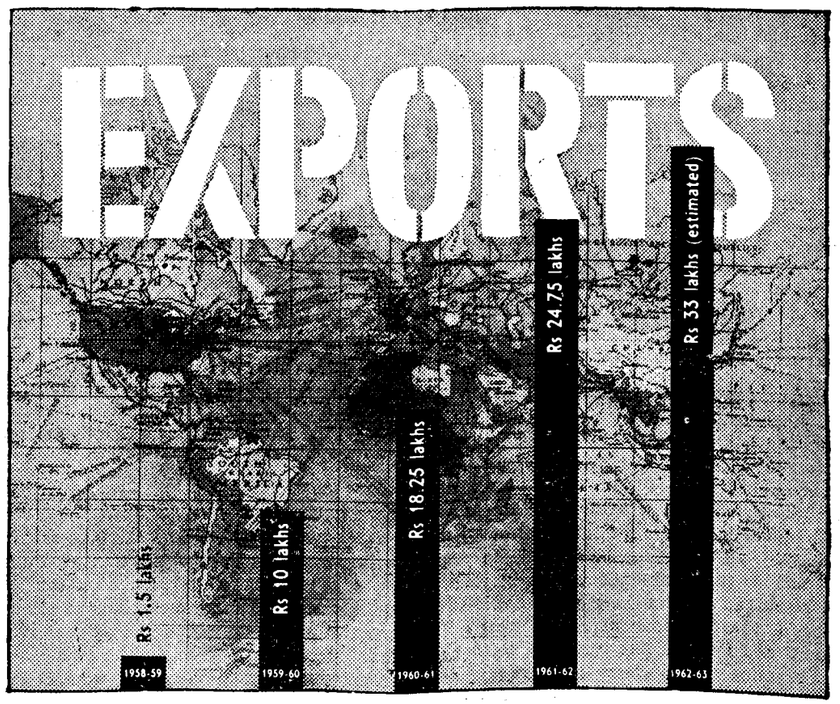
Your Directors have recommended to you for consideration a slight increase in dividend making up 10 per cent for this year as against 9 per cent in the previous years. This has been possible due to slightly increased earnings and I hope we will be able to keep this up in future years.

The Company's staff have been as usual hardworking and devoted to their duties and relations with the Workers' Union have been cordial. I take this opportunity to thank all ranks of staff for their rewarding work.

I would also like to record my sincere thanks to the Managing Agents for their continued and efficient services and take this opportunity to congratulate Mr. H. K. Ramaswami, the Director of the Managing Agents in charge of the South Madras Electric Supply Corporation Ltd., on his nomination by the Government to the Electricity Board's Consultative Council, to represent electricity supply undertakings. I also thank the Government for having selected the right person for the post.

I now move that the Directors' Report, the Auditors' Report and the Balance Sheet as on 31-3-1962 and the Profit and Loss Account for the year ended 31-3-1962 be approved and adopted.

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



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RUBY GENERAL INSURANCE CO., LTD.

Speech delivered by Shri B. M. Birla, Chairman, at the Twenty-sixth Annual General Meeting on Thursday, the 30th August, 1962.

Gentlemen,

It gives me great pleasure to welcome you to the Twentysixth Annual General Meeting of the Company. Your Company was established in the later part of the year 1936 and has thus completed 25 years of its working at the close of the year under review. A study of the progress of the Company during these years will reveal that there has been very satisfactory progress in its all-round activities and the Company occupies today the position of one of the leading Insurers in the country.

The figures given below depict the growth of the Company during the past decade. The net premium has increased from Rs. 74,24,000 in 1951 to Rs. 1,81,80,000 in 1961 which is an increase of 246 per cent.

Net Premiums	1951 Rupees	1961 Rupees
Fire	22,51,756	71,99,127
Miscellaneous Accident ..	39,07,657	94,02,600
Marine	12,64,536	15,78,516
TOTAL ..	74,23,949	1,81,80,243
CAPITAL AND FUNDS ..	79,48,263	1,56,98,056

FIRE DEPARTMENT :

The Fire Premium Income for the year amounts to Rs. 71,99,000 as against Rs. 75,50,000 during the year 1960. The working has resulted in a profit of Rs. 16,13,000 as against Rs. 4,99,000 in the previous year. The Reserves have increased from Rs. 34,19,000 to Rs. 35,99,000.

The Fire Premium rates have again been reduced considerably from July this year by the Tariff Committee. The last rate reduction was from January, 1960 and there seems to be hardly any justification for any further cut so soon. The Indian Insurers are passing through a period of transition and they should be allowed to build up their Reserves, so that they can serve the country in a better way as strong units. They can meet catastrophic losses only if they have satisfactory reserves.

MOTOR AND MISCELLANEOUS DEPARTMENT:

The net premium in this department has increased from Rs. 87,38,000 in 1960 to Rs. 94,02,000 in the year under review with a corresponding increase in the Reserves from Rs. 43,69,000 to Rs. 47,01,000. It is a matter of some satisfaction that this Department which has always been showing heavy losses has this year shown only a small loss of Rs. 39,000. The policy of cautious underwriting being followed by the Company may show better results in future.

The Insurance Association should give more encouragement to the careful and accident free motorists by way of increased 'No Claim Bonus'.

There is large scope for development of the Miscellaneous Accident Business other than Automobiles, particularly in respect of the Engineering Insurances and Personal Accident Policies. Your Company has already taken steps in this direction.

MARINE DEPARTMENT:

The net premium income is Rs. 15,78,000 this year as against Rs. 14,76,000 during the previous year. The department shows a loss of Rs. 7,41,000 but this has been mainly due to the increase in the Reserves which have increased from Rs. 10,33,000 in 1960 to 15,78,000 in 1961. The Reserves on the Cargo business has now been increased from 58½ per cent to 100 per cent.

The Marine underwriting is a problem all over the World. The business being non-Tariff, there is an unhealthy competition leading to the uneconomical rate-cuts by the Insurers. The unsatisfactory conditions prevailing in the Ports in many countries are responsible in aggravating the losses. More careful handling of the cargo and stricter measures for watch and ward to avoid pilferage at Ports and during the transit can minimise the national loss on this account. I understand there is a move to have a Comprehensive Marine Tariff. This will help in improving the results in the Marine Department. The Government should encourage Exporters and Importers to obtain Policies in the Country itself as far as possible. This will help in conserving Foreign Exchange to some extent.

GENERAL

Your Company has further strengthened its financial position during the year under review. The Capital and Funds stand at Rs. 1,56,98,000 as against Rs. 1,46,74,000 at the end of 1960.

The increased profit has enabled your Directors to recommend an additional Silver Jubilee Bonus of 25 nP. per Share in addition to the dividend of 80 nP. per Share.

Your Company has purchased a valuable plot of land in India Exchange Place for its office premises. It is proposed to put up a multi-storeyed building on the site, the plans for which are under preparation.

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

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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										
May 1961 ..	1,989,60	16,63	2,006,23	117,76	113,01	230,77	11.50	118,51	1,656,95	2,006,23
June „ ..	1,958,79	30,43	1,989,22	117,76	108,01	225,77	11.35	118,54	1,644,92	1,989,22
July „ ..	1,922,49	24,13	1,946,62	177,76	93,01	210,77	11.83	121,30	1,614,54	1,946,62
May 1962	2,143,74	24,94	2,168,68	117,76	102,00	219,76	10.13	115,05	1,833,87	2,168,68
June „ ..	2,111,73	33,72	2,145,45	117,76	92,48	210,24	9.80	113,75	1,821,43	2,145,45
July „ ..	2,070,65	20,54	2,091,18	117,76	92,14	209,90	10.04	117,27	1,764,01	2,091,18
Week-Ending										
27-7-1962 ..	2,036,73	27,91	2,064,63	117,76	96,34	214,10	10.37	120,56	1,729,97	2,064,63
3-8-1962 ..	2,045,20	18,72	2,063,92	117,76	92,84	210,60	10.20	119,83	1,733,49	2,063,92
10-8-1962 ..	2,063,71	20,03	2,083,74	117,76	89,34	207,10	9.94	119,64	1,757,00	2,083,74
17-8-1962 ..	2,054,07	15,81	2,069,88	117,76	89,34	207.10	10.01	120,78	1,742,00	2,069,88
24-8-1962 ..	2,029,06	22,85	2,051,91	117,76	88,84	206,60	10.07	122,81	1,722,50	2,051,91

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														
May 1961 ..	61,60	16,21	78,38	116,50	272,69	144,08	501,78	16,72	41,65	21,40	83,99	125,25	191,55	21,22
June „ ..	64,96	13,55	84,67	123,86	287,04	134,21	506,25	30,47	39,78	14,49	68,97	121,34	208,22	22,97
July „ ..	58,61	18,56	93,24	111,63	282,04	94,38	461,41	24,17	26,26	9,98	40,10	117,43	221,75	21,72
May 1962 ..	50,54	15,77	86,11	150,91	303,30	158,79	547,11	24,96	64,10	5,79	111,26	129,86	174,46	36,65
June „ ..	56,84	11,35	91,78	149,74	309,71	168,06	562,78	33,77	52,34	8,62	98,64	126,68	203,05	39,67
July „ ..	51,34	20,63	102,86	196,73	371,57	121,12	577,67	20,59	63,99	5,86	37,96	130,85	280,80	37,71
Week-Ending														
27-7-1962 ..	54,58	25,59	103,08	207,63	390,88	123,49	599,37	27,97	54,92	6,76	34,05	128,05	313,40	34,24
3-8-1962 ..	49,08	36,07	94,88	203,80	383,83	117,22	586,06	18,80	60,16	6,22	27,77	131,33	308,19	33,59
10-8-1962 ..	58,23	23,15	91,48	204,64	377,50	109,13	571,63	20,11	70,08	5,16	30,62	134,17	277,81	33,68
17-8-1962 ..	67,31	16,90	97,45	160,15	341,81	112,30	539,11	15,86	75,12	5,08	35,45	133,32	240,56	33,73
24-8-1962 ..	59,07	11,92	108,23	173,84	353,06	118,28	556,34	22,89	67,03	5,06	34,91	132,92	259,82	33,72

* 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	8.58	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										
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
April „	927,18	1,240,90	2,132,08	51,77	83,78	6.36	1,198,27	229,73	66.96	592,07
May „	920,22	1,230,84	2,151,06	52,43	83,85	6.34	1,216,77	220,89	66.83	580,32
June „	911,54	1,266,78	2,178,32	53,30	84,92	6.35	1,235,93	197,66	65.81	584,76
July „	909,70	1,288,13	2,197,83	51,28	99,24	6.85	1,240,45	169,86	64.17	613,11
Week Ending										
6-7-1962 ..	904,09	1,294,63	2,198,72	54,66	108,52	7.42	1,252,27	172,51†	64.80	598,72
13-7-1962 ..	906,03	1,276,58	2,182,61	51,74	89,54	6.47	1,250,99	168,00†	65.01	578,66
20-7-1962 ..	910,25	1,287,05	2,197,30	49,29	100,61	6.82	1,234,97	168,42†	63.87	620,05
27-7-1962 ..	918,41	1,294,28	2,212,69	49,46	98,40	6.68	1,223,59	170,52†	63.01	655,00
3-8-1962 ..	916,67	1,305,23	2,221,90	48,45	92,96	6.36	1,218,07	177,47†	62.81	672,12
10-8-1962 ..	903,37	1313,04	2,216,41	47,52	91,37	6.27	1,218,09	176,11†	62.90	670,25
17-8-1962 ..	912,72	1,311,26	2,223,98	53,43	90,93	6.49	1,215,63	177,03†	62.62	668,63
24-8-1962 ..	920,72	1,311,54	2,232,26	52,21	98,78	6.76	1,202,28	179,13†	61.88	680,84

† 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
Nov.* 1961 ..	2,828,54	1,946,11	882,42	861,80	20,62	+ 21,20
Dec.* „ ..	2,876,63	1,983,35	893,29	874,37	18,92	+ 48,09
Jan.* 1962 ..	2,925,49	2,028,19	897,30	877,21	20,10	+48,86
Feb.* „ ..	2,979,64	2,077.17	902,47	883,45	19,02	+ 54,15
March* „ ..	3,081,18	2,122,84	958,34	934,94	23,41	+101,54
April* „ ..	3,141,27	2,174,67	966,60	942,51	24,09	+ 60,09
May* „ ..	3,129,50	2,177,58	951,92	930,65	21,27	— 11,77
June „ ..	3,085,84	2,124,22	961,62	941,36	20,26	— 43,66

* Provisional.

† Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

TRENDS IN INDUSTRIAL PRODUCTION: 1950-51 — 1961-62

Item/Unit	1950-51	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62
Food Products								
Sugar (Million metric tons)	1.1	1.7	2.0	2.2	2.0	2.3	2.7	2.8
Coffee** ('000 metric tons)	21.0	29.0	37.2	42.1	44.1	46.7	54.1	66.2
Tea* (Million Kgs.)	277.1	299.1	304.6	308.2	322.1	324.0	318.0	347.4
Vegetable oils ('000 metric tons) (Vanaspati)	170.1	280.0	268.0	305.0	303.9	334.9	340.2	342.6
Chemicals and Chemical Products								
Sulphuric acid ('000 metric tons)	100.6	166.9	172.1	208.8	241.3	324.7	359.7	429.5
Caustic soda ('000 metric tons)	11.5	36.0	41.5	44.4	61.3	80.0	101.1	124.9
Soda ash ('000 metric tons)	45.3	81.8	87.8	94.5	91.4	103.7	151.9	187.6
Bleaching Powder ('000 metric tons)	3.6	3.2	5.1	5.6	6.6	5.1	6.1	6.5
Bichromates ('000 metric tons)	2.3	3.0	3.4	3.7	3.6	4.9	4.9	5.6
Superphosphate ('000 metric tons)	56.7	71.4	91.7	155.5	179.3	298.2	317.0	378.9
Ammonium Sulphate ('000 metric tons)	47.2	400.2	393.7	388.5	400.3	369.6	402.4	393.7
Chlorine Liquid ('000 metric tons)	4.2	13.2	15.8	15.7	21.8	27.2	32.5	35.9
Paints and Varnishes ('000 metric tons)	30.3	40.4	41.9	44.3	50.9	53.8	53.3	57.7
Soap ('000 metric tons)	77.3	104.3	115.2	112.7	127.2	134.8	144.6	149.4
Rayon								
Viscose yarn ('000 metric tons)	2.1	6.1	7.8	10.4	14.0	16.1	19.8	22.0
Staple fibre ('000 metric tons)	..	6.2	8.3	8.8	16.7	21.3	22.1	28.0
Acetate yarn ('000 metric tons)	..	1.2	1.6	1.6	1.9	1.5	1.9	2.1
Alcohol								
Power Alcohol (million litres)	21.5	47.6	46.0	46.3	39.4	37.6	49.0	54.7
Industrial alcohol (million litres)	17.7	21.4	20.6	24.3	29.8	38.1	24.5	51.8
Denatured spirit (million litres)	6.6	13.8	15.9	16.0	19.1	23.3	31.8	42.9
Basic Metals								
Pig iron, ferro alloys and direct casting (m. metric tons)	1.7	2.0	2.0	2.0	2.3	3.5	4.4	5.2
Steel Ingots and metal for castings (m. metric tons)	1.5	1.7	1.8	1.8	1.9	2.7	3.5	4.3
Finished steel (m. metric tons)	1.0	1.3	1.4	1.4	1.4	1.9	2.4	2.9
Aluminium ('000 metric tons)	4.0	7.5	6.8	8.0	10.3	18.0	18.2	19.4
Copper ('000 metric tons)	7.1	7.6	7.7	7.9	8.1	8.2	8.5	9.2
Lead ('000 metric tons)	0.8	2.2	2.7	3.5	3.6	3.8	3.8	3.2
Non-Metallic Mineral Products								
Sheet glass ('000 sq. metres)	1,090	3,688	4,567	5,652	7,208	6,914	7,869	6,676
Cement (m. metric tons)	2.7	4.7	5.2	6.0	6.1	7.3	7.9	8.3
Refractories ('000 metric tons)	237	293	333	394	441	505	553	554

*Exclusive of production in Punjab (Kangra) and Himachal Pradesh.

**Relates to total output of coffee, cured, pounded and delivered to Coffee Pool.

TRENDS IN INDUSTRIAL PRODUCTION: 1950 - 51 — 1961 - 62 (CONTD.)

Item/Unit	1950-51	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62
Petroleum Products*								
Kerosene ('000 metric tons)	51.8†	449.1	545.6	617.8	643.2	736.0	931.3	1,017.4
Diesels ('000 metric tons)	43.7†	592.4	711.2	926.6	1,191.8	1,419.2	1,599.6	1,668.6
Lubricants ('000 metric tons)	23.4†	16.3	17.3	17.3	18.3	21.5	21.6	25.3
Bitumens ('000 metric tons)	4.1†	85.3	164.6	176.8	226.6	290.4	399.8	438.4
Heavy ends ('000 metric tons)	17.3†	1,007.9	1,416.4	1,599.3	1,649.1	1,682.6	1,692.8	1,811.3
Light distillates ('000 metric tons)	50.8†	797.6	964.2	1,041.5	986.6	951.0	1,047.1	1,068 8
Other products ('000 metric tons)	57.9†	75.2	71.1	69.1	56.9	51.6	65.6	70.7
All petroleum products ('000 metric tons)	249.0†	3,023.8	3,890.4	4,448.3	4,772.4	5,152.3	5,757.8	6,100.4
Mining and Quarrying								
Coal (m. metric tons)	32.8	39.0	41.0	44.8	46.7	48.6	55.5	55.2
Iron ore (m. metric tons)	3.3	4.3	4.3	4.9	6.3	8.6	10.9	12.3
Textiles								
Cotton yarn (million kgs.)	534.3	743.8	781.4	793.8	768.4	778.8	801.0	872.9
Cotton cloth (m. metres)	3,401.4	4,664.8	4,956.6	4,735.8	4,499.8	4,507.8	4,649.0	4,685.3
Jute manufactures ('000 metric tons)	837	1,071	1,083	1,062	1,069	1,073	1,071	1,002
Metal Products								
Hurricane lanterns ('000 nos.)	3,244	5,385	5,344	3,839	3,523	4,676	5,308	5,558
Razor blades (In lakhs)	148	1,560	3,332	2,892	3,881	4,752	6,013	7,536
Machinery (Except Electrical Machinery)								
Typewriters ('000 nos.)	..	..	..	16.0	17.5	18.3	23.5	29.1
Diesel engines (stationary) ('000 nos.)	5.5	10.4	12.5	19.3	27.7	31.3	43.2	43.3
Power driven pumps ('000 nos.)	35	37	51	66	83	86	105	125
Sewing machines ('000 nos.)	33.0	111.2	140.8	175.5	211.6	267.5	297.3	323.0
Machine tools (Rs. crores)	0.3	0.8	1.5	3.2	3.9	4.9	7.2	8.5
Electrical Machines, Apparatus and Appliances								
Domestic refrigerators ('000 nos.)	..	0.7	0.5	1.2	3.7	5.6	11.7	9.9
Room air conditioners ('000 nos.)	..	..	5.8*	7.0*	10.9	7.8	10.7	21.2
Electric transformers ('000 KVA)	179	625	1,033	1,234	1,096	1,005	1,392	2,001
Electric motors ('000 H.P.)	99	272	388	507	636	565	725	870
Electric fans ('000 nos)	199	287	380	562	648	785	1,058	1,079
Electric lamps (million nos.)	14.0	25.0	32.7	32.2	31.2	36.1	43.5	48.8
Radio receivers ('000 nos.)	54.0	101.9	156.7	194.9	196.9	219.4	279.1	348.0
Dry cells (in millions)	149.9	161.5	190.6	157.5	174.8	192.0	214.2	210.0
Storage batteries ('000 nos.)	194	258	318	323	371	469	521	534
Transport Equipment								
Bicycles (complete) (million nos.)	0.10	0.51	0.73	0.85	0.89	1.03	1.06	1.04
Automobiles ('000 nos.)	16.5	25.3	33.9	30.2	27.2	40.8	54.8	54.6

* Relates to calendar year.

† Relates to 1951.

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THE EASTERN ECONOMIST

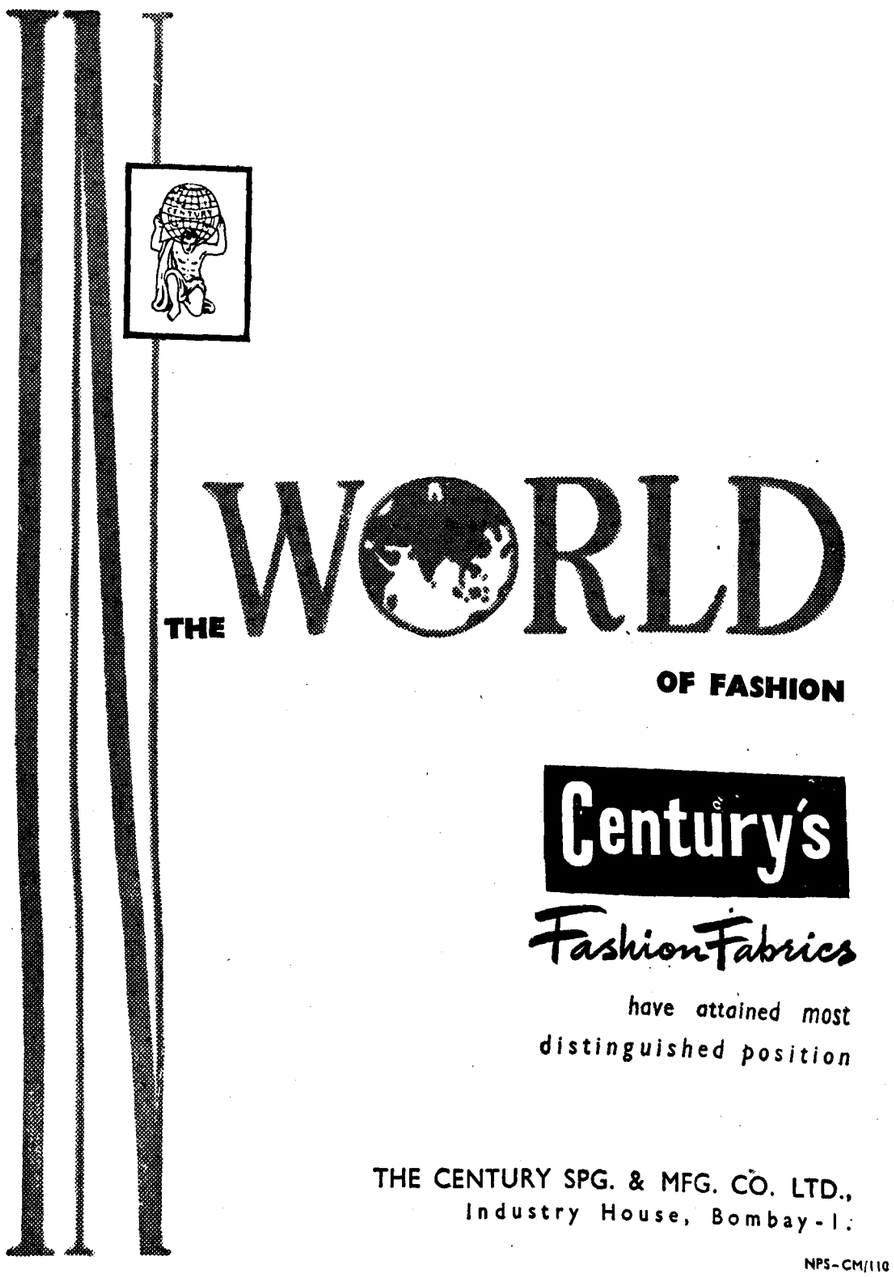
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With a Supplement on
THE PROBLEMS OF THE TEA INDUSTRY

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THE EASTERN ECONOMIST

SEPTEMBER 14, 1962

The Commonwealth Prime Ministers' Conference

THE Commonwealth is alive and kicking. This somewhat dubious virtue is certainly apparent from the totally unexpected vehemence with which the European Common Market has been attacked at Marlborough House. It is difficult from this distance to see very much that is constructive in the massive criticism which the assembled Prime Ministers of Commonwealth have chosen to discharge at Mr. Macmillan and his advisers, but it is not necessarily the task of the Prime Ministers to be constructive.. Each has a responsibility in regard to the problems of his own country and conservation of gains won over a past period is itself a major objective of diplomatic exchange. One might conceivably have expected a little more understanding of the British position, but at the present time what has to be noticed is not the new division in the Commonwealth, but the extraordinary vigour of an institution in which democratic exchange can sustain the high level of vehemence which has been aroused. It is likely, in spite of the dire predictions that this institution will soon die, that it will adjust itself and live vigorously. Undoubtedly, Britain's entry in the European Common Market will introduce greater strains than ever before. But it will be total error to look upon tariff changes as making the entire history of the Commonwealth any more than they have made the basic history of the world.

So far as the future history of the world is concerned, one guess seems almost as good as another. But it is probably a very bad rendering of current history to suggest that the European Common Market is an instrument for a new type of colonialism. If the argument is that the admission of raw materials free and the taxing of manufactured goods is a basic mark of colonialism, then we are all colonialists. The United States has used this instrument and so have we, not because its purpose is to make other countries provide raw materials for us; its purpose is to produce at the lowest cost, and to protect a market so as to obtain the level of increasing returns under which manufacturing operations reach their optimum level. It is a total distortion of history to argue that a country which buys cheap raw materials and protects its internal market in order to benefit by the operation of increasing returns has some nefarious political purpose behind its simple commonsense economics. It is a great pity, therefore, that the Prime Minister of India allowed himself without adequate evidence to imply that the Treaty of Rome was a means of reintroducing colonialism in changed circumstances. It is undoubtedly, so far as we are concerned, a restrictive operation but not all restrictive operations should be confused under a broad heading of colonial abuse which should not apply to the Treaty of Rome.

Undoubtedly, the Treaty of Rome, so far as India is concerned, is disturbing and, since it comes in the middle of the Plan, an incursion of history into our nicely planned affairs. But India has to make up her mind to live with the facts just as any other country. The Six have established a community which, whether we approve of it or not, has some tremendous sources of economic strength. It is this source of economic strength which has dictated Britain's application for entry into the Common Market. There is something paradoxical in the Commonwealth, which has stagnated and continues to stagnate in terms of international and inter-Commonwealth trade, proclaiming to Britain that she should not enter the European Common Market which is rapidly expanding and rely upon a market which is declining in proportionate terms. Undoubtedly, there are traditional claims of the Commonwealth, but history has left it in a position of a declining minority as a trading area.

Exports of the United Kingdom to the Commonwealth accounted for only 9.56 per cent of world trade against 12.49 in 1948. In Pakistan, India and New Zealand falls in percentage terms have been considerable. In all these markets West Germany, Japan and the Soviet Union have made spectacular gains. There is no likelihood whatever that we can give to the United Kingdom a *quid pro quo for* the abandonment of the European Common Market idea. What in fact, therefore, is happening is that the Commonwealth countries to safeguard their own economic position are dictating to the British economy a bargain in which Britain is certain to lose, whilst the other countries will merely continue to stagnate.

This is not, in the opinion of *The Eastern Economist,* a solution which will endure. It is based too much on the proposal of give and take in which the 'give' is on the side of Britain and 'take' on the side of interested members of the Commonwealth. Even if, because of these powerful political pressures, the British Prime Minister is unable to proceed with his application to the European Common Market, there will be left a train of discord which will not survive indefinitely. The Commonwealth is destined for change in any case. The question is whether or not it should continue the economic entity which, as the figures of the last decade show, is out-of-date or whether it should try a new experiment in international co-operation on the line which has proved itself in the European Common Market. Some countries, notably Canada and Australia, have serious adjustments to make. India would have a major adjustment on cotton textiles and unless she can negotiate a good agreement with the enlarged Common Market on other matters may have further difficulties there. But the reorientation of Indian trade by running away from Western Europe would be more difficult than hard acceptance. In the end, therefore, whilst the Prime Minister is right to protest loudly with the other Prime Ministers of the Commonwealth, he is powerless to affect the structure of change which has already undermined British resistance over the last three years. *The Eastern Economist's* guess is that the British people will now go on their own course simply because they feel they have no alternative. Emotional ties in the Commonwealth will yield to the far more pressing needs of material gain. The attempt to awaken a large personal response from the British Prime Minister and to argue cases of particular commodities assumes that the Treaty of Rome is a negotiable matter. This is probably the source of the error. The Treaty of Rome fashioned by certain international civil servants of great capacity is more unyielding than Mr. Macmillan. In the end it is the rules and not

the leading persons playing in this game that are to decide whether or not a view will prevail. *The Eastern Economist's* guess, based upon the history of the past three years, is that the Treaty of Rome will reign supreme.

After the excursions and alarums which have caught the headlines in the world are over, we are left with the dilemma that we are wrestling with an irreversible historical change. The Prime Minister, more than anyone else in India, should look forward and not back once the inevitability of this change is recognised. It seems a pity that for the first time he has persisted on a backward looking view, which has nothing substantial to contribute to constructive solution of a problem. We should be looking forward not to worse relations with the Six, but a much more positive approach of friendliness with new trading partners which might be very much the largest trading area in the world. Much the greatest portion of our work at the present time is negotiation of the expanded trade agreements between ourselves and the European Common Market after Britain has made her entry. This is the time to take a plunge into unfamiliar waters. Can we have the wisdom and adaptability to build anew with other partners or forge better links with the old? Time only can show.

Oil Refineries' Expansion

WITH the Steering Committee of the Oil Advisory Council having revised the 1966 demand estimates of petroleum products upwards from 14 million tons to 16.6 million tons, or 17.1 million tons if the 0.5 million tons refinery-burnt fuel requirements are included, the grand debate over the recent temporary expansion of the throughput of the three private sector refineries in India—Burmah-Shell, ESSO Standard and Caltex—to their maximum combined capacity of 7 million tons should come to an end. The 2.5 million tons increase in the 1966 petroleum products demand estimate is stated to have come about by the upward revision in the demand for kerosene by 7 lakh tons and for furnace oil by 1.8 million tons. In view of the saving in foreign exchange that results from the increased throughput of the private sector refineries (According to Mr. K. D. Malaviya, the Union Oil Minister, it amounts to Rs. 1 crore a month. But this appears to take into account only the saving in the import bill for petroleum products and possibly the additional earnings from export of gasoline and, thus, does not include the expenditure in foreign exchange to be incurred on the increased imports of 1.5 million tons of crude, the slight additional foreign exchange cost of refining this crude, remittances of profits, etc. The net saving after taking into consideration all these factors would, perhaps, come to about Rs. 4 crores per annum, which also is not an insignificant amount at the present juncture), the three months' concession given to the refineries to expand their throughput to their present maximum capacity, in all probability, is going to be extended for a further period beyond September 30, until firm estimates of petroleum products demand by the end of the Third Plan period are decided upon by the Oil Advisory Committee whose delayed meeting would take place in another few weeks.

While the immediate issue of maintaining crude refining by the private sector refineries at their present increased level beyond September 30, thus, appears to be resolving itself automatically, the question of allowing it to be maintained at that level on a permanent basis, in the first instance, and permitting the refineries some further expansion in their capacity in view of the explosively expanding demand for petroleum products, as a sequel to the rising tempo of economic growth, remains to be settled. Mr. Malaviya has been aiming—one may say, quite legitimately—at placing the public sector oil in a dominant position in this country. His strenuous efforts in this regard during the past few years evoke optimism that one day he would be able to do so. But does it imply that the future growth of the private sector in oil, especially when the foreign oil interests are prepared to work in participation with the Indian public, is to be stultified? Mr. Malaviya's observation in reply to a question during the last session of Parliament that the Industrial Policy Resolution of 1956 enjoined only the creation of a dominant edifice of the public sector in the oil industry — and this can be placed at 51 per cent of the total requirements of the country—appears to be a great advance in his thinking which hitherto has all along been interpreted as suggesting that all future refining of oil in this country is to be earmarked only for the public sector. This resilience on the part of the Union Oil Minister presumably has been occasioned by the rapidly growing requirements of petroleum products in the country and one would be prone to infer that Mr. Malaviya's not indicating any date by which 51 per cent dominance of the public sector is to be achieved keeps the door open for the foreign oil interests to invest in this industry in India. This is, indeed, a happy development and should augur well for the future growth of the Indian economy.

Since Mr. Malaviya has not specified any date for the public sector attaining a 51 per cent share in the Indian oil industry, it should be prudent that the question of further expansion of the private sector refineries' capacity should be taken up with a view, at least, to having some sort of understanding on principles. The private sector refineries have already suggested to the Government that they are prepared to abrogate their Refinery Agreements, which govern their working at present, and their substitution by industrial licences to be drawn under the Industries (Development and Regulation) Act, 1952. But these offers to surrender their special privileges are understandably conditioned on the fact that they should be allowed to continue to play their useful role in the development of this vital industry in this country through further expansion as and when warranted by circumstances. Even if one takes into consideration that the expansion proposed in the refining capacity of the two eastern public sector refineries, namely, Nunmati and Barauni, from their present envisaged capacity of 2.75 million tons—which through efficient working may be increased to even slightly more than three million tons—to about 4 million tons, and the setting up of the 2 million tons refinery at Koyali and another one in South India with a similar capacity would be completed according to the schedule, the total refining capacity in the public sector early during the Fourth Plan period would come to about 8 million tons. This along with the present capacity of the private sector, including the capacity of the Assam Oil Company's Digboi Refinery, would raise the total refining capacity in the country to only 15.5 million tons, with a near-parity between the private and the public sectors. The increase in demand for petroleum products during the Fourth Plan period from about 17 million tons to anything between 28 and 30 million tons would warrant augmenting of the oil refining capacity by anything to the tune of about 11 million tons. Of this, even if the dominant proportion is to be created in the public sector to make its overall share more than 51 per cent, there should still remain considerable scope for the private sector. Whether this gap should be allowed to be filled by some new foreign oil companies—one or two have already indicated their willingness to do so—or whether the existing refineries should be allowed to expand their capacity is the crucial question which the Union Ministry of Oil has to decide at none-too-distant a date in view of the fact that oil development planning for the period 1960-61 to 1970-71 has to be taken up quite early if the tempo of economic growth is not to be allowed to slacken.

The Eastern Economist is of the view that while the present private sector oil refineries should be allowed to maintain their increased throughput at the present level on a permanent basis in view of the net saving in foreign exchange of the order of Rs. 4 crores per annum, an understanding on the future growth of the private sector in the oil industry should be reached at an early date. While in the interest of fostering greater competition in this industry, there is justification for inviting some new oil interests to set up their refineries in the country, there should be little objection to the present three companies expanding their capacity—of course, in partnership with the Indian public. This is desirable if for no other reason than from the point of view of achieving further economies of the scale of production and completing the task expeditiously. Our foreign exchange difficulties are apparently not going to end during the Fourth and even the Fifth Plan period. A judicious use of our foreign exchange resources and the assistance that might be forthcoming from the friendly countries in future only warrants that dogmatic considerations are not allowed a free play, so as to make our economic growth lop-sided.

Guest Editorial

The Boom in Silver

By PAUL BAREAU

THE price of silver has recently taken another leap forward. The long period of stability in the price of the metal was broken in November of last year when the United States abruptly stopped selling silver from the stocks of freely available metal at the disposal of the U.S. Treasury. There was no question of choice about this decision: the stocks had in fact been exhausted. Since the amount of "free" silver in the U.S. Treasury was published week by week the prospects of this exhaustion must have been clearly apparent to one and all and in fact a substantial speculative position had been built up in anticipation of what duly occurred.

It was this speculative position which moderated the subsequent rise in the price of the metal and caused the market in the spring and early summer of this year to be as quiet as it was until the calm was suddenly broken during the month of August.

The recent leap in the price of the metal which carried the London quotation from 88½d to 97⅞d was due to the combination of a number of factors acting both on the supply and demand of the silver equation. On the demand side the market witnessed a sudden and sharp increase in industrial purchases. Silver is to an ever greater extent becoming an industrial metal. It enters widely in the new electronic equipment and it is rumoured that large quantities of the metal are now in space circling the earth in the increasing number of satellites sent up by the United States, Soviet Russia and Britain. That metal will never come back.

The same can be said of the vast quantities of silver which are now being used by the photographic industry. Every inch of photographic film carries a minute quantity of silver. Various technical devices exist for recovering the silver from old film but it is only a minute proportion of the film used in the world which is returned for this purpose. The silver used by the photographic industry is also for the most part lost for ever.

More recently there has also been an increased demand for silver for coinage purposes. There have been substantial purchases on French account and these bore part of the responsibility for setting the silver price on the move again in August.

On the supply side the two main developments within recent weeks have been firstly the virtual exhaustion of the substantial speculative stocks that had been built up in the final months of 1961 and a virtual cessation of Chinese selling. The Chinese Communist authorities sold no less than 60m ounces of silver last year in order to mobilize foreign exchange resources with which to pay for large imports of wheat and other foodstuffs with which to stave off famine. These sales have been rapidly running down partly because the Chinese authorities are now getting short of silver in saleable form and perhaps also because the need for exceptional imports of foodstuffs is diminishing.

The market therefore was once again brought face to face with the basic fact that the production of newly mined silver is running consistently and considerably below the consumption of the metal by industry and coinage. This fact has persisted for many years. It has been veiled firstly by the substantial sales of silver from United States Treasury stocks which have now come to an end and also by supplies of silver built up out of demonetized coins in India, Great Britain and other countries. This demonetized silver has for the most part been shipped to the United States in repayment of the silver that was made available by that country under war time lend lease agreements. For a time a margin surplus of this silver was available to meet industrial needs but that surplus has now disappeared.

In these circumstances it is difficult to avoid the conclusion that a further rise in the price of silver will occur. The price has now broken through the previous high record that had been set up in February 1920. The recent rise in the price has inevitably attracted some speculative activity and the liquidation of speculative positions may cause some technical reactions in the near future. But the basic facts of the silver posi-

(Continued on page 489)

THE WEEK'S NOTES

Land Tax

THE CRISIS IN U.P.

THE UTTAR Pradesh Land Holdings Tax Bill has created a crisis of an unprecedented magnitude and complexity from which the State Government finds it extremely difficult to extricate itself. It can neither push the Bill through the legislature in its unaltered form nor drop it altogether. It is amazing that this predicament should have arisen at all. Since the Congress Party rules all the fourteen States (except Kerala where it governs in coalition with the Praja Socialist Party), the least that was expected of it was to evolve a broad pattern of policy, based on scientifically conceived principles, for raising the land tax by whatever name it may be called. A broad pattern is not the same thing as a rigid and stupid uniformity which pays no heed to regional variations and the historical background of the tax. Determination of such a pattern was essential as land revenue or tax cannot claim immunity from periodical enhancements. The school of thought which argues for no change in land taxation is adopting an obscurantist attitude. The rise in the prices of agricultural produce in itself has brought about a reduction in real terms in the prevailing rates of land revenue. This is not to make out a case for indiscriminate increases in this particular tax. But agriculture, like other sources, needs to bear a rational share in the State's requirements of progressive tax revenue. The emphasis, of course, is on the rational nature of the burden.

The UP Bill suffers from two fundamental flaws. First, it does not exempt uneconomic holdings from the fresh levy. In the next place, it is gratuitously based on what some might describe as a foolishly evolved formula. The tax takes the form of an imposition of a charge of 2½ per cent on the capital value of the holding, but since the assessment of the capital value of agricultural land is a highly complicated process, a procedure based on the rule of thumb has been prescribed for this purpose. The actual effect of the proposed tax is estimated to be an overall additional levy of 50 per cent above the present level of land revenue. But in different grades of land it will vary at somewhat lower or very much higher levels — more than one and a quarter times as much as the average of 50 per cent. The administrative cost of collection is officially put at the high rate of 7.5 per cent.

Why is it that the Central Government has made a reference of the general problem of the land tax and of the UP Bill specifically to the Planning Commission and this confidence-inspiring course was not adopted in the case of the Land Tax Bills in Madhya Pradesh and Andhra Pradesh? There, too, opposition to the Bills was strong, but they were passed without radical changes. The reason is significant. In these two States resistance to the Bills emanated from the Opposition parties. In UP not only the Opposition parties but sections inside the Congress Party are vehemently opposed to the new measure. Many of the Congress opponents have a conscientious objection to the Bill. But, by and large, the internal and factional grouping in the party has determined the alignments for and against the Bill. The rift threatens to undermine the strength of the party seriously, and above all, there is the overriding regard which the peasant vote commands. The State Cabinet's discussions with the Planning Commission confirm sharp differences between the Ministers, mainly by group alignments, over the extent and nature of the modifications. But there cannot be the least doubt that the Bill will have to be recast with substantial changes.

Nepal

BETTER UNDERSTANDING

THE CLIMATE is now getting more propitious for a better understanding between Nepal and India to restore the relations between the two to the former spirit of complete cordiality. In Mr. Rishikesh Shah as Foreign Minister of Nepal, there is an able statesman capable of taking a realistic and long-range view of Indo-Nepalese relations as they should be. He has already given indications of a change in the approach of his Government to the problem. Unquestionably, this could not be without the concurrence of King Mahendra, rather the King is the source of inspiration for the changed approach. It speaks for King Mahendra's grip over the situation and the popular support he commands that he could transfer with absolute ease the key portfolio of Foreign Affairs from the anti-Indian and intensely pro-Chinese Mr. Tulsi Giri to Mr. Rishikesh Shah. This transfer is significant for the shift in policy which it signifies. During his recent stay in New Delhi, Mr. Shah lost no opportunity to promote goodwill for rapprochement.

The basic cause of irritation which has marred the traditional friendship between the two neighbours pertains to Nepal's grievance about insufficient measures taken by the Government of India to prevent the organisation or direction of the border raids in Nepal by the leaders in exile who have settled in India. The Indian case is plain. If even 'prima facie' proof is available that they indulge in subversive activities of the kind alleged against them by the Nepalese Government, they will surely be dealt with according to law. It was for the purpose of getting at the truth about the border raids that Mr. Nehru and King Mahendra agreed during the latter's visit to New Delhi to hold joint investigations into these raids by teams nominated by the two Governments. Something like three such joint investigations have been held, but their outcome hardly leads anywhere. The procedure adopted by the Nepalese team is to tender an exclusive report to its Government alone and in the result what the Government of India could come to know was the factual report and findings of its team. Mr. Nehru has proposed that there should be joint reports to be submitted to the two Governments setting out the points of agreement as well as issues on which the two groups of investigators differ, with an elaboration of their points of view. Such a procedure alone would be fruitful. What Mr. Nehru's personal letter to King Mahendra, sent with Mr. Rishikesh Shah, contains can be anybody's guess, but the least that can be correctly surmised is that there are positive suggestions to solve the existing small differences. If the joint investigations are put on a real basis of collaboration, much of the suspicion based on impressions will be removed. Now is the time to proceed in earnest for clearing up all the clouds that may possibly cast a darker shadow on Indo-Nepalese relations.

The Census

THE FINAL COUNT

THE FINAL count in the census of 1961 confirms the admirable near-accuracy of the provisional totals which were released within 20 days of the completion of the census operation over the entire country. The final figure at 436.533 millions is only slightly above the provisionally estimated figure of 436.424 millions. This is on the basis of the inclusion of comparable areas. The final count takes into consideration more areas which it has since become necessary to include in the Indian Union, by reason of accession of additional territories or otherwise. Thus the population of Dadra, Nagar Haveli, Goa, Daman, Diu, Manipur, NEFA, Nagaland, Pondicherry and Sikkim enters in the figure of the final count. The aggregate population of India, therefore, comes to 439.235 millions.

At this figure, showing an increase beyond all previous expectations, a disturbing state of affairs is revealed. Assuming the world population in 1961 at 300,000 millions and the inhabited land area at 135.16 million square kilometres, India accounts for 14.6 of the world's population with only 2.4 per cent of the world's area. In respect of population India takes the second position next after China. Far from being flattering, this record utters a warning against the threat of the population explosion. During the decade 1951-61, India's population showed an unprecedented decennial increase of 21.50 per cent. This period coincides with the period of the first two five-year plans. In plain terms the unprecedented rate of net growth demonstrates that family planning, which is so much trumpeted among the different schemes of the five-year plans, received lip sympathy and practically no tangible action worth the name. Even now, in the Third Five-Year Plan, family planning is more a leisurely subject of academic discussion than a task for practical and effective measures. If this cavalier attitude is indulged in, at the current decennial rate, India's total population will have been doubled in the first seven decades of the present century, far outstripping the means of maintaining it even at the subsistence level.

The light shed by the final count on the changes in the distribution of male workers in the primary, secondary and tertiary sectors of the economy reveals instructive as well as disquieting trends. It is here that the effects of planned development during the first two plans ought to be read as a broad indicator of the correction of the excessive occupational imbalance. Taking only the male population, it is found that, in the primary sector, cultivation and agricultural labour claim 64.88 per cent of the population in 1961 as against 66.85 per cent in 1951, while mining, quarrying, forestry, hunting and fishing claim, in 1961, 3.10 per cent against 2.23 per cent in 1951. This improvement reflects a relief in the intensive pressure on the primary sector. In the secondary sector, there is an improvement from 11.59 per cent of male population depending on it in 1951 to 12.68 per cent in 1961. But the most intriguing trend is the almost static ratio dependent on the tertiary sector, in spite of an impressive expansion of trade, commerce, transport and communications, and services. As against 19.33 per cent of the male population relying on the tertiary sector in 1951, the census of 1961 showed a nominal increase of 0.01 per cent to 19.34 per cent. The corresponding estimates sector-wise of the total population confirm the redressal in the primary and inprovement in the secondary sectors; but in the tertiary sector the percentage of the total population has declined from 17.26 per cent in 1951 to 16.02 per cent in 1961. The last reverse gift of planning in the first decade merits close analysis and a threadbare explanation.

Ghana

UNEASY LIES THE HEAD

THE ELECTION of Dr. Khwame Nkrumah as President of the Republic of Ghana for life should normally convey the assurance that his personal position in the highest office of responsibility in the State has become undisputed and unchallengeable. But, in reality, has it? One cannot be dogmatic on this issue either way. In the immediate present a matter of great significance is his absence from the Commonwealth Prime Ministers' Conference at which he was scheduled to lead his country's delegation. Like Mrs. Sirimavo Bandarnaike, Ceylon's Prime Minister, Dr. Nkrumah has found it incumbent and expedient not to leave his country due to the political uncertainty inside the country.

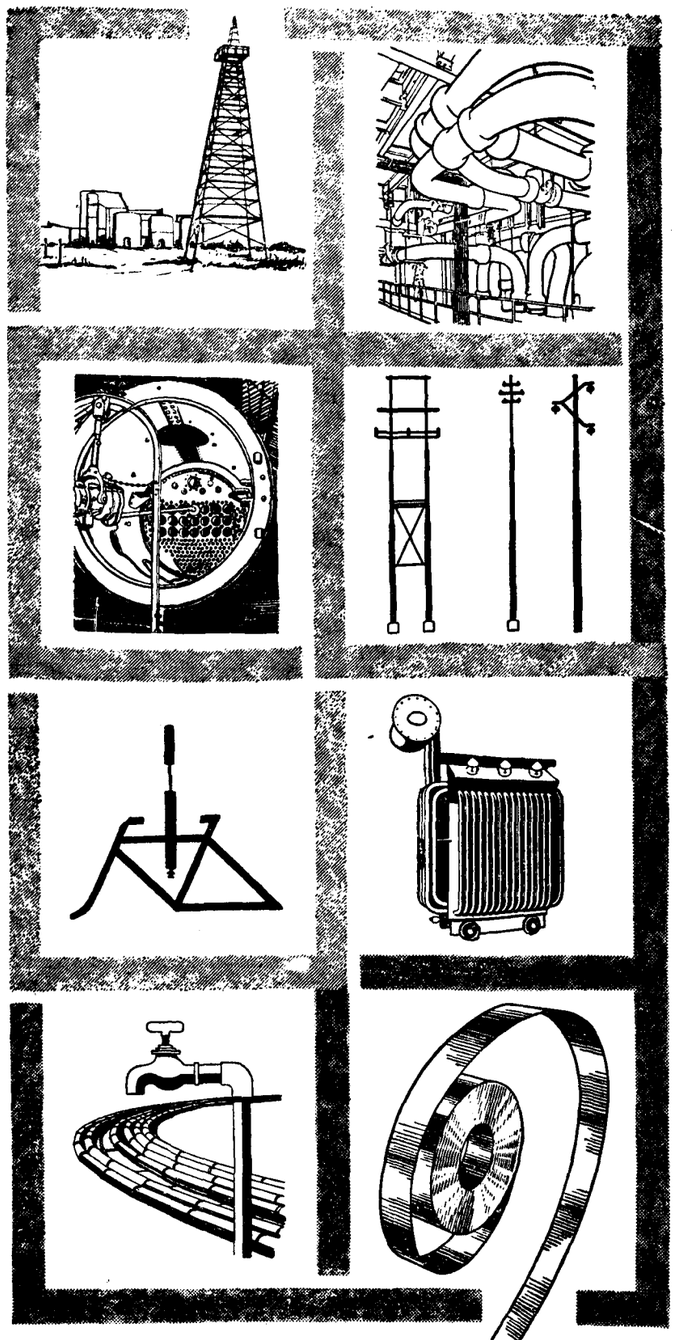
There has been unmaking and remaking of political careers on an unusual scale by the President in the course of only a few days. And in this sweep leftists as well as moderates have been wiped out from positions of power which makes the pattern of the purge none too straightforward to interpret. The Foreign Minister, Mr. Adjei, and the pronounced left-winger Mr. Tettegah, holding the key post of General Secretary of African Trade Unions, have fallen from grace. Mr. Adjei is not the lone Minister to be dismissed. A leftist and a moderate bear him company. All the dignitaries pulled down from positions of office or power have been lodged in prison. Complicity in the attempt on the President's life is hinted at as a reason for their deprivation of freedom. But their removal behind the prison walls under the Preventive Detention Act makes it difficult to reach any conclusion—whether it was threat to the President's life or to his personal position that is really responsible for their disgrace. But under the President's rule redemption is neither too difficult nor necessarily long delayed. Mr. Edusei, who was dismissed from the Cabinet in April last, as a sequel to the scandal over his wife's purchase of a golden bed in London, is reinstated and assigned the Agriculture portfolio. Uncertainty, however, continues to prevail. Quite recently, while a gathering 2,000 strong was celebrating, in the Presidential Residence, Dr. Nkrumah's escape from assassination, there occurred an explosion in close vicinity.

Delhi's Set-up

'SANS' LEGISLATURE

ONLY THOSE who want to grab power for a variety of purposes were keenly disappointed at the exclusion of the capital city from the Constitution (Fourteenth Amendment) Bill, passed by Parliament in the last session, to confer legislatures on most of Union Territories. Delhi's exclusion was a wise decision and it will be upheld by all upright persons. The clamour for Delhi's inclusion was raised mainly by the Delhi Pradesh Congress Committee, the real brain or brains behind it cleverly remained at a distance of safety. All pressure tactics were employed including the "threat" of the resignations of Delhi's representatives from Parliament. But the bluff was called and called promptly and to the pitiable discomfiture of the self-seeking fighters for the resurrection of the Delhi Legislative Assembly with the costly paraphernalia of the Cabinet of Ministers and a bulging secretariat. With little to do and to do that little all the time, there is no wonder if the ministerial groups and the followers owing allegiance to them engaged in endless and unseemly wrangles, culminating in tiresome reshuffles of the Ministry. Meantime, the administration of the capital city was crumbling fast.

It was a blunder to have conferred a legislature on Delhi, but once the blunder has been set right, why should it be repeated? And what face has the Delhi Pradesh Congress Committee to ask for the privilege (it is a unique privilege without parallel in the capital cities of most of the advanced countries) of a legislature? The ignominious power failure in the capital city merited the taking over of the administration of the Delhi Electric Supply Undertaking by the Central Government from the Delhi Municipal Corporation. But just because this impartial course would have tarnished the Congress Party, which has a majority in the Corporation, with censure, it was eschewed, although the Central Government seemed very nearly to have decided upon it. All that Delhi deserves is a constitutional set-up conferring on it an organisation vested with larger powers of local self-government. Selfless and honest servants of the public can prove their bona fides by asking for nothing more than a dignified and genuine Panchayati Raj for Delhi.



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The World Abroad

THE ECONOMICS OF DEVELOPING COUNTRIES

By

ODYSSEUS

MR. W. B. REDDAWAY, of the Department of Applied Economics in Cambridge University, well-known in India as Visiting Economist in 1959-60 at the Centre for International Studies in New Delhi, has just given a presidential address on the economics of developing countries to the economic section of British Association.

A good deal, although by no means all, of what Mr. Reddaway said may be familiar in developing countries, but I devote space to it because it will be new to many in those countries anxious to help India and other developing areas, and I trust that it will catch the eye of the foreign economic observers in the embassies of New Delhi, as well as of the many overseas readers of "The Eastern Economist."

Mr. Reddaway points out that in most developing countries there is an effectively unlimited supply of labour, and he asks whether this means that one can apply Keynes's remedies for depression, i.e., secure a large increase in production simply by increasing monetary demand. He answers "No," because although there is abundance of (at least unskilled) labour, a general increase in demand will not lead to a general increase in output, because other co-operating factors are needed to work with labour. The traditional factor is capital, i.e., real capital equipment: nothing can be done with bare hands alone. Hence the widespread view that the sovereign way to raise the income of the developing countries is to provide more capital to enable the unemployed to work.

The trouble is that, to secure increased output, it is not enough merely to bring labour and capital equipment together. You also need skilled labour, management, raw materials, components, power, transport, etc., and whereas these factors can be assumed in an industrialised country, their absence must, on the contrary, be assumed in a developing one. Of course, imports enable some difficulties to be overcome, but only if the foreign exchange is available — and this brings out a point that I have repeated here again and again: it is useless to lend or give developing countries capital to industrialise unless you are ready to buy freely from them the products eventually manufactured. European and American consumers have demonstrated their willingness to buy Asian textiles. They are prevented from doubling, tripling, or quadrupling their intake by the quotas and tariffs set up by their governments in response to pressure groups. If these man-made barriers to cheap Asian exports were removed, both Asia and the West would be substantially wealthier.

If Western textile mills were gradually closed down, many thousand expensive workers would be released to expanding industries suffering from the general labour shortage, and the capital tied up in expensive textile factories would be released for more profitable enterprises, suffering from the shortage of savings. American and European shoppers would have surplus funds in their pockets, made up of their savings from buying cheap Asian textiles, which they could spend on the products of expanding domestic industries. What happens too often today is that these European and American shoppers have less money to spend not only because they are not allowed to buy cheap Asian exports, but because they have also been taxed to provide the aid with which a factory in Asia is — either for lack of markets for its products, or for lack of imported materials or components — kept working below capacity!

But I digress from Mr. Reddaway, who goes on to emphasise that those who assert that capital is all that is wanted to raise the income of developing countries ignore the important possibility of raising output from existing capital. This reflects (a) under-utilisation of, e.g., textile mills or roads, which results from inadequate demand, and would largely disappear if demand could be increased, and inefficient utilisation, which can be cured by better methods. The overwhelmingly important example is agriculture, but it is also true that more efficient working of, for example, the railways would enable the growth in traffic to be carried without the need for vast capital expenditures.

WHY NOT EXPORT GOLD?

Mr. Reddaway does not argue that developing countries never need capital. On the contrary, he considers some of the factors which determine the speed with which capital equipment can be increased. First, either the people or the government of a developing country must be willing to save the necessary part of their income, or must be able to get the finance from abroad, by (a) an inflow of equity capital, (b) aid, or (c) by selling some idle asset abroad.

Thus, tucked away in an unobtrusive paragraph does Mr. Reddaway make an important practical suggestion to India. For obviously, the most painless way of obtaining foreign machinery, components, raw materials, and skilled personnel would be to pay for them out of the hoards of gold in India's 700,000 villages. Such exports would be welcomed with open arms by the West at a time when lack of international liquidity is widespread.

I am told that the idea of tapping village gold hoards had occurred to the authorities in India long before Mr. Reddaway thought it up, but that they rejected the idea as administratively impractical. Doubtless I am dense, but I can't see why. All you need to do is to allow gold and silver to be freely traded within India and freely sold abroad at the going world price. Such a proposition only raises horror in the breasts of bureaucrats because they think of gold in semi-mystical terms as a carefully guarded currency reserve in the Reserve Bank's vaults. But there is no difference between gold and any other commodity. If it benefits India for a man to earn foreign exchange by selling jute goods, why does it not benefit India for him to sell gold?

THE BRITISH DID IT

Impractical? But the thing was successfully done in the time of the old British Government of India on a grand scale, and do you tell me that what the British can do Indians cannot do? On September 21, 1931, the U.K. and India abandoned the gold standard. The de-

pression of agricultural prices in India, as throughout the world, had reversed India's previously favourable balance of payments, but there was no crisis because the ensuing deficit was more than made good by the export of gold. Between September 1931, and July 1936, India exported £211,000,000 in gold — a huge sum in the values of the 1930's. Scarcely any of this gold came out of the bank reserves. It came overwhelmingly from villagers anxious to make a cash profit out of the high price of gold, or to make up for the failure of their crops to realise their previously high prices. The government was criticised for allowing this "drain" of gold, which was alleged to be an exploitation of the poor peasant, and a gold export embargo was called for. How sensible the government was to refuse to enforce an embargo, so that the villager was allowed to exchange his gold stocks (a) to meet his current needs and (b) for profit. He and India benefitted. But, of course, if you won't let the villager make his profit, and prefer an annual foreign exchange crisis, it's too easy: carry on as now!

To return to Mr. Reddaway: he goes on to point out that a developing country differs radically from the normal developed country in that so much of the capital goods that it needs have to be imported. This creates a foreign exchange shortage, because of the difficulties of finding markets for exports on a scale large enough to cover both essential imports for the current working of the economy (raw materials, spare parts, etc.,) and also large amounts of imported machinery. In Keynesian terms, it is useless to argue that investment expenditure will generate its own savings, if the expenditure is to be wholly spent on imported machines, so that it creates no additional incomes in the developing country from which savings can accrue. In such a case, financing the investment by credit expansion leads to an equal loss of exchange reserves when the import bill has to be paid.

Every development programme includes, however, substantial expenditure on building and civil engineering, which can only be done inside India. Should India therefore plan an artificial amount of such work on the grounds that although the assets produced will not be as valuable as imported machinery costing the same amount, nevertheless they will be better than nothing?

The first point to note is that there may be imported elements in what look basically "made in India" schemes. The dam for a hydro-electric project is, for example, built locally but the (expensive) electrical machinery must be imported. If development projects are to be useful, the avoidance of a substantial import content is a more restrictive condition than it might at first seem. Secondly, since nothing much can be done with bare hands alone, it is important to ensure that there are no shortages of materials, transport or other facilities, or of skilled organisers.

These two points having been considered, there remain, in Mr. Reddaway's view, useful public works which can be tackled with Indian personnel and materials alone. He instances the making of rural roads to speed and to cheapen the movement of crops, goods, and services. Why should India's vast labour potential not be used to build networks of rural roads, to dig wells, and to improve irrigation channels? My comment is that the opportunity to spread rural works is not taken as often as it could be because it lacks the dramatic appeal of some great new hydro-electric scheme. Such a scheme is a status symbol — proof to the foreigner that independent India is abreast of the West in the latest industrialisation. Thousands of miles of new roads might add more to India's real wealth, but they are not show pieces that you can put in the tour programmes of visiting foreign VIP's.

More about the economics of developing countries next week.

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The European Scene

LIVING WITH THE COMMON MARKET

From Our Special West European Correspondent

PARIS, September 9.

IF the Frenchmen and Germans who are this week celebrating their reconciliation, symbolised by the first visit of a French head of state to Germany, needed fresh confirmation that they are on the right track, they will have found it in the intense interest—furious or benevolent—that outsiders are taking in their union, and in what it has made possible: the Common Market. Their enterprise was the main subject of discussion at last week's Congress of "Marxist" economists in Moscow, and will be so again at next week's Commonwealth conference, while continuing to nourish keen debate in the USA and among the developing countries. They have respectable motives for taking satisfaction in these signs of interest mixed with apprehension, because the Common Market has to date done no harm to any of the outsiders concerned.

For example, while Communist leaders denounced the West European union as an instrument of economic aggression their own trade figures revealed the truth. Trade between the Six and the Soviet bloc has been increasing by 22 per cent yearly, or nearly as fast as the internal commerce of the Common Market; that bloc is the only outsider-group to have benefitted commercially as much as member-states themselves. True, the total value of that trade—$2,175 million in both directions last year—represents only 3.5 per cent of the Common Market's external trade; but the limitation is not caused by the policies of the Six but by Soviet reluctance to use normal Western methods of payment, and Russian insistance on bilateral balance.

Similarly in regard to Britain, the Common Market has stimulated trade across the Channel and North Sea, to the point where non-Communist Europe is henceforth more important in Britain's trade accounts than the entire Commonwealth. Europe and the Commonwealth last year represented 35 per cent each of Britain's foreign trade, but in the first half of 1962 Europe has claimed first place; the Six account for about half of Britain's European commerce, or roughly 18 per cent of the total against 14 per cent three years ago. The permanent council of the British trade unions, whose annual Congress this month will also be dominated by the Common Market, has, for its part, issued a statement where it is admitted that membership of that association would not be incompatible with full employment nor with policies to which their movement is attached: price control, nationalisation of credit, etc. The document is deliberately ambiguous because the unions wish not to embarrass the Labour Party which has reserved its decision until the upshot of the Brussels negotiations are known, but it is clear on the fact that the Franco-German reconciliation and the Common Market are not based on principles obnoxious to the workers' movement.

Nor could it be shown that the progress of the Common Market has to date damaged any American interests. The consolidation of Continental currencies has underlined, but not caused, the decline of the dollar, and Continental governments and central banks have acted to protect the dollar from further erosion; the methods chosen may not be as ambitious nor as effective as might have been wished, but they represent a degree of monetary cooperation between healthy economies never before seen. For the future, there is the prospect — to which American business is more sensitive today than only a few years ago — of keen competition for third markets between US industry and Continental firms (many of the latter operating with US capital and patents). This is the "fundamental contradiction inside capitalism" of which much was made last week in Moscow, i.e. increased commercial rivalry across the Atlantic. However, outside the Marxist logomachy, "contradictions" of that order are simply instances of competition, liable to compromise or to rational adjustment beneficial to all parties.

As for the "threat" that the Common Market is sometimes alleged to offer the developing countries, we are here even more plainly in the realm of speculation about the future. The hopeful signs of increased European aid for development are numerous, at least as numerous as the elements in the Common Market's trade policies that might hamper countries like India. Moreover, interpretation of those elements seems to vary widely. The abolition of the import duty on tea is, naturally, admitted to be an unmixed blessing, but the tentative arrangements made last month in Brussels for trade in Indian textiles have been criticised as harmful to India. Yet this week a leader of the French cotton textiles industry declared that, "the Brussels arrangement in fact amounts to adopting Britain's cotton policy. The Common Market as a whole undertakes to accept Britain's textile imports, notably those from India and Pakistan. The negotiators of the Six have fallen feet first into the clever traps set by the British. The commercial policy of the Seven (the Six plus Britain) will be exactly that now followed by Britain. The English have got practically all they wanted. The arrangement makes no reference to protection against an invasion of cheap textiles into the overseas associates of the Common Market. The Continental cotton industry is in process of 'Manchesterisation', i.e. in process of destruction". One assumes he was exaggerating no more than Indian textile interests when they asserted the exact contrary a few weeks ago. If judgments conflict so widely, the threat presented by the Common Market cannot be very marked at this stage.

Secure, then, in the knowledge that their enterprise has hurt nobody—although offending the amour-propre of some and awakening elsewhere the vague anxieties always caused in history by the emergence of a new power—Messieurs Adenauer and de Gaulle could repeat several times this week that "the Franco-German reconciliation is not directed against anyone". It would, of course, have to be understood that in interational affairs a union that "is not directed against anyone" is always directed against those who would have exploited the absence of that union; that is, nations can never establish good relations (let alone political unity) without seriously indisposing third parties used to speculating on their discord. The list of those who, over the centuries, have taken advantage—occasional or regular, substantial or petty—of the perpetual enmity of France and Germany is, of course, long, ranging from peaceful Switzerland to voracious Russia, via power-balancing Britain. That game is up.

For the moment, the party most gravely disturbed by this reconciliation is Russia who must see in the rise of "a new America" at the frontiers of her empire the end of her hopes of exploiting West European division for the enlargement of her influence. She would

no doubt see an unmitigated danger in this development were it not that the construction of a united Europe inevitably tends to increase the independence of Europe from the tutelage of her more powerful enemy, the United States. That is what lends interest to the ambivalent, not to say embarrassed, conclusions of Communist economic luminaries in Moscow last week after their symposium on the Common Market. The academician Azoumanian repeated the standard Communist doctrine that "the Common Market does not eliminate the contradictions of capitalism but aggravates them". It is this absurd notion—the Common Market cannot work because inconsistent with Soviet dogma about the destiny of capitalism—that explained the quiescent attitude of Moscow to European unity until this very year, when the success of the Common Market became evident to the blindest ideologue. Passing unperturbed from this exploded theory to a juster view of the facts, the academician recognised that there was occurring in the Common Market "a veritable technical and scientific revolution which is bringing about a gigantic renovation of capitalist industrial structure".

He went further and generously conceded that "we can no longer let ourselves believe that while we are advancing toward communism, other countries are standing still". Apparently, then, "aggravated contradictions" include economic progress, industrial renovation and a technical revolution, which is not too bad for aggravated contradictions. He noted, too, the "bolder language used by the Common Market powers in talking to the USA", no doubt wishfully misinterpreting (as Americans like Walter Lippman anxiously misinterpret) the perfectly natural interest rehabilitated economies take in their own protection when they no longer require support and patronage at every step. These are considerable developments, yet the Moscow Congress could draw only the lamest conclusions as regards practical action. "In the face of international agreement between the monopolies, which finds expression in European integration, the working class must increase its pressure on the monopolies by closing its ranks", ruled the Congress with a grandiloquent vacuity, adding no more instructively, "These new phenomena inside the capitalist camp must be exploited by Communists in their struggle".

However, the most interesting proceedings in Moscow were not public and one must rely on "well-informed" (i.e. Italian) sources for what was said. The main contribution appears to have come from Communist delegations from the Common Market countries and they are important as showing that the evolution of Communist opinion exactly reproduces that of Britain. That is, having been skeptical of the Franco-German reconciliation and of the chances of the Common Market, one passes first to violent verbal opposition and finally to compromise and co-operation. "The policy of opposition to the process of integration", the European Communists said in Moscow, "has turned out to be wrong because it was founded mainly on the expectation of a sharp fall in production in wide sectors of the economy. The Common Market has brought to a head and deepened some economic crises, especially in agriculture. But on the whole it has stimulated powerful development and reduced the effects of depression on certain sectors. We wonder whether it henceforth suffices to demand the abolition of the Common Market, which is showing a remarkable vitality". Instead, Communists should seek representation on the Brussels organisms... The Communists, then, have come full circle, from disbelief, to hostility, to an application for membership, and it is no secret that Soviet trading and even industrial corporations are following the American lead of seeking footholds inside the Common Market. Like Britain, the Soviet bloc is coming to accept the French-German reconciliation and the Common Market as a reality with which one must live, and the closer the better.

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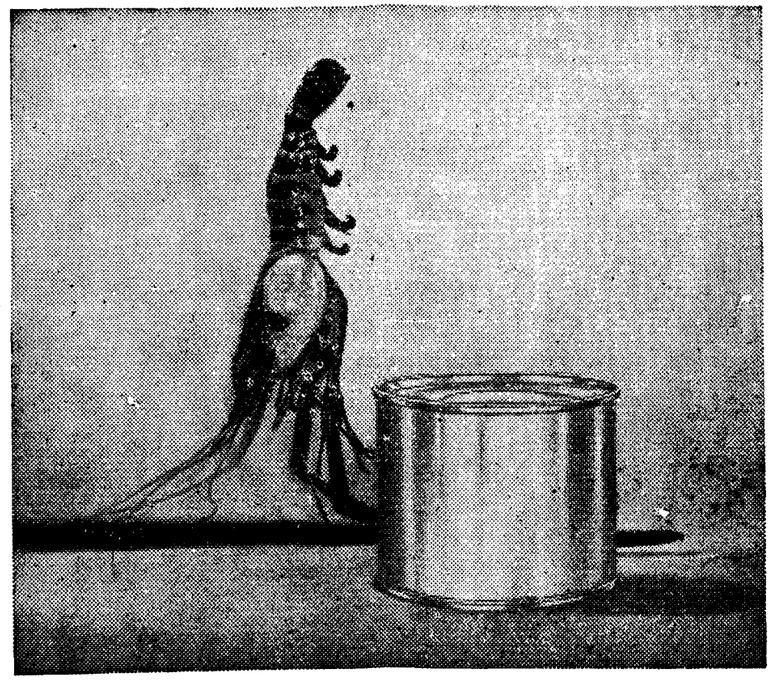
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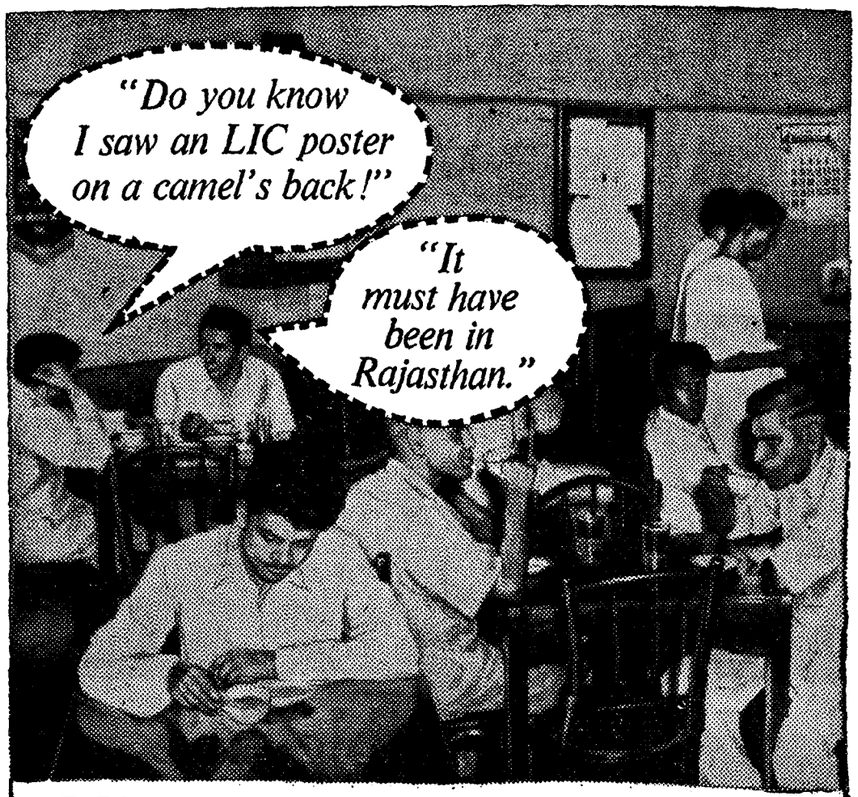
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THE BUSINESS WORLD

Tariff Commission Tarnished

By CROESUS

GIVING a dog a bad name and hanging it is an age-old political game and those that indulge in it must thank themselves for the repercussions that ensue. At a time when everyone in the country has been complaining of indiscipline all round, people in authority at least are expected to weigh their words carefully and make a pronouncement, but alas, this is, unfortunately, not the case. It may be all right for the Hon'ble the Union Minister for Steel and Heavy Industries to describe, — as he cavalierly did in Bombay a few days ago — the Tariff Commission's approach in the matter of steel retention prices as "out of date" and to suggest that some other alternative machinery be set up to take over the job of the Tariff Commission. But, after holding such a view and, what is worse, declaring it publicly, he owed it to himself and to the Tariff Commission, in all fairness, also to announce the scrapping of the Tariff Commission forthwith. He would probably have liked to do so, but was perhaps precluded from any such precipitate action by the fact that the Tariff Commission does not happen to be the creation of either himself or his Ministry, but of the sovereign Indian legislature. It is a pity that the Minister did not realise the disrepute into which he was throwing the Tariff Commission. I wonder whether, after this, any of the members of the Tariff Commission will ever be able to exercise the power conferred on the Tariff Commission, as a former member of the Tariff Commission once mentioned to me that he threatened to do to get an intransigent industrialist to show the degree of respect due to a statutary body. It is a point worthy of the most serious consideration whether, in indirectly inciting possible indiscipline vis-a-vis a statutary body like the Tariff Commission, the Minister concerned has not rendered himself liable to the charge of flouting the legislature.

The decision of the Government on the report of the Tariff Commission on the fair ex-works retention prices of steel and pig iron for the period April, 1960 to March 1962 may be in consonance with the political ideology of those that decided the question, but it is certainly not in the best interests of either the industry concerned or the economy of the country as a whole. This is not to question the right of the Government of India to modify the studied recommendations of the Tariff Commission, although it is debatable whether it is at all advisable to reject the carefully considered conclusions of an expert body specifically appointed for the purpose, especially when there is no reason to suspect the objectivity or impartiality of that body. True, there have been several instances in the past when the Government has rejected some of the recommendations of the Tariff Commission both unceremoniously and unwisely for at least understandable, if not acceptable reasons, but, in the present instance the decision of the Government is not even convincing; besides, it reflects an utter and unprecendented disregard of factual data.

Having considered the main recommendations of the Commission, the Government says, in its resolution of September 7, 1962, that "there is insufficient justification for accepting a block of Rs. 1,300 per tonne" and it has, therefore, "decided to base the retention prices on a block of Rs. 1,176 per tonne". Now, after examining the whole question carefully, the Tariff Commission has come to the considered conclusion that, for the price inquiry period, a block of Rs. 1,300 per tonne of saleable steel should be considered as "reasonably representative". The Commission has clearly stated that, because of conditions prevailing in our steel industry, it is not possible at present to assess the works cost and the overheads as the "standard cost" on the basis of an ideal plant and that, in any case, such an exercise for a "close period" (1960-'62) would have little significance. But the Government has chosen arbitrarily to bring this figure down to Rs. 1,176 per tonne and goes on to argue that it has arrived at this figure on the basis that the plants should have worked at 100 per cent of capacity, instead of at 90 per cent optimum as assumed by the Tariff Commission. It is easy to assume a 100 per cent capacity and it may also be possible to achieve it, but only under ideal conditions. As the TISCO Chairman, Mr. J. R. D. Tata, made it clear some time ago, "the continuous operation of a steel plant at its maximum capacity depends on such perfect balance and co-ordination between diverse elements of production, transport, labour and management covering the operations of so many separate departments and units of plants that it is rarely achieved on a year round basis". It may be noted here that even advanced countries assume an average rate of production of no more than 80 per cent. There is enough evidence in the Report of the Tariff Commission to establish that the perfect balance and co-ordination that Mr. Tata spoke of was no where in evidence. And yet our Government has not only not hesitated to assume that 100 per cent capacity should have been achieved, but has also hastened to base its retention price on that basis. If I may digress a little here, there would appear to be an obsession in official circles about achieving, nay exceeding, the rated capacity willy-nilly, and nowhere was this obsession in greater evidence than in Sindri and, with what results, we all know. The breakdown that followed the senseless driving of the Sindri plant to overcapacity must be still green in the memories of most people, even after making allowance for the old saying that public memory is proverbially short. In this connection, I make bold to advance the thesis that, while allowing idle installed capacity is a crime, it is no less a crime to overwork any plant or machinery except during a national emergency such as a war. If we ignore this, we will have to be prepared not only for a breakdown of the plant but also for avoidably inflating our import bill for replacements, which we can ill-afford, especially today.

Be that as it may, in arriving at the lower block figure of Rs. 1,176 per tonne, the Government has also excluded the special advances paid to the steel companies. In doing this, as well as in not providing an element in the retention price for the payment of interest on, and the repayment of, the special advances, the Government has unilaterally revised its earlier decision. In fairness to the steel companies, the Government ought to have made known its decision to revise its earlier procedure in advance—that is at the time of instituting the inquiry itself — so that they could have been prepared for it. To the same category also belongs the Government's decision to allow only

four months of the works cost, as against the recommended provision of six months, for working capital. But the worst of all — and this is like adding insult to injury — is the Government's decision to suggest to the companies to repay a part of the special advances with accrued interest by issuing fresh share capital at such time or times as the Government may decide. Does the Government expect that, with its latest decision on steel retention prices, and in the prevailing atmosphere of the capital market, the steel companies will really be able to raise further equity capital? Rather than subscribe to any more equity issues of steel companies, it is feared, the existing holders may seriously consider switching over from steel shares to relatively more attractive industrials. Could it be that it is precisely such an eventuality the authorities contemplate should happen? Does this mean, then, they have some ulterior motive? These questions are not too far-fetched; even if they are, the blame rests nowhere else except at the doors of the Government.

Business Notes

Banking

HARNESSING BANKS TO HELP EXPORT

THAT THE remarkable progress achieved by industrially advanced countries in the sphere of industry and foreign trade is the outcome of various forms of credit facilities, aid, and incentives enjoyed by them is too well known to need repetition. Japan, for example, has been able to maintain the high level of her exports because of the various promotional measures adopted by that country and the able manner in which they have been co-ordinated whilst implementing them. The Japanese exporters are not only provided with short-term loans, but the Export-Import Bank of Japan extends long-term loans for financing exports. Facilities are made available for providing finance to exporters, either prior to shipment or after shipment at a rate lower than the normal rate of borrowing. The Bank of Japan has also been assisting exporters to secure loans under the Export Trade Bill System, that is, by accepting bills suitable for collateral securities and for discounting. All these facilities have undoubtedly added to the competitive capacity of Japanese exporters in the world markets. After all, there is nothing unusual about them. Accordingly, commending these useful methods for promoting the exports of this country also, Mr. Pravinchandra V. Gandhi, President of the Indian Merchants' Chamber (I.M.C.), told its second quarterly meeting, held recently in Bombay, that, besides the promotional methods already undertaken by the Government, the implementation of these too would help augment our exports to a considerable extent. In this connection, he welcomed the bills recently adopted by the Lok Sabha amending the Banking Companies Act, the Reserve Bank of India Act and the State Bank of India Act, all facilitating the financing of export trade. These steps are in the right direction, he said and added that it would be much better if arrangements were also made for making credit available to exporters at concessional rates, that is, at rates below the bank rate, as in Japan.

Referring to the proposed banking reform calculated to reinforce the structure of capital and liquid assets of the banks and to strengthen their financial position generally, the I.M.C. Chief stated that, while the new proposals (namely to fix the liquidity ratio at 28 per cent of their aggregate deposits, inclusive of the new form cash ratio of 3 per cent, of their total liabilities, instead of 20 per cent of time and demand liabilities as at present, and the powers taken by the Reserve Bank to vary and raise the liquidity ratio to 40 per cent and the component ratio of cash reserves to 5 per cent) were to be welcomed, it was also necessary to judge them from the point of view of their practical implications to trade and industry, not to speak of the banking institutions themselves. According to Mr. Gandhi, "the implementation of Bank Award, Bonus Award, premia to be paid to the Deposit Insurance Corporation, servicing of additional capital which is being raised by a number of Banks, transfer of 20 per cent of their profits to reserve and the 5 per cent increase in the Corporation Tax—all these have cumulatively imposed additional burdens eating into the profit margins of banking institutions". He also made a mention of the increased cost of borrowing from the Reserve Bank of India under the new four-tier system.

In view of the special role that the banking system has been called upon to play in the context of promoting industrialisation and export trade, Mr. Gandhi suggested, that the Government should (a) allow a rebate from income-tax on 10 per cent of profits transferred to reserves, on the same lines as development rebate allowed to new industries and special rebate allowed to Finance Corporations, and (b) allow extensive branch expansion by the banking system in areas which have hitherto remained outside the orbit of organised banking system, with a view to harnessing deposit resources.

Exports

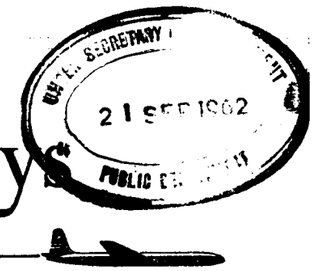
WANTED: A SENSE OF URGENCY

THE RESPONSIBILITY of expanding our exports rests not only on the Government of the country but on all sectors of the economy and particularly so on the business community — manufacturers as well as traders — declared Mr. G. D. Somani, whilst addressing a joint meeting of the Commerce Graduates' Association, the Progressive Group, and the Western India Chamber of Commerce, on "Exports—the Need of the Hour", the other day, in Bombay. Closer understanding and more hormonious relations among Government, business men, labour, and consumers were quite essential if this national responsibility had to be discharged successfully, he said. However, Mr. Somani added, the primary responsibility of export promotion fell on the business community which should try its best. So far so good, but, when he went on to say, this should be done, irrespective of profit considerations, even at a loss, if need be, and as a labour of love, and so on, to help the country in tiding over the present foreign exchange crisis, he sounded a little too unrealistic for a business man.

Referring to the recent measures taken by the Government, he expressed the view that these were all an indication of the earnestness of the authorities in tackling this problem, but, at the same time, he stressed the point that the strategy of export trade should rest on a detailed study of export prospects commodity-wise.

In this connection, he suggested that every industry —old as well as new—should prepare its own budget of foreign exchange, outlining a detailed picture of its total requirements and total earnings of foreign exchange over the entire period of the Third Plan. Any industry that revealed a progressive increase in the foreign exchange earnings and a steady decline in its foreign exchange requirements, he said, should be marked out for special treatment by the Government. Already, the Government of India has announced such special treatment (by way of higher priorities) to sixteen industries, but Mr. Somani hoped that many more industries would soon be brought under this category.

Emphasising that self-reliance should be the ultimate aim of a country, Mr. Somani pointed out that the pre-conditions for self-generating growth in the case of our country were a rise in investment and savings of 12 to 15 per cent of our national income. But, as against this, what had been happening actually was that, whereas the increase in the rate of investment during the last



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decade had been more or less satisfactory, that in savings had been most disappointing. According to Mr. Somani, "our stagnant export is just a reflection of our overall slackness in augmenting our national savings" Mr. Somani further felt that the easy availability of foreign capital had made this country complacent and that no great afforts had yet been made to divert an increasing propotion of the national income to investment. Recalling the speech made by Mr. David Rockefeller President of the Chase Manhatten Bank, at Paris, recently, Mr. Somani said that nearly nine-tenths of one per cent of the industrial nations' gross national product was given as aid, which was creditable by all means, but he felt that the ultimate goal of self-reliance needed to be reached as early as possible, even if this entailed "some sacrifice in our level and pattern of consumption".

Glassware

INCENTIVES TO BOOST EXPORTS

THE UNION GOVERNMENT'S decision, though belated, to grant special additional incentives to the glassware industry on the condition of stepping up exports by at least 10 per cent is welcome. The incentives are reported to have been offered, among other things, in the form of granting supply of heavy soda ash at a reduced price—possibly at the price at which the State Trading Corporation imports it. It is important to note that heavy soda ash, constituting 30 per cent of the cost of manufacturing glassware, keeps a sway over the cost component of the industry and the fact that the S.T.C's annual import of 70,000 tons is almost entirely consumed by the glass industry makes the case for special concessions all the more strong.

It may be recalled that the idea of supplying heavy soda ash at subsidised rate to the industry was conceived in January this year and the ministerial assurance followed later in May. The delay in implementing the assurance is reported to have been caused by the industry's failure to submit a statement of costs showing thereby that the industry is in no position to wipe out on its own the difference between the world price and internal price of Indian glassware with a reasonable margin of profit. Besides this, the S.T.C's hesitancy to part with profits on this commodity is said to be another reason for delay. The S.T.C. imports heavy soda ash at about Rs. 190 per ton, while the prevailing price in Bombay and Calcutta varies between Rs. 435 and Rs. 445 per ton, which have been statutorily fixed and cannot be reduced without adversely affecting the indigenous heavy soda ash industry which is in its infancy and needs protection. The concession will, therefore, have to be in the form of a rebate. This apart, several railway freight concessions have been granted for this industry and more may be announced later. It has been shown by a study of foreign markets that the industry has a bright future in the export market if the price of Indian glassware is made competitive. This is by no means an impossible task, if heavy soda ash is available at world market price and the internal market is gradually developed. In view of the possibility of a far greater demand of milk bottles, glass tubes, tubal vials, ampoules, flasks and bangles in the Far East and Middle East markets, the additional incentives will certainly be useful.

Coal

NCDC'S TWO NEW PROJECTS

THE NATIONAL Coal Development Corporation has approved two new projects to be undertaken in Madhya Pradesh during the current Plan period. One of these relates to coal-mining, by the open-cast method, in the Singrauli field which covers almost 220 sq. kilometres in the northern-most part of the Sone Valley coalfields. The proved reserves of the Singrauli field are more than 400 million tonnes. The scope of the present project, however, is limited to the extraction of 130.76 million tonnes of grade II and grade III coal. Production is to start in the last year of the current Plan at the rate of 2.54 million tonnes per annum. The ultimate target is to win an output of 3.05 million tonnes a year early during the Fourth Plan period.

The project, to be completed in two stages, will cost nearly Rs. 15 crores. The net profit, after paying interest on capital, on the completion of the first stage, is expected to be Rs. 77.37 lakhs per annum. On the execution of the second stage, when skips are envisaged to replace conventional coal-haulers, it is anticipated to raise the net profit to around Rs. 95.27 lakhs a year. The life of the mine is expected to be 40 years.

Singrauli, it is stated, will have the highest output per man-shift for any colliery in India—6.8 tonnes—as heavy earth-moving machinery, including two or three draglines, are to be employed here. The Obra power station in U.P., which is now under construction, will be one of the principal consumers of the lower grade coal to be produced at this project. The major beneficiaries from the better quality coal of this mine will be the consumers in western and northern India who, when the project goes into production, will not have to be handicapped by the Mughalsarai railway bottleneck.

The second new project approved by the NCDC for execution during the Third Plan is the opening of a new coal mine at Bijuri, in Sahdol district of Madhya Pradesh. This project is estimated to cost Rs. 2.06 crores and is scheduled to be commissioned into production in 1963-64 with an initial output of 50,000 tonnes. By March, 1966, production is envisaged to be stepped up to 3 lakhs tonnes. The full-rated capacity of 3.6 lakh tonnes per annum is proposed to be achieved in the Fourth Plan period. The return on investment is expected to be of the order of 9.4 per cent per annum. The coal reserves in this area are estimated at 12.82 million tonnes, of which 9 million tonnes are mineable. The quality of coal varies from Grade I to Grade II.

With these two projects, the National Coal Development Corporation's total projects in Madhya Pradesh come to twelve, out of which four are already working. The other six new projects approved for execution are (1) Jamuna, (2) Duman Hill (3) Banki, (4) Surakachhar (5) Manipur and (6) Sonwani. Their combined output target is 4.5 million tonnes of coal per annum. The four collieries which are at present being worked by the NCDC in this State have a production capacity of 5.8 million tonnes.

New Issues

ASIAN REFRACTORIES

TWO MORE companies have finalised their plans of raising capital from the public.

Asian Refractories, a new company sponsored by the well-known Calcutta house of Rampurias, is entering the capital market some time later this month with an offer of 3,30,000 equity shares of Rs. 10 each and 7,000 cumulative redeemable preference shares of Rs. 100 each. The company is to set up a plant in the Hazaribagh district of Bihar to undertake the manufacture of 24,000 tons of firebricks and 6,000 tons of silica bricks per annum. It has already got the licence to manufacture these two commodities to this extent. At a later stage, the company proposes to go in for the manufacture of magnesite bricks and chemically bonded bricks as well.

Technical collaboration for the project has been arranged with Messrs. CEKOP, the Polish Government undertaking, which will, besides making available the

production know-how, will supply the plant and machinery.

KOYNA FERRO ALLOYS LIMITED

KOYNA FERRO ALLOYS LTD., a new company sponsored by Mr. Pranlal Patel to undertake the manufacture of various kinds of ferro-alloys, is likely to approach the public for subscriptions to its capital some time towards the end of the current year. The project would be costing Rs. 2 crores. The share capital to be issued to the public in the first instance is to be of the order of Rs. 60 lakhs, all in equity shares.

The factory of the company will be located at Panvel, Maharashtra. It will have a capacity to produce 100 tons of ferro-molybdenium alloy (68 per cent grade), 50 tons of ferro-venadium alloy (50 per cent grade) and 1,250 tons of silicon metal per annum.

Oilseeds

PRODUCTION SCHEMES IN THE DOLDRUMS

THE WAY things are moving pertaining to the schemes of oilseeds production, it seems that the Third Plan target perhaps may not be achieved. On the very face of it the schemes of the States appear to be in the doldrums. Against the Second Plan target of 75.5 lakh tons and the actual production of 65.30 lakh tons in 1960-61, the final year of the Plan, the Planning Commission has fixed the production target of 98.20 lakh tonnes of five major oilseeds by 1965-66.

Although greater oilseeds production is very essential, it is a pity that these States should be lethargic and undecisive. Actual work on these programmes does not appear to have been seriously taken up in any of the seven States where such programmes have been sanctioned. Surely, it is a poor reflection on their administrative capacity. Sooner they wake up, the better it would be in the interests of the country. In this attitude of the States, the planners are also to be blamed who have distributed in a haphazard manner the overall target of oilseeds production. It is officially conceded that while the Third Plan target of additional production of oilseeds in Madhya Pradesh and Madras have been fixed as low as 28 per cent and 28.8 per cent they have been fixed at 191.8 per cent in the case of Andhra Pradesh and 239 per cent in the case of Orissa. It would be a magic if Andhra can bring about such results. And similarly the doubts can be entertained in respect of other States. To bring about good results, a proper emphasis will, of course, have to be laid on extensive and intensive cultivation. Proper fertilizers will also have to be supplied to the States so that they may be able to utilise it in a right manner for enhanced production.

A handicap which is said to be responsible for not implementing the oilseeds schemes is said to be the inadequate staff. By way of example, it may be mentioned that in many States a large number of posts sanctioned are still lying vacant. This attitude is not at all healthy and sooner an end is put to it the better it would be. Adequate staff is essential for running these schemes and steps must soon be taken to overcome this deficiency. The country is facing severe foreign exchange at the present moment, and to earn foreign exchange, it becomes all the more important that the schemes be given a proper shape. Co-ordination between the States and the Centre in a more effective manner perhaps could help to mend matters to a certain degree.

Public Sector

WORKING OF INDUSTRIAL AND COMMERCIAL UNDERTAKINGS

IT IS a sad commentary on the working of Hindustan Steel Ltd. that it should show great losses. Plantwise Rourkela showed a loss of Rs. 155.8 lakhs, and Durgopur Rs. 71.2 lakhs. The arrears of depreciation carried over amounted to Rs. 17.7 crores. The other Central Government undertakings which show losses are Hindustan Salt Company (Rs. 5.6 lakhs), Indian Oil Company (Rs. 2.6) lakhs and National Projects Construction Corporation (Rs. 0.7 lakhs). While it is understandable that teething troubles in case of Hindustan Steel and some of the other concerns were responsible for these losses, it goes without saying that if proper care would have been taken and the concerns managed efficiently, these losses perhaps could have been curtailed. Then again it is to be noted that the dividend declared is only by nine units. If dividends could have been declared by many of these units, things would have been more appreciable.

The total net profit earned by 23 concerns after taking into account the losses sustained by three was Rs. 7.7 crores. The amounts representing the difference between the net profits earned and the dividend declared were retained by them for being appropriated as reserves or ploughed back into business.

While this is the story of some of the important concerns, the picture on the whole is not very gloomy because there are some Central Government undertakings where they have been able to finance the acquisition/creation of capital assets higher in value than the amounts invested in them. These central undertakings are Air-India International, Ashoka Hotel, Sindri, Hindustan Antibiotics and Eastern Shipping Corporation. The results pertain to about 42 industrial and commercial undertakings of the Central Government and they do not include departmentally run enterprises like Chittaranjan Locomotive Works, Post and Telegraphs Workshops, Ordnance factories etc. The undertakings covered by the report have been grouped into four categories, i.e., 26 running concerns, one completed but not fully commissioned, six promotional or whose activities are of a purely developmental character and nine under construction. The total investment in these undertakings on March 31, 1961 stood at Rs. 952.5 crores of which Rs. 555.6 crores was investment in the shape of equity and Rs. 396.9 crores as long-term loans.

Although the results of the major concerns are not satisfactory as would be evident from the project report, things cannot be said to be in great dislocation as steps are being taken by the Government to impart more efficiency and bring about more productivity. Experience is a great teacher, and it is to be hoped that perhaps that would help to bring about better results.

Paper

DEMAND FOR FURTHER PRICE INCREASE

WHILE POINTING out the various difficulties pertaining to the Titaghur Paper Mills at a recent meeting of the company, Sir Walter Michelmore, the chairman, delved deep into various aspects like marketing, shortage of raw materials and the working of the mills. The case put forward by Sir Michelmore was that the price increase granted was not sufficient and that there was a need for a subsidy or an increase in paper prices. He underlined that the cost of production was rising. The inadequacy of the increase will be apparent when it is taken into account that coal has increased in price and so has the freight on it—the Calcutta Electricity Supply Corporation rates have been increased — every single chemical whether caustic soda, lime or sodium sulphate, to mention only a few, are more expensive than in 1958 and the same applies to basic raw materials, whether bamboo or waste paper. In March 1962 it was estimated that total increase in cost since 1958 was Rs. 160 per metric tonne or 16 nP. per kilo. The 1962-63 Budget and the Railway Budget added a further Rs. 20 per tonne to the industry's costs—an additional 2 nP. per kilo.

It may also be noted that the price increase has been virtually absorbed by having to transport 50 per cent of the coal requirements by road—a cost factor which has not been even taken into account in the determining of the recent price increase. Needless to say that this raw material has been a continuous headache throughout the year. For Mill No. 1 and Mill No. 2 which were supplied coal mostly by road transport an additional bill to the tune of Rs. 18 lakhs was added. Since paper industry with its high coal consumption has to take 50 per cent of its requirements by road, the case for increase in paper prices becomes all the more stronger.

Dealing with the capital reorganisation, Sir Michelmore hinted that the paid-up capital was unduly small in relation to the scale of its operation and the value of its assets. To rectify the situation and to provide funds for the modernisation and expansion programme which is very essential, the chairman pointed out that the application has been made to the Controller of Capital Issues for a bonus and rights issue.

(Continued from page 473)

tion suggest continued appreciation in the price until such time as additional supplies can be pulled in and some demand choked off.

Before the equilibrium price is reached another all important factor may come into play: it is the large stock of silver, about 1800 million ounces, equal to about 7 years' production, which is held by the U.S. Treasury as a reserve against silver certificates now circulating in the United States. This vast reserve is a relic of the silver legislation that was passed by Congress between 1933 and 1939 and which required the United States to build up their silver reserve to a figure equal to 25 per cent of the gold reserve. The objective has now been abandoned but the legislation has left in its trail this enormous holding of silver which is used to back paper currency on the basis of a monetary price of $1.29 per ounce of silver.

The present free market price of silver is $1.13 per ounce and the time may not be far distant when the free market price will catch up with the official monetary price. What will the U.S. authorities then do? By withdrawing silver certificates from circulation they could free an equivalent amount of silver and sell it in the market. They would do so at a very substantial profit since most of that silver has been bought at around 91 cents per ounce from domestic producers in the United States.

This, however, is an issue in which politics will play an important and perhaps dominant part. The Senators representing the silver producing States in the U.S.A. exercise an influence in Congress out of all proportion to their numbers. The silver legislation of the 1930's was largely their work. They would oppose the complete unwinding of that legislation with ferocity. $1.29 may not therefore be a ceiling to the free market price of silver.

Cryolite

A NEW VENTURE

THE EAST INDIA TRADING CO., OF CALCUTTA has plans to set up a project for the manufacture of cryolite and flourite at an estimated cost of Rs. 50 lakhs. Efforts, it is stated, are being made to secure technical collaboration from a prominent Italian firm.

The company has already secured a licence to produce 12,600 tons of cryolite and 3,600 tons of fluorite per annum. Its plant is to be locoted at Raipur.

The estimated annual requirements of India for cryolite and fluorite at the end of the Third Five-Year Plan are placed in the neighbourhood of 20,000 tons. Of this, about 14,000 tons are said to be required for use by the aluminium industry. Most of these requirements would be met from the indigenous sources when the East India Trading Company's plant and the project of Gagalbhai Jute Mills (Calcutta), which has also been licensed to produce annually 3,000 tons of synthetic cryolite, 1,200 tons of aluminium fluorite and 400 tons of sodium chloride, go into production.

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REDEEMABLE AT PAR ON THE 24TH SEPTEMBER, 1972.

Subscriptions will be received in cash or cheques from the 24th September 1962. But the lists will be closed without notice as soon as the total subscriptions amount to approximately Rs. 300 lakhs and in any case not later than the close of business on the 29th September 1962.

Applications will be received at all branches of the State Bank of India within the State of Madras and at the State Bank of India at Madras, Bombay, Hyderabad, Calcutta, Delhi, Bangalore and Bangalore City.

Copies of the notification announcing the terms of issue and application forms are available at all the receiving offices mentioned above, at all treasuries and sub-treasuries in the State of Madras and at all offices of the State Electricity Board.

FROM THE CAPITAL'S CORRIDORS

FOREIGN TRADE

PROBLEMS of India's external trade were to the fore last week, not only because the joint meeting of the Import and Export Promotion Advisory Councils was to be held on September 8, but also because the Prime Minister, along with the Union Finance Minister, Mr. Morarji Desai, was embarking on a mission to London where Commonwealth Prime Ministers' Conference opened on September 10, to impress upon the United Kingdom the adverse effects which her joining the European Common Market would have on the foreign trade of under-developed countries like India.

The Prime Minister, both before his departure in New Delhi and on his arrival in London, raised the fundamental issue that if India's exports to Britian went down as a sequel to the latter's becoming a member of the European Economic Community, this would have similar effects on Britain's exports to India. Speaking in the same vein, Mr. Nehru pointed out that the imbalance in the trade between India and West Germany on the present scale could not continue any longer. The Prime Minister made another significant observation concerning the political aspect of Britain's entry into the Common Market and stated if the Common Market were an extension of the NATO alliance, "it becomes a party to the world conflict."

The Prime Minister's remarks about the effects of Britain's joining the Common Market on India's trade were eloquently echoed by the Union Commerce and Industry Minister, Mr. K. C. Reddy, while inaugurating the one-day joint meeting of the Import and Export Promotion Advisory Councils. Mr. Reddy declared that the policies of the West European countries particularly towards imports of manufactured articles from developing countries still remained highly restrictive. It was a sad commentary, he said, on the declared policies of the advanced countries that they should insist on protecting or subsidising simpler forms of manufactures in the production of which the less industrialised countries had a comparative advantage. As a background to his these remarks, Mr. Reddy pointed out that India's exports to the United Kingdom and the ECM countries during the first seven months of the current year declined by Rs. 6 crores and Rs. 7 crores, respectively, from the levels during the corresponding period last year.

Regarding the negotiations between the United Kingdom and the EEC, Mr. Reddy stated that the U.K. and the Six had reached agreement on some points of interest to India. Tea, an important item of India's export, would get duty-free treatment throughout the enlarged Community. He further hoped that the benefit of free entry would not be nullified by increased internal taxes or duties within the Community. Other items like cashewnuts, ginger, cardamom and sandalwood oil, Mr. Reddy observed, would also get similar treatment by suspension of duty. In regard to many items of vital interest to India, Mr. Reddy stated, no solution had yet been found. He expressed dissatisfaction at the treatment meted out by the Community to cotton textiles exports from India.

IMPORT RESTRICTIONS

An important point made by the Union Commerce and Industry Minister at this meeting was that during the second half of the current financial year, foreign exchange available for maintenance imports would be appreciably less than was available during the first half. He, therefore, envisaged that further import tightening up may have to be resorted to. At the same time, however, he assured the business community that the recent 50 per cent blanket cut on imports would be reviewed to mitigate the hardships in deserving cases to the extent possible. While Mr. Reddy's this gloomy observation can be stated to have come at a very inopportune time when the Union Government and the Planning Commission are very much concerned about the recent rise in prices, Mr. Reddy would have done well to have clarified the position further. Presumably, Mr. Reddy had in mind the fact that since bilateral negotiations with the members of the Aid-India Consortium have not yet come to an end, it is difficult to say how much of the aid promised by them would be available for maintenance imports. Further, there still remains a gap of Rs. 130 crores between the aid that was expected from the members of the Aid-India Club, other than the World Bank and its affiliate, the International Development Association, and the aid promised by them. The Government would obviously be looking forward to the outcome of the efforts of the Union Finance Minister who, during his forthcoming visit to the United States to attend the Fund-Bank meeting, would be utilising the the opportunity to secure some more aid from the Aid-India Club members for the current year of the Third Plan so as at least to bridge partially the gap that remains in the expectations and commitments regarding assistance from this source.

Mr. Reddy characterised the task of export promotion as a national crusade. While the Government, he said, had decided to give export promotion the highest priority and was determined to spare no efforts, there was a limit to what Government alone could achieve by its efforts. He added that the current foreign exchange crisis would have served a useful purpose if it evoked a spirit of determination on the part of the business community to meet the challenge and to so organise production and trade as to achieve a steady increase in the country's foreign exchange earnings. The main handicap in the way of India's stepping up of exports, Mr. Reddy opined, were high cost of production here and the keen competition that was faced in the world markets.

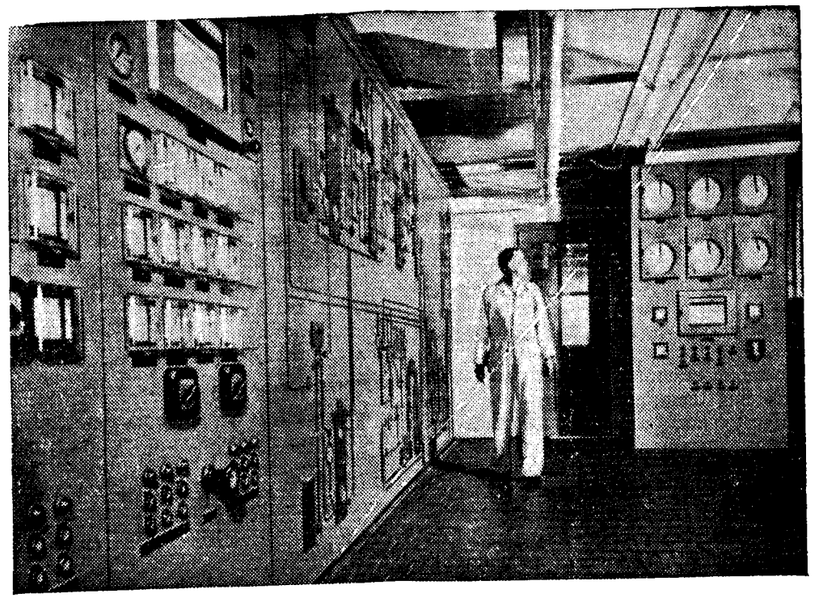
Mr. Manubhai Shah, intervening in the deliberations of the joint meeting of the Import and Export Promotion Advisory Councils, pointed out that nearly Rs. 50 crores had been saved in the first half of this year as a result of import cuts and this did not involve any damage to the economy. Referring to exports, Mr. Shah disclosed that the Government was working out the details of the proposed Import-Export Stabilisation Fund to finance additional import of components and raw materials for export industries. Certain discussions in this regard, he added, were taking place already in Bombay. As soon as the scheme was ready, the trade would be consulted.

EXPORTS LIBERALISED

The Government of India has decided to remove licensing restrictions on exports of most of the items over which, at present, there is export control. As compared to the old list of banned items numbering as many as 185, there will now be export ban only on 78 items.

Two lists have been drawn up, one showing the items the export of which will be banned and the other listing the commodities for which there will be free licensing within quotas which will be announced on an annual basis.

The lists include only those items where export control is inescapable because of their connection with such national schemes as the Preservation of Wild Life or because of their use in the country's defence. Minerals and components connected with Atomic Energy



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etc. and items required for domestic consumption are the other items which figure in the list of banned items.

In respect of some 45 items, which were hitherto allowed to be exported after considering the merits of each case, the formalities of obtaining licences have now been removed.

BANNED ITEMS

The following are the commodities whose exports are totally banned :

A. Animals, Food and Drink. Wild life (dead or alive or part thereof or produce therefrom), the following: Asiatic Lion; Black Buck (White Variety), Brow-antlered deer, Clouded Leopard, Crocodiles, Eastern Pangolin, Great Indian Bustard, Hunting Leopard, Indian Rhinoceros, Jerdon's Courser, Kashmir Stag, Mountain Quail, Pigmy hog, Pink-headed Duck, Snow Leopard, White-winged wood Duck, White tiger, Butterflies, Moths larger than 75 mm., Marbled Cat, Four-horned antelope, Golden Cat, Golden Langur, Indian Gazelle, Indian Swamp deer, Lesser Panda, Spotted Lisang, Tragopans, Urial, Markhor; (2) Wheat and wheat flour.

B. Minerals, Ores and Concentrates, Metals and their Compounds: Beryl, Radium ores and concentrates, Thorium ores and concentrates, Uranium ores and concentrates, Uranium bearing tailings left over from ores after extraction of copper or gold, Zircon ores and concentrates including semi-precious variety of zircon stones; Some other minerals, containing the above substances as accessory ingredients including, (a) Uraniferous allanite, (b) Columbite, (c) Monazite, Samarskite; Selenium and compounds including Selenium, Beryllium compounds, Deutorium compounds, Lithium compounds, Neptunium compounds, Plutenium compounds, Radium compounds, Thorium compounds, Uraniam compounds, Zirconium compounds.

Metals: Iridium, iridosmine and osmiridium, Beryllium, Lithium, Neptunium, Plutonium, Radium, Thorium, Uranium, Zirconium.

Seeds, other than Oilseeds: Green manure seeds, Jute seeds, Mesta seed, Lemon grass seed and roots, Pepper cuttings or rooted cuttings of pepper, Potato seed (export to Pakistan is, however, covered by O.G.L. No. 4), Seeds, steams and green roots of Rauwolfia Serpentina and other species of Rauwolfia, Sun hemp seed, Russa grass seeds and tufts.

Oilseeds (non-essential) : Castor seed, Copra, Cotton seed, Ordinary groundnuts, Linseed, Mustard seed, Rape seed.

LICENSABLE FREELY WITHIN CEILINGS

The following are commodities exports of which are licenseable freely within ceilings to be announced on an annual basis.

Wheat bran (from the ports of Bombay, Calcutta, Madras and Gujarat); Rice bran (from the ports of Bombay, Calcutta, Madras, Andhra Pradesh and Gujarat); Sugar costed, salted and unsalted groundnuts roasted or fried; Tinned butter (on 'first come first served' basis on production of valid firm sale contracts); Sugar (by the Indian Sugar Mills Association, Calcutta and the S.T.C. only); Onions (to destinations other than Pakistan). (Export to Pakistan is on O.G.L. No. 4); Potatoes (to destinations other than Pakistan (Export to Pakistan is on O.G.L. No. 4); H. P. S. groundnut kernels (against registration of contracts); Linseed cake; Coconut oilcake; Controlled varieties of raw cotton (on 'first come first served' basis to those exporters who exported raw cotton prior to 31-8-1958); Indigenous wool (on 'first come first served') basis on production of certificates of Agmark grading); Cotton rags, hosiery cuttings and linen cuttings; Gurjan wood from Tripura and Lungleh Sub-Division of Lushai Hills District in Assam (to East Pakistan only against transit passes issued by the Assam and Tripura Forest Officers concerned; Indian teak including Kayal (Tectona Grandis) (at Bombay and Ernakulam only against firm contracts subject to a maximum of 50 cubic tons per shipper per day.); Benteak (Lagerstrecmia Lanccolate) (at Ernakulam against firm contracts subject to a maximum of 100 cubic tons per shipper per day); Haldu wood scantlings (Adina Cordifolia) (at Bombay against firm contracts subject to a maximum of 100 C. tons per shipper per day); Rose wood (Dalbergra Latifolia) (against firm contracts subject to a maximum of 100 C. tons per shipper per day). Shisham (Dalbergis Sissoo) (at Headquarters against firm contracts); Kokoo, black siris, white siris, etc. (Albizzia supp.) (at Ernakulam against firm contracts subject to maximum of 50C. tons per shipper per day provided the sizes of timber exported are smaller than those required by the Indian Railways); H.P.S. groundnut in-shell (against evidence of firm sale contracts.); Bauxite; Guar Gum; Raw goat skins excluding pickled goat skin; Manganese Ores and concentrates other than low grade; Manganese dioxide peroxide; Bananas (to destinations other than Pakistan); Bone sinews; Chrome leather shavings, picker waste and dry piece in hair, dry limed hide bellies, splites, hide cuttings or trimmings, hide fleshing; Nux Vomica seeds; Sizlimanite.

The above two lists are provisional and are subject to review from time to time. All the other commodities are freely exportable without any limit.

TRADE WITH EUROPE

The first meeting of the Council for Trade with Europe was held here during the week. The meeting took note of the declining trend in India's exports to Western Europe and decided that detailed commodity-wise studies should be undertaken so that concrete steps for promoting exports to West European countries might be evolved.

During the discussions, several members pointed out that quantitative restrictions and high tariff rates were imposed by most of the countries of Wesern Europe on numerous Indian commodities on completely wrong impressions about the low-wage structure and low cost of production of Indian goods offering unfair competition to the products of European industries. The Council, therefore, felt that commodity-wise studies should be made and West European countries should be informed about the facts which clearly point out that India is not a low-wage country by any description and, therefore, such high tariffs or quantitative restrictions on Indian products are totally uncalled for.

It was, however, not disclosed that India had not utilized the quotas allotted to her primarily because Indian goods were not competitive enough either in quality or price.

JUTE EXPORTS

A three-member committee has been set up to examine all the sale contracts and invoices relating to shipments of jute goods. After the contracts have been scrutinised by this committee and considered to be in order, the exports of the goods will be allowed without further check by the customs at the time of actual shipment. In order to facilitate the scrutiny, it has been decided that all contracts for the export of jute manufactures should be first registered as soon as they are finalised.

IMPORT OF COAL - TAR DYES

The Government has decided to ban the import of coal-tar dyes other than dyes intermediates with effect from October 1, 1962. The revised policy will be applicable to the supplementary licences covering the next half-yearly entitlement which may be granted to established importers after October 1.

Under the Cotton Textiles Export Incentives Scheme, against the import entitlements for dyestuffs and chemicals, not less than 35 per cent of the value of import entitlements was to be utilised for the import of dyes-intermediates, the balance being utilised for import of coal-tar dyes and/or textile chemicals. On a review of the position, it has been decided that against the entitlements for dyestuffs and chemicals under the Cotton Textiles Export Incentives Scheme, not less than 75 per cent of the value of the import entitlement shall be now utilised for the import of dyes-intermediates, the balance of not more than 25 per cent of the value being used for coal-tar dyes and/or textile chemicals. The revised percentages will, however, apply in respect of the import entitlements on exports of cotton textile fabrics etc. made after September 5, 1962, under the Cotton Textiles Export Incentives scheme.

No further imports of coal-tar dyes other than dyes-intermediates will be made under the rupee payment arrangements by the State Trading Corporation.

IMPORT OF COPRA AGAINST VANASPATI EXPORTS

Import licences for copra will be issued to the manufacturers-cum-exporters of vanaspati and hydrogenated oil up to 75 per cent of the f.o.b. value realised from exports of vanaspati and hydrogenated oil, according to an Import Trade Control Public Notice issued here.

Manufacturers-cum-exporters will have the option to utilise 10 per cent of this entitlement for such items as chemicals, spares and machinery as approved by the Directorate of Sugar and Vanaspati and the Development Wing in the Ministry of Commerce and Industry.

The Public Notice has clarified that the import entitlement for chemicals, spares and machinery as well as copra should be within the maximum limit of 75 per cent of the f.o.b. value realised.

STEEL RETENTION PRICES

The long-awaited announcement on steel retention prices for the two-year period to March 31, 1962, was made by the Government of India last week. The average retention price of steel produced by the main producers, whether in the private or in the public sector, has been fixed at a uniform rate of Rs. 522.50 per tonne. This means an increase of Rs. 10.50 per tonne over the provisional price fixed earlier for this period.

The increase allowed by the Government falls considerably short of the Rs. 38 per tonne raise recommended by the Tariff Commission. The Commission, after going into the claims of the steel interests in the country, had recommended that retention price of saleable steel should be increased from an average of about Rs. 512 per tonne — this price had been provisionally fixed by the Government under the Escalator clause after a preliminary cost examination of the Tata Iron and Steel Company Ltd., and the Indian Iron and Steel Company Ltd., undertaken by the Cost Accounts Branch of the Ministry of Finance and allowed for increase in railway freights, changes in statutory price of coal and other fuel and labour costs — to Rs. 550 per tonne. The Commission's recommendations were as follows:

(i) The average fair retention price of saleable steel (inclusive of the special element for payment of interest on and repayment of special advances) for 1960-62 should be Rs. 550 per tonne. This recommendation was based on an assessment of a fair or standard block on the basis of a comparative study of the capital blocks of the existing units. The Tariff Commission recommended that for the price period 1960-62, a capital block of Rs. 1,300 per tonne of saleable steel should be reasonably representative;

(ii) A return at 8 per cent on the representative block of Rs. 1,300 per tonne of saleable steel and interest on an estimated working capital at six months works cost equivalent at 5 per cent should be allowed;

(iii) Based on an equated payment spread over a period of 20 years, the special element allowed in the retention price for payment of interest on and repayment of the special advances should be Rs. 8 per tonne of saleable steel (this element is included in the price of Rs. 550 per tonne);

(iv) The fair retention price of steel ingots for 1960-61 should be Rs. 344 per tonne, inclusive of the special element of Rs. 8 per tonne for payment of interest on and repayment of the special advances; and

(v) The price of pig iron recommended by the Commission means roughly an increase of Rs. 3 per tonne over the existing prices.

The Government's decision has varied from the recommendations of the Tariff Commission in various respects. Firstly, the Government has differed from the Tariff Commission's recommendation in regard to the block of Rs. 1,300 per tonne. In Government's opinion, there was insufficient justification for accepting this amount of block which was calculated by the Tariff Commission on the basis of 90 per working of the plants' capacities. The Government has decided to base the retention prices on a block of Rs. 1,176 per tonne. This figure it has arrived at on the basis that the plants should be worked at 100 per cent of capacity and after excluding from the capital block the special advances paid to the companies by the Government. Secondly, the Government has viewed the working capital provision allowed by the Tariff Commission as rather too hign. Instead of this provision being allowed at the rate of six months of the works cost, the Government feels that a provision on the basis of four months works cost should be adequate. Thirdly, the Government has not considered it necessary to provide an element in the retention price for the payment of interest on and the repayment of special advances. The agreements with the companies according to the Government, provide for an alternative method of repayment of a part of the special advances with interest, namely an issue of share capital by the companies at such a time or times as the Government may, in agreement with the companies, decide. This would be considered by the Government further. The Government has, therefore, decided to exclude the element of Rs. 8 per tonne recommended by the Tariff Commission on this account from the retention price fixed.

As a corollary to the fixation of a lower retention price than the one recommended by the Tariff Commission, the Government has scaled down suitably the retention prices recommended by the Commission for different categories of steel. The retention price of steel ingots has been fixed at Rs. 326 per tonne, as against Rs. 344 per tonne recommended by the Tariff Commission. The retention price of pig iron, similarly, has been scaled down by Re. 1 per tonne from the price recommended by the Commission.

A detailed gazette notification on the new retention prices fixed for various categories of steel, as also pig iron, is being issued.

The increased retention prices do not imply any increase in the controlled prices of various categories of steel for sale to the public.

The other general recommendation of the Tariff Commission regarding regular supply of raw materials (particularly coal), improvement of sintering and ore handling facilities, more regular transport arrangements for both raw materials and finished products, adoption of the latest technological advances etc., have been accepted by the Government. These will be commended to the steel plants for implementation.

The new retention prices have been made applicable provisionally beyond April 1, 1962, subject to certain changes which are necessary on account of (a) the recent increase in the statutory price of coal and (b) the increase in the railway freight from July 1, 1962. The effect of these changes will be announced

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shortly. The final prices to be fixed for the period after April 1, 1962, will be decided after further consideration.

DURGAPUR ALLOY AND SPECIAL STEELS PLANT

Hindustan Steel Limited has entered into an agreement with Messrs. Atlas Steels Ltd., Canada, for providing production know-how and training services in connection with the erection and operation of the alloy and special steels plant at Durgapur. The services to be provided by the Canadian firm cover exclusive use of all inventions, patents, secret knowledge and know-how which the Canadian firm possesses or owns, advice on specifications and plans, or production and operation matters and training of personnel abroad and in India.

The total fee payable is Rs. 23.75 million (5 million Canadian dollars) in instalments. The agreement is for a period of 12 years or six years after the date of commercial production in the proposed plant, which ever is earlier. The tenders invited for the plant give a perfect latitude to the tenderers to quote for the plant in accordance with the Dastur Project Report, or in modification of this report or for an entirely new design of the plant.

MYSORE ALUMINIUM

The Mysore Aluminium Company, as reported last week, is meeting heavy weather. Early this year, the Indian licencees and the American collaborators had reached an agreement to their mutual satisfaction. According to this agreement, the shares of the Governments of Mysore and Maharashtra and those of Mr. Murarji Vaidya and his other Indian partners and of Reynolds in the equity capital was determined. Since then, Mr. Murarji Vaidya has raised some further objections. As reported last week, efforts are being made to eliminate the Government of Maharashtra Another meeting of the Indian licencees with the Government was held here last week, when efforts were made to explain to them the repercussions of revoking the licence or of hold-up in the progress of the project. These attempts, according to reports, were not very successful.

As reported last week, the Government has issued a "letter of interest" to the Hindustan Aluminium Corporation to raise its capacity to 50,000 tons a year. Whether this expansion will take place during the Third or the Fourth Plan period will depend on the implementation of the already licensed units, including one in Mysore. The Government will be compelled to sanction the expansion scheme of Hindustan Aluminium Corporation during the Third Plan itself, if Mr. Murarji Vaidya and his colleagues do not find their way to implement their licensed scheme. This would also be serving as a warning to the American industrialists.

CREDIT FACILITIES FOR SMALL EXPORTERS

The Exports Risk Insurance Corporation has decided to issue a new insurance cover to help the small exporters who often find difficulty in getting a line of credit from banks.

Normally, credit insurers the world over do not cover risks of "non-acceptance" by the overseas buyers. In view of the peculiar difficulties of small exporters in India and the imperative necessity to augment the country's exports, a new insurance policy will be issued by E.R.I.C. which will take care of this risk, subject to proof of the credit-worthiness of the exporter and the quality of goods.

The "non-acceptance" risk policy will serve as an important collateral security for banks and will considerably ease the position in regard to credit availability for small exporters.

MANUFACTURE OF PRINTING MACHINERY

The Union Government has approved five schemes for the manufacture of various items of printing machinery. Three of these will be implemented with foreign collaboration. The particulars of the approved schemes are as given in table below.

Only Britannia Engineering Co. Ltd., has so far gone into production. Its output during the year 1961 was of the value of Rs. 6.74 lakhs.

It is explained that in cases where the firms do not show any progress within a reasonable time, steps would be taken to withdraw the Government approval to the scheme.

Name of the Firm	Particulars of Foreign Collaborator	Item of Manufacture and Capacity (Annual)
(1) Britannia Engineering Co. Ltd., Titaghur, West Bengal. (2) Printers House (P) Ltd., New Delhi.	Dawson Payon and Elliot Ltd., UK. Nederlandsche Shelpersew fabrick Bercedes, Holland.	Flat Bed Machines, Stop Cylinder Types 240 Nos. (i) Stop Cylinder Machines .. .. 24 Nos. (ii) Paper Cutting Machines .. .. 60 Nos. (iii) Proof Presses .. .. 48 Nos.
(3) Oriental Electric & Engg. Co. Ltd., Calcutta.	—	(i) Victoria Type Printing Press .. .. 100 Nos. (ii) Cylinder Printing Press .. .. 120 Nos.
(4) Ramakrishna Machinery Corporation Ltd., Coimbatore.	—	(i) Treadle Machines .. .. .. 240 Nos. (ii) Cylinder Machines .. .. .. 96 Nos. (iii) Cutting Machines .. .. .. 300 Nos.
(5) Sahu Jain Ltd. (to be set up in Bihar).	Hamada Printing Mfg. Co. Ltd., Japan	(i) Printing Press. (ii) Stereotype Equipment. (iii) Corrugated Board Making Machines, Printing and Slotted.

SEA FREIGHT CONCESSION ON PUBLIC SECTOR CARGOES

An agreement has been signed in London between the Government of India and the UK/Continent—India/Pakistan Conferences, giving an additional rebate of five per cent in freight on all imports carried by the vessels of the Conferences from the UK and the Continent to India on account of the Central Government and State Governments as well as public sector undertakings fully owned or controlled by Government. The Conferences have been allowing so far either immediate rebate of 9½ per cent or a deferred rebate of 10 per cent except in case of shipments arranged through the India Stores Department, London, for defence, railways, posts and telegraph and ports, where a 15 per cent rebate had been made available.

The concession now secured will apply mainly in respect of general cargoes, machinerys etc., shipped in parcels under both f.o.b. and C&F contracts.

CZECH ASSISTANCE

The gift of Rs. 60 lakhs offered by the Government of Czechoslovakia for setting up the Central Machine Tools Institute at Bangalore is being utilised towards payment of (1) the salary of the Czechoslovak experts to be deputed to India, (2) the training expenses of Indian engineers in Czechoslovakia, and (3) the cost of plant and equipment, training aids and tools etc., to be obtained from Czechoslovakia.

The Institute will impart training in the de_igning of machine tools and will carry out research in the methods of calculations in the design of machine tools, behaviour of machine tools and elements and on hydraulic, electrical and electronic control system in relation to machine tools, metal cutting, production processes of machine tools and study of machinability etc. In addition, the Institute will also be engaged in collecting information on tool literature and documenting it.



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PL.III

COMPANY AFFAIRS

IMPERIAL TOBACCO

There has been substantial reduction in the net profit of Imperial Tobacco Company Limited for the year ended March 31, 1962, partly as a result of the retrospective increases in company tax. But the Board of Directors has recommended that the total distribution would remain unchanged at 9 per cent subject to tax. In making this recommendation the Board has taken into account the results of the last four months' trading and the good prospects for the current year (1962-63) and are confident that they will be able to maintain a 9 per cent distribution for the current year though at the same time appropriating an adequate sum to reserves. The net profit for the year under review after deduction of charges and expenses and providing for taxation amounts to Rs. 146.33 lakhs. A sum of Rs. 3.74 lakhs has been transferred to Development Rebate Reserve and Rs. 8 lakhs for the fixed and stock replacement reserve. Interim dividends on ordinary shares were paid at the rate of 2½ per cent on September 28, 1961 and subsequently on April 11, 1962 also at the rate of 2½ per cent. Now the Directors have proposed the distribution of a final dividend on ordinary shares at the rate of 4 per cent making 9 per cent in all.

To protect the Company's interest in paper and board required to wrap its products, the compony made an initial investment of Rs. 1.13 lakhs in Assam Pulp Mills Limited. Certain difficulties in arranging for the required loan capital could not be resolved and the project had to be abandoned. Ahsam Pulp Mills Limited is now in liquidation and that investment has been written off. The Company has no further liability in this connection.

TITAGHUR PAPER

The overall results of the Tataghur Paper Mills Company Ltd., for the year to March 31, 1962, are quite disappointing. The Profit and Loss Account shows a loss of R. 11.38 lakhh after providing for all charges and making a provision of Rs. 34.31 crores for depreciation. A sum of Rs. 3.84 lakhs has been refunded from excess profit tax and a sum of Rs. 2.5 lakhs has been transferred from Reserve for dividend equalisation, Rs. 11 lakhs have been transferred from reserve for revaluation of stocks and stores and Rs. 7 lakhs from general reserve. This leaves the company for the year with a credit balance of Rs. 14.44 lakhs. Dividend on preferred ordinary shares is now to be paid at 13 per cent and on 'A' and 'B' ordinary shares of Rs. 10 each at the rate of Rs. 1 per share or 10 per cent per annum.

The unsatisfactory results were partly due to the disappointing performance of the mills at Kankinara in West Bengal and Choudwar in Orissa. The mill at Titaghur in West Bengal, however, worked satisfactorily. The total output has been slightly lower than the previous year. This was due to the time lost in dismantling and transit of paper making machinery and the erection of new machines at Kankinara and Choudwar and this took away about six months. The machines did not go into production till September 1961. The Directors have also recorded that the costs of chemicals as well as repairs and maintenance have been high. An electrolytic Bleach plant with four banks of cells has now been installed at Kankinara which is likely to reduce the costs. An application has been made to the Government of India for permission to increase the capacity of plant to the extent of 6 banks of cells. Difficulties in the procurement of railway wagons still remain a problem, having adverse effects on the transport of raw materials and despatches of finished products. It is, therefore, necessary to continue to supplement bamboo as material with bagasse, jute sticks and paddy straws.

The company holds an industrial licence for an increase in the installed capacity of their mill at Choudwar by 6,000 tons per annum and the Directors feel that this should be implemented. Besides, there is scope for effecting modernisation and substantial improvement by way of productive efficiency and economies in operation at Titaghur and Kankinara Mills. For both these purposes substantial capital expenditure is necessary and it is the opinion of the Directors that a further issue of Ordinary Shares should be made. With this in view, the company has applied to the Controller of Capital Issues for permission to capitalise a sum of Rs. 56 lakhs from the General Reserve of the Company by making a bonus issue of new 'A' equity shares in the proportion of one bonus share for every two shares held to the holders of 'A' and 'B' Ordinary Shares and after the bonus issue to make a "rights" issue of new 'A' equity shares in the proportion of two shares for every three shares held to the holders of 'A' and 'B' Ordinary shares at a premium of Rs. 5 per share. The services of the Adamson Engineering Company have been secured as consultants to examine and give detailed recommendations regarding the scheme for expansion of Choudwar Mill and renovations at Titaghur and Kankinera Mills. Negotiations and formalities for the cash credit facility of Rs. 50 lakhs with the State Bank of India have now been completed and it is expected that the company shall be able to utilise this facility from September 1962.

ELGIN MILLS

The working of the Elgin Mills for the year ended September 30, 1961, is considered satisfactory. A programme of renovation and modernisation was carried through and naturally a better efficiency was achieved. The Directors report that the total expenditure on buildings and plant and machinery during the next five years is estimated at Rs. 135 lakhs and for that the Company has arranged a long-term credit with their bankers. Commitments for capital expansion subsequent to the close of the financial year amount to nearly Rs. 26.5 lakhs. With the installation of new plant and machinery, the company would be able to manufacture products of even better quality.

The sales for the year at Rs. 5.82 crores was a record figure and naturally the profit was also satisfactory at Rs. 88.6 lakhs. After the provision for depreciation, development rebate reserve and taxation, the Directors recommend the transfer of Rs. 10 lakhs towards rehabilitation reserve and Rs. 20 lakhs to its general reserve. The dividend was recommended to be paid on ordinary and vendor shares at the rate of Rs. 1.75 per share of Rs. 10 each.

As a result of quota restriction in the U.K., which is principal export market for the company's textile goods, and keen competition from Japan, Hong Kong and Pakistan, the exports received a set-back. The company has plans for setting up a new spinning unit and has applied consequently. The company has also been recommended an allotment of 10,348 spindles for balancing purposes.

Company Meetings

CAMPHOR & ALLIED PRODUCTS LTD.

133, MAHATMA GANDHI ROAD, BOMBAY - 1.

Speech of the Chairman, Shri N. K. Petigara, at the First Annual General Meeting held on Wednesday, the 12th September, 1962.

Ladies and Gentlemen;

I take great pleasure in welcoming you this afternoon to the First Annual General Meeting of the Company. The Directors' Report and the Statement of Accounts for th period 29th March, 1961 to 31st March, 1962 have been circulated and have been in your hands for some time. I will, therefore, with your permission, take them as read.

2. You will naturally want to know the progress that the Company has made during the period under review.

3. The total land requirement for the project is about 22 acres. Land admeasuring 9.97 acres has been purchased from the Indian Bobbin Co. Ltd., Clutterbuckganj, which is four miles from Bareilly. The Company has paid a deposit and already taken possession of the adjoining land admeasuring about 12 acres from the Forest Department of the Government of Uttar Pradesh. The purchase deed is now under finalisation. The total cost of the land is expected to be approximately Rs. 3.05 lakhs.

4. The construction of buildings for the various factory units is proceeding at a satisfactory rate. The power requirement not only for the Camphor Plant but also for future expansion, rising, in stages, up to 2000 K.V.A., has been sanctioned by the authorities and will be drawn from Harduaganj Extension Hydel Scheme. Two tube wells are being sunk and pumps and auxiliary equipment are being installed to ensure adequate water supply for the entire project.

5. Arrangements are being made for the construction of suitable sidings between the metre gauge and broad gauge railway tracks which are adjoining the plant-site to facilitate the receipt of plant equipment, raw materials and the despatch of finished goods.

6. As stated in the Directors' Report, the super structure of the Plant Building is expected to be completed by November 1962. As regards the supply of Machinery, I am very happy to state that since the printing of the Directors' Report, the first consignment has already been shipped from the U.S.A., and, the first consignment of indigenous machinery has been received at site. Most of the equipment, both foreign and indigenous, is expected to reach the site by the end of the year. The erection work is expected to be completed by March or April 1963, and thereafter, the trials, for which we have obtained performance guarantee jointly from M/s. American Hydrotherm Overseas Corporation and M/s. R. L. Dalal & Co., will be undertaken. The Plant should go into production, barring accidents and unforeseen delays, by April or May 1963.

7. On the above basis, the plant can be in production for only eight months of 1963, and it may be expected to produce about 500 to 600 tons of Synthetic Camphor. It is believed that the annual demand for the Camphor in India is about 1,000 tons. Officially, imports through the State Trading Corporation of India Ltd., are to the extent of approximately 300 tons. There are grounds to believe that a major portion of the residual demand is met by illegal imports and/or by spurious products said to contain Camphor. The present market price of powder camphor is about Rs. 30 per kilogram, while the wholesale price of the State Trading Corporation for the same powder is about Rs. 11.50 nP. per kilogram. In view of the demand which should increase, and the prevailing prices, there should not be any particular difficulty in the sale of the Company's production at reasonable profit.

8. It was anticipated that the factory would be set up and the production would be commenced by about December 1962. The original schedule for putting the plant into operation has had to be modified due to two factors over which the Company had no control. First, there was delay in the matter of the land for our factory site. Second, although, the Industrial Credit & Investment Corporation of India Ltd. had asked the World Bank to open the Letter of Credit in favour of the Company, as early as May 1962, owing to the technical requirements arising out of the agreement between the Industrial Credit & Investment Corporation of India Ltd. and the World Bank, the Letter of Credit could not be confirmed till last month. These delays were unavoidable.

9. On behalf of the Company, I would like to express our gratitude to the Industrial Credit & Investment Corporation of India Ltd. for the foreign exchange loan, and, to the Industrial Finance Corporation of India, for the Rupee loan. I would also like to express on your behalf our deep appreciation of the helpful attitude of the Government of Uttar Pradesh. In particular, our Managing Agents have informed us of the excellent cooperation extended to the Company by the Officers of the Indian Turpentine & Rosin Factory at Clutterbuckganj, Uttar Pradesh, and of the Forest Department of the Government of Uttar Pradesh.

10. It may interest shareholders to learn that your Directors are not remaining content only with the setting up of the Company's Plant for the manufacture of Camphor. Your Directors are looking far ahead towards the possible exploitation of various intermediate and by-products resulting out of the main process.

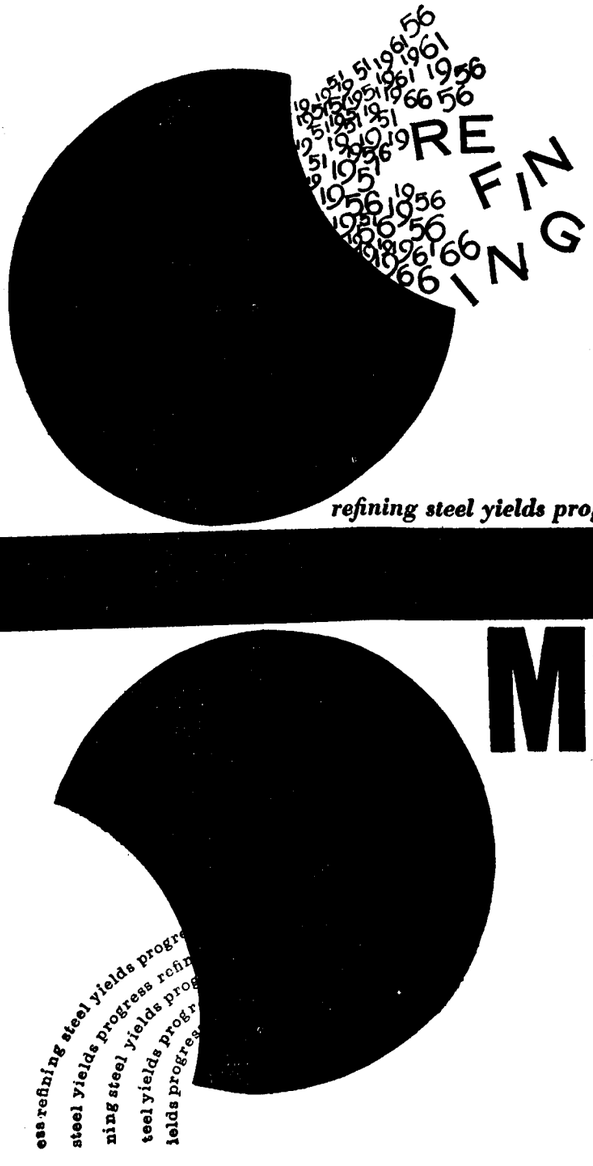
11. Your Company will not only be a pioneer in the large-scale manufacture of Synthetic Camphor in the country but it will also be an organisation well equipped to exploit gainfully various intermediate and by-products. I would like, with your permission, to indicate briefly the potential of your Company.

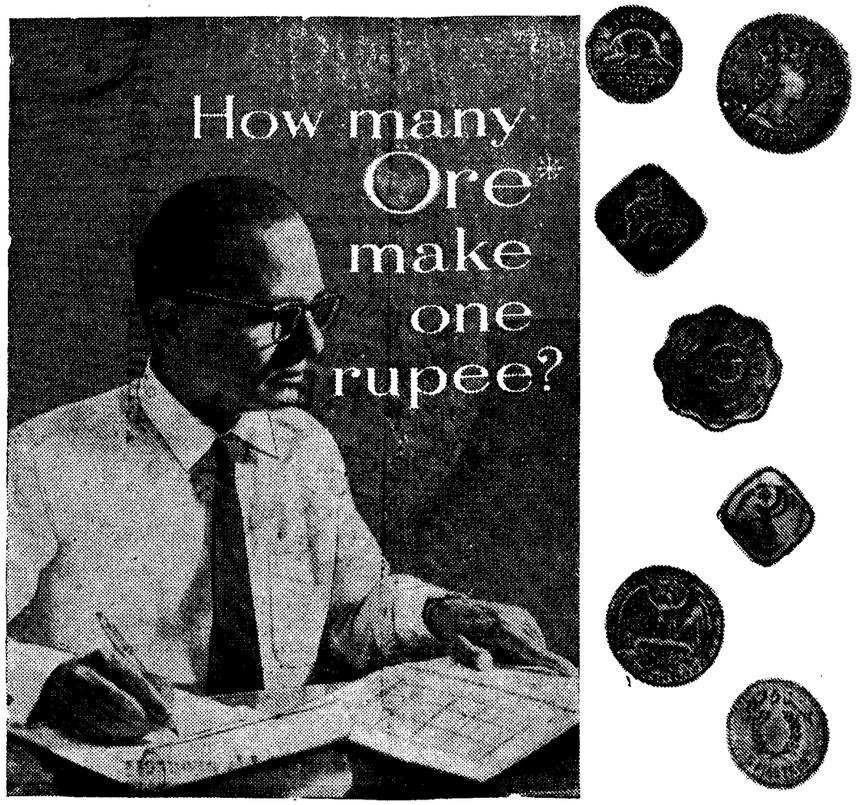
12. The basic raw materials for major organic chemical industries, such as, Synthetic Rubber, Plastics and Resins, Synthetic Fibres, Dyes, Drugs and Industrial Perfumes, are derived from :

i) Petroleum and Natural Gas,
ii) Coal and Coke,
iii) Industrial Alcohol, and
iv) Gum Turpentine.

The resources of the first three in the country are certainly not unlimited, and, therefore, your Company's pioneering effort, namely, the utilisation of Turpentine

refining steel yields progress





110, says our accountant who has the exchange rates of Sweden and many other countries at his finger-tips. Quotations for BINNY fabrics are called for by discerning buyers in over 50 countries overseas — countries where good quality and efficient service are appreciated — countries where the name 'BINNY' is known and trusted.

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as a base not only for the production of Camphor but also of a wide range of intermediate chemicals for use in various industries, acquires particular significance.

13. The fractional distillation of turpentine yields Alpha Pinene, used for Camphor manufacture, Beta Pinene, leading to Polyterpene Resins, and, Residual Turpentine, containing mainly Carenes. The presence of a high proportion of Carenes is peculiar to Indian Turpentine. Although, at first sight, Carenes may appear to be a waste by-product, they can be put to a multitude of uses which would convert them into an asset of great market value.

14. Your Board has decided to encourage thorough research for the conversion of Carenes into Cymenes, Synthetic Pine Oil, Aromatic Chemicals, Dibasic Acids and Synthetic Resins, which would be of far greater value, unit by unit, as compared with that of an Industrial Solvent. The production of Cymenes will open up further fields such as the manufacture of Terephthalic Acid, which is used in Synthetic Fibres such as Terylene, as well as Acetone and Metacresol.

15. The other by-products of considerable importance are Terpenes B, D and G. Terpene B can be used for making technical grade Dipentene which is utilised in Rubber Processing, Ore Dressing and Paints. It appears feasible to use Terpene D in the manufacture of Synthetic Resins used in the Paint Industry. Terpene G can, with slight processing, be marketed as an Industrial Perfume.

16. Apart from the above, intermediate products in the Camphor process, such as Alpha Pinene, Camphene and Isoborneol, offer immediate possibilities of promoting the manufacture of Toxaphene (used in Insecticides), Alpha Terpeneol, Terpenyl Acetate and Isobornyl Acetate (used for Industrial Perfumes).

17. The Company has decided to take the initiative and to explore the possibility and profitability of these processes. A short-term project relating to the conversion of Residual Turpentine into an Industrial Solvent, for the Paint, Varnish and Insecticides Industries, and, the manufacture of Polyterpene Resins from Beta Piene has been planned. The long-term project visualised is concerned with the conversion of Carenes into various useful and saleable products of high commercial value.

18. Another matter which has received the attention of your Directors, is, ensuring the continued availability of Formic Acid which is one of the major chemicals involved in the Camphor process. In order to minimise, and, if possible, to obviate, dependence on imports and other sources, your Directors have applied to the Government for a Licence to set up a Formic Acid Plant.

19. In order to prepare for all the development plans, to which I have referred above, suitable Research and Pilot Plant facilities are being provided to our personnel. You will be happy to know that our Technical personnel are at the plant site and our Technical Director has already commenced acquainting our personnel with the technicalities involved in the various processes.

20. To implement the above, the Company has obtained the services of Dr. Gasto Etzel who has specialised knowledge of this field. The Board is satisfied that Dr. Etzel, formerly of 'Du Pont' and who is now your Technical Director, will be able to help the Company achieve both its immediate as well as long-term objects. Dr. Etzel is a highly qualified Research Chemist with an experience of thirty four years in the field of Terpene Chemistry and its Industrial application. He has come here not only to set up the Camphor Plant but also to implement other projects for the fullest industrial utilisation of Residual Turpentine, which I have outlined above. We expect that Dr. Etzel's tenure with us will give us the added advantage of being able to provide thorough, up-to-date and on-the-spot training and guidance to our team of technical personnel connected with the Plant as well as the Research Schemes. You are aware that Dr. Etzel was one of the senior Chemists with M/s. E.I. Du Pont De Nemours & Co., better known as "Du Pont", for several years. Incidentally, it may be added that ours is the only Indian concern so far to obtain technical 'know-how' from this internationally known firm.

21. I should like to mention one or two other matters which I consider of importance. The Licence for the Camphor Plant was issued originally for the State of Assam. Owing to several factors, particularly, the problem of transportation, it was decided to investigate the possibilities of setting up the factory at a suitable place in what was formerly the State of Bombay. The project at that stage was being viewed in terms of the possibility of utilising Turpentine from Pinus Excelsa (Jammu & Kashmir, East Punjab, Himachal Pradesh and Uttar Pradesh) and Pinus Khasya (Assam) trees, which has a very high Alpha Pinene content. While the preliminary survey and laboratory tests were being conducted, it was decided to acquire land as near the city of Bombay as possible. Accordingly, a piece of land was negotiated at Udhna. By the time the land purchase was finalised, it became apparent that Turpentine from Pinus Excelsa or Pinus Khasya was not available in a quantity required for an industrial unit of our size. Expert opinion indicated that commercial-scale tapping of these trees would involve the lapse of a considerable period of time, and, in consequence, the possibility of a unit of our size being based on these sources was ruled out. The original land at Udhna is still in the possession of your Company and your Board proposes to dispose of this land at Udhna at the current price.

22. In the result, it was decided to shift the site to the State of Uttar Pradesh, where the largest number of tappable Pinus Longifolia trees grow. The largest Turpentine factory in the country is also situated in that State. The advantages of setting up our Plant near that Factory at Clutterbuckganj in Uttar Pradesh are thus obvious.

23. Apart from being assured of the supply of a large quantity of Turpentine from the State of Uttar Pradesh, steps have been taken to procure sufficient quantities from other States, and, as such, your Company does not anticipate any raw material problem in the foreseeable future. Indicative of the reasonable adequacy of raw material for your industry is the fact that the Government of India have decided not to permit the import of Alpha Pinene.

24. I have no doubt that you would like me to express our thanks to the Managing Agents for their efficiency in handling all the major problems inherent in the setting up of what is a pioneer industry in the country. I would also like to refer to and to pay tribute to the untiring and loyal services rendered by the Company's staff both in Bombay and at Clutterbuckganj.

25. With this, I now move :

"That the Directors' Report and the Audited Profit & Loss Account of the Company for the period 29th March, 1961 to 31st March, 1962 and the Audited Balance Sheet as at 31st March, 1962 submitted to this meeting be and they are hereby approved and adopted."

NOTE : This does not purport to be a record of the proceedings of the annual general meeting.

THE METTUR CHEMICAL & INDUSTRIAL CORPORATION LIMITED

Registered Office: METTUR DAM R.S.

Addressing the 25th Annual General Meeting of the Company held at the Registered Office of the Company at Mettur Dam R.S. on Saturday, the 1st September, 1962, Dr P. S. Lokanathan, Chairman, said–

Ladies & Gentlemen,

I have great pleasure in extending to you a cordial welcome to the Twentyfifth Annual General Meeting of your Company.

The Directors' Report, Audited Balance Sheet and Profit & Loss Account for the period from 1st April, 1961 to 31st March, 1962 have been in your hands for some time now and with your permission, I shall take them as read.

The Company celebrated its Silver Jubilee in the last week of December 1961 and it is a matter for gratification to us that production capacity for caustic soda has increased from the original 5 tons per day to 40 tons per day—8 times the original installed capacity. Considering the vicissitudes through which the Company has had to pass, particularly during the initial years when it was no easy task to find the comparatively smaller capital involved and in the early 1950s when an unfavourable import policy and pegging of prices at uneconomic levels rendered our operations extremely difficult, I believe we may look back on our past achievements with pardonable pride.

Sales at just over Rs. 1.5 crores were the highest recorded so far, in spite of the fact that in March 1962 only a part of the expansion plant units was commissioned. Divisible profit would have been slightly better but for the increase in the Corporation tax from 45 per cent to 50 per cent. Shareholders will recall that we had stated in the Directors' report that the Company had approached the Income-tax Officer for a certificate in respect of the balance of relief under Section 15C of the Income Tax Act so that they may pass on the same to the shareholders. The Income Tax Officer, Salem, has since determined the appropriate proportion of the dividend at about 45.95 per cent on which tax is not payable by the recipients.

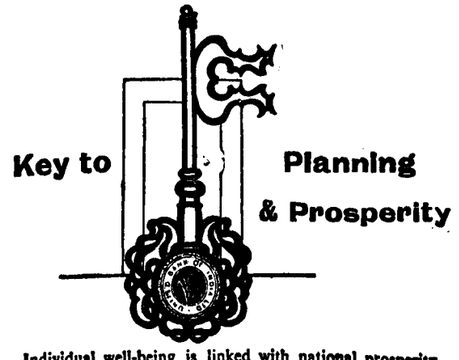
I am very glad to be able to report that we have already reached production of our full installed capacity of 40 tons caustic soda per day, thus marking the completion of a significant stage in our expansion programme.

Production however was again adversely affected during June-July this year on account of electricity cuts following the low water conditions in the hydro-electric reservoirs. Fortunately, however, the cuts did not last long as the hydro-electric reservoirs are again full. Also the first 50 M.W. Neyveli thermal unit based on lignite was commissioned early in August. The second unit is likely to be commissioned by November next and the other 3 units later at intervals of 5 to 6 months. There have also been proposals to expand the capacity of the plant to 400 M.W. against the present 250 M.W. during the Third Plan period with further Soviet technical and financial aid. I earnestly hope that these and other hydro-electric schemes in Madras State will materialise as programmed and that power shortages will be a matter of the past.

Progress in the matter of the further expansion from 40 to 100 tons caustic soda per day has been satisfactory. The entire additional 60 tons caustic soda will be of the Rayon grade quality. The recent initial issue of 6 lakhs equity shares of Rs. 10 each with a premium of 50 nP. per share was oversubscribed by the existing shareholders. In view of our 40 Ton expansion having gone into commission, we expect to be able to maintain the usual dividend level for the current year also despite the increased capital. We expect to make the further issue of 6 lakhs equity shares and 3 lakhs preference shares early in 1963. I am also glad to state that the Industrial Finance Corporation of India have advised us that the loan of Rs. 140 lakhs for financing the further expansion scheme including the foreign exchange part of it has been sanctioned by them subject to certain conditions. We have received the fullest co-operation and assistance from the Industrial Finance Corporation of India in all our expansion schemes and I take this opportunity of expressing our gratefulness to them for the assistance they have agreed to extend to us for the further expansion scheme.

With the foreign exchange allotment already made to us by Government we have placed orders for part of the plant and machinery from Switzerland. The balance of the equipment for the expansion scheme will be ordered from the United States of America under D.L.F. loan allotments.

The chlorine from the further expansion plant will be fully utilised, partly by converting into organic chlorine chemicals, for which there is a good demand in the country and partly by sale to a neighbouring factory



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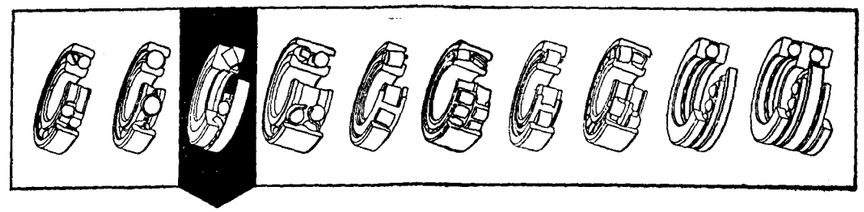
United Bank of India Limited

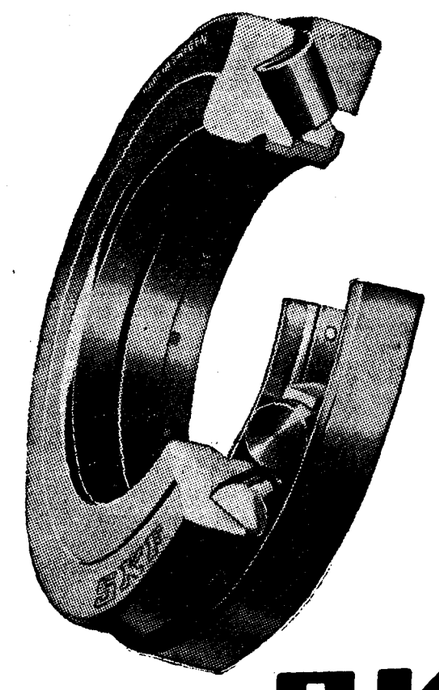
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Shri Tulsidas Kilachand (Chairman)
Shri R.D. Birla
Shri Kantilal Nahalchand
Shri Naval H. Tata
Shri Anandlal Hiralal Sheth
Shri Chinubhai Chimanbhai
Shri B.K. Daphtary
Lt. Col. H.H. The Maharaja Fatehsinh Gaekwad of Baroda
Shri Keshav Prasad Goenka
Shri Narsing Dass Bangur
Shri Rasesh Navinchandra Mafatlal
Shri A.M.M. Arunachalam
Shri Navanitlal Sakarlal Shodhan
Shri N.M. Chokshi (Managing Director)

THE BANK OF BARODA LIMITED (Estd, 1908)
Head Office: Baroda



IWT-BB.4190

for the production of polyvinyl chloride plastics. Such diversification of production, I am confident, will lead to better operating results and more satisfactory return to our shareholders in the years to come.

During the year, fresh excise duties were imposed on liquid chlorine and hydrochloric acid at 10 per cent of the tariff value of Rs. 425 per metric ton and Rs. 180 per metric ton respectively. These Central Excise duties are charged not only in respect of sales of these products but also on internal consumption thus adding to our cost of production. An electricity surcharge, which, in the case of energy intensive industries like ours, has been fixed at 5 per cent of the cost of power, was also imposed by the State Government. A duty was also imposed on steel packing sheets used for packing of our products. A higher rate of depreciation has to be provided in respect of plant & machinery coming in contact with corrosive chemicals in chemical works like ours. These and other factors have served to considerably increase our production cost. As however exworks ceiling prices have been fixed by Government in respect of caustic soda, liquid chlorine, hydrochloric acid and bleaching powder, we have had to seek Government's permission for increased selling prices.

We do hope that Government will see the reasonableness of the industry's request and grant the increase in selling prices without delay. Incidentally, I wish to suggest that Government must establish a body which can promptly consider and decide on manufacturers' representations in regard to increased selling prices wherever Government have already fixed ceiling prices. The capacity of the industry to absorb increased costs is very limited having regard to the factors which the Tariff Commission takes into consideration in recommending the fixation of ceiling prices to Government and it will cause avoidable hardship to industry if reasonable requests for price increases are not promptly met.

We have derived some benefit from the decision of the Railways to charge only half the freight on consignments of furnace oil booked in wagon loads which is leviable in accordance with the normal Tariff Rates in force at the time of booking with effect from 1st July, 1962. This reduction has been proposed in order to facilitate the use of furnace oil by industries located at some distance from the ports, having regard to the unsatisfactory coal supply position.

I understand that having regard to the deteriorating foreign exchange situation, the Government of India, who have already cut down established importers' quotas, have under consideration a proposal to cut down the maintenance import quotas as well. Maintenance import quotas have already been fixed at a bare minimum and any reduction in maintenance import quotas will directly result in reduced production in industries like ours. The supply position in regard to chemicals like caustic soda and bleaching powder is already not very satisfactory and the need to maintain indigenous production at the maximum possible level is therefore paramount. I therefore hope that nothing will be done by Government which would cause loss of industrial production for lack of maintenance imports.

In closing I wish to convey my cordial appreciation of the valuable services rendered by the Managing Agents, the General Superintendent and all ranks of staff and workers.

NOTE: This does not purport to be a report of the proceedings of the Annual General Meeting.

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Subscribed Capital	..	**Rs. 60,00,000**
Paid-up Capital	..	**Rs. 60,00,000**
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.

AB-20

THE TITAGHUR PAPER MILLS COMPANY LIMITED

Statement by the Chairman, Sir Walter Michelmore.

When, in 1960, the Tariff Commission gave its award on paper prices based on 1958 costs, those most closely concerned with the industry predicted a difficult time ahead, and this has certainly proved to be the case. In the first place the 12 per cent return on capital employed covering as it does taxation, provision for rehabilitation, managing agents' remuneration, bonuses to labour and preference dividends, does not leave a sufficient balance to provide an adequate return by way of ordinary dividends on the capital employed. In the second place the cost of virtually every raw material and service used by the paper industry has increased sharply, often as a result of Governmental action. Coal has increased in price and so has the freight on it — the Calcutta Electric Supply Corporation rates for power have been increased — every single chemical whether caustic soda, lime or sodium sulphate, to mention only a few, are more expensive than in 1958 — and the same applies to the basic raw materials, whether bamboo or waste paper. In March 1962 it was estimated that the total increase in cost since 1958 was Rs. 160 per metric ton or 16 nP. per kilo. The 1962-63 Budget and the Railway Budget added a further Rs. 20 per ton to the industry's costs — or an additional 2 nP. per kilo.

The recent increase in paper prices of 6 nP. per kilo was granted with commendable promptitude and it does not do to look a gift horse in the month. The inadequacy of the increase will however be apparent from the figures quoted above, and it is sincerely to be hoped that Government will, before long, turn a sympathetic ear to the industry's case and agree to a further price increase of a substantial nature. To illustrate the difficulties of, at any rate, certain units in the industry, in the case of your No. 2 Mill the price increase has been virtually entirely absorbed by having to transport 50 per cent of the mill's coal requirements by road — a cost factor that was not even taken into account in determining the recent price increase.

COAL:

This raw material has been a continuous headache throughout the year. In the first place coal stocks have been down to below one day's consumption on several occasions. Secondly, the mills now receive — and cannot expect anything better — Grade I coal which has to be burnt in boilers, many of which were designed for Selected A rubble. Finally, as mentioned above, 50 per cent of the coal has to be transported by road. In the case of industrial units consuming under 1,000 tons of coal per month, road transport of 50 per cent of consumption is expensive and inconvenient. In the case of your No. 1 and 2 mills which consume 16,000 tons per month, road transport is ruinous — spelt out in rupees, an additional Rs. 18 lakhs is added to the annual coal bill. Having spent considerable sums to strengthen the mill sidings to take full rakes of BOX wagons, it would seem only reasonable that concerns such as yours, should be permitted to take their full coal requirements in this manner. This procedure was in force for a limited period and it is believed suited the railways as well as your company — why it should have been terminated is difficult to understand. If however the paper industry with its high coal consumption has to take 50 per cent of its requirements by road, it would appear to have just as good a case for a subsidy or an increase in paper prices as industries in the country who are compelled to take their coal by sea.

BAMBOO:

Gregarious flowering of bamboos in Assam and Orissa has created difficulties, but by stepping up cutting in the company's own forest areas to 60,000 tons, adequate supplies have been made available at despatching points. Wagon supplies have, however, been totally inadequate — a situation not peculiar to your company — with the result that 50,000 tons of bamboo are awaiting despatch at the time of writing, and as with coal, stocks at the mills have on occasion fallen below one day's consumption.

Longer term, one of the difficulties your company is faced with, is that with new paper mills going up in the states adjoining West Bengal, they tend to be given preference over your company in respect of bamboo leases, even in respect of areas from which supplies have been drawn continuously for many years. It is evident that the paper industry as a whole will have to rely to an increasing extent on alternative raw materials such as bagasse and jute sticks, and this is receiving careful attention as far as your company is concerned.

MARKET:

The market has remained firm throughout the year and it would appear that demand will remain in excess of supply until some time in 1963. With additional mills coming into production, it is quite possible that there may be a surplus of paper in 1964 or 1965, but it is hoped that on a longer term basis, with the increase in literacy, this will be only a temporary feature.

In the reorganisation of your company's affairs, to which reference is made later in this statement, particular attention is being paid to the improvement of quality in all the various types of paper produced. Even allowing for the difficulties with which the paper industry as a whole has been faced, shareholders will naturally wish to know why your company's results compare so unfavourably with those of other units in the industry of comparable size. I will therefore deal with this matter in some detail and at the same time outline the remedial measures that either have been taken already or are in process of implementation.

BAMBOO FOREST AREAS:

It will be noted that some Rs. 23 lakhs has had to be written off bamboo stocks. Your company's policy was to value bamboo stocks in the forest areas at a figure well below cost. A few years ago this method of valuation was objected to and stocks were valued on the basis of average cost irrespective of location. A very poor cutting year resulted in an extremely high cost figure, and it was regrettably not realised until the current year that this resulted in an overvaluation of bamboo stocks lying at points distant from the despatching points to the mills. The revaluation in this year's account provides for the cost of moving forest stocks to railhead and in addition strict budgetary control has been introduced throughout the bamboo forest areas.

NO. 3 MILL — CHOUDWAR:

It was always realised that this mill would not be a fully economic unit until output reached the level of 18,000 tons per annum as provided by the original industrial licence — 12,000 tons per annum plus an expansion licence of 6,000 tons per annum. The mill was however planned in 1955 on the basis of bamboo at Rs. 71 per ton delivered, other chemicals at ruling rates, and paper at the prices that prevailed before the reduction imposed by the Tariff Commission. On this basis it was expected that, as a one machine mill, it would nearly break square and that on a two machine or 12,000 tons per annum basis, a small profit would be made. Unfortunately many factors have combined to make this projection of profit very wide off the mark.

With the increase in the cost of bamboo, chemicals and all other raw materials, and the reduction in the price of paper, it is now evident that No. 3 Mill will not break square under 30 tons of paper per day.

For part of the year only one machine was operating with a rated capacity of 15 tons per day. The second machine was installed in the course of the year, increasing the rated capacity to 35 tons per day. In practice the average daily output in the year under review did not exceed 23 tons per day. The financial result of this most unsatisfactory state of affairs has been a gross loss of Rs. 39.41 lakhs to which must be added depreciation of Rs. 11.49 lakhs.

Many factors have been responsible for the low production and the high loss, and in fact there is practically no misfortune this mill has not experienced. A go-slow movement in the crusher house and roaster section — wagon shortages leading to chlorine and lime running out so that unbleached paper had to be made on many occasions — power cuts as often as twelve times in a week, some probably due to sabotage. These are only a few of the unexpected problems that have had to be faced up to in the past year.

NO. 2 MILL:

This mill has made practically no contribution to the company's profits during the past year. The two main causes have been labour problems, particularly in the receiving section, and poor management. The former is being dealt with and the latter has been dealt with, as will be explained later.

The recovery side at this mill has been giving very poor results, and as always this is a most expensive weakness in any paper mill. While improved results are expected, a modern recovery boiler is essential at this mill — partly because the existing obsolete recovery plant will never give a recovery percentage above 55 per cent, however efficiently operated, and partly because it is vital to provide additional steam from this source, thus enabling a reduction in the very high ratio of coal per ton of paper. Mention has been made earlier of the high cost of moving coal by road, and No. 2 Mill suffers badly from the other factor of having to burn low grade coal in boilers designed for the best coal India can produce.

NO. 1 MILL:

This mill has worked with reasonable efficiency during the year and has contributed all the company's profits.

REORGANISATION:

The Directors of your company, and the Managing Agents, have been acutely conscious of the decline in management efficiency in the recent past. This can often occur, and not only in India, after a long period of prosperity when the going has been too easy. A severe shock is often the best cure and this has certainly been administered by the current year's results, assisted by the Tariff Commission. I would therefore now like to touch on what remedial action has and is being taken and the results that have been achieved so far.

As already intimated to you in a previous statement, Messrs. Urwick, Orr & Partners Limited were commissioned to do both a survey of the company's mills and bamboo forest organisation and to undertake the preliminary implementation of their reports. I should like to take this occasion of congratulating them on the excellent job they have done. It is therefore most unfortunate that, when there are not yet available in this country management consultants of this calibre, Government should have refused sanction to remit them their dues, with the result that the company has not yet been able to pay them for the greater part of their work — which for this reason had to be brought to a premature end.

Quite considerable savings in costs have already been achieved as a result of their reports and there are more to come now that Work Study Engineers have been engaged at all three mills.

Apart from cost savings, the whole senior management structure has been recast and there are new faces in virtually every senior post. A Superintendent of Mills has been appointed, there are three new Mill Managers, a new Superintendent of Engineering Services, and a new Cost Accountant. In my opinion the company now has a most excellent team of senior executives. Almost equally radical changes have been and are being made in the lower staff levels.

Many other changes are also being made, such as a complete overhaul of the Labour Relation organisation, the introduction of a modern Training Scheme, a new Cost Accounts system — to mention only a few.

While it will be appreciated that a major reorganisation of this nature cannot achieve a complete cure overnight, shareholders will no doubt be interested to know what results have been achieved so far.

NO. 1 MILL:

This mill is now earning satisfactory profits. The output in July at 2,330 tons was the highest in its history and in August 98 tons was manufactured in one day which again is the highest figure ever achieved. In my view, even further improvements can be expected in certain directions such as the recovery percentage, quality control — and even output.

NO. 2 MILL:

This mill reverted to a profit making basis — albeit small — in June. A progressive improvement is now expected and it is hoped that by the end of 1962 satisfactory profits will be being earned. A reduction in the percentage of broke and an increase in the recovery percentage are the two main technical problems but getting a full day's work out of a percentage of the labour force is equally important.

NO. 3 MILL:

This mill is still making a substantial loss, although on a lower scale than last year. However, in August over 30 tons was reached as daily output on several occasions and given co-operation by the labour — there have been several recent instances of sabotage — it is hoped to get on to a break square or small profit basis towards the end of 1962. As at the other two mills, the new management deserves congratulations at the extremely good job being done, often under difficulties — as recently as July, six wagons of lime were lost on

the railways, forcing the mill to make wrappers only for 7 days.

From the above brief survey it will be seen that substantial progress has been made in recent months. It is therefore expected that the 1962-63 result will show a substantial improvement, but it may be 1963-64 before the company can claim that its results bear favourable comparison with those of other companies of equivalent size.

CAPITAL REORGANISATION:

The company's paid up capital is unduly small in relation to the scale of its operation and the value of its assets. On the other hand its borrowings from the I.C.I.C.I. and the bank are on the high side in relation to its paid up capital. To rectify this situation and to provide funds for the modernisation and expansion programme that is completely essential, application has been made to the Controller of Capital Issues for a bonus and rights issue. It is hoped that sanction will be obtained in the near future, although details of the capital expenditure proposed will still have to be cleared with the Development Wing of the Commerce and Industry Ministry.

MODERNISATION AND EXPANSION:

The Adamson Engineering Corporation were appointed Technical Consultants to the Company in June 1962. Mr. George Adamson and Mr. Mac Coston have paid two visits to India in the course of their survey of the three mills and their report has been received and is being studied. Mr. Adamson has been responsible for erecting and commissioning the new bamboo pulp and paper mill at Bataan in the Philippines and thus is the rare combination of a technical expert with knowledge of the latest techniques in the world's paper industries plus a special knowledge of the problem involved in bamboo based paper manufacture.

Until the Consultants' report has been carefully studied it is impossible to say with exactitude how the funds to be raised by the rights issue will be spent. There are, however, certain general observations that can usefully be made. While it is expected to increase output at No. 1 and 2 Mills by increased efficiency, the expansion licence for 6,000 tons is specifically for No. 3 Mill and the greater part of the capital expenditure will therefore be concentrated on that mill. Apart from this consideration it is quite essential to make No. 3 Mill a contributor to the company's profits instead of a liability as hitherto, and this postulates increasing the output to 18,000 tons per annum which is today the minimum economic size, bearing in mind the competition to be faced from large and modern mills shortly coming into production.

In retrospect it is evident that No. 3 Mill was planned on too small a scale, and with the desire to save foreign exchange and the company's funds undue reliance was placed on reconditioned plant — undoubtedly a false economy. Both these errors of judgment must be rectified.

Apart from No. 3 Mill a modern recovery unit at No. 2 Mill is essential — there are in fact many other directions in which capital expenditure can improve efficiency and cut costs — one example in installing chippers for bamboo at despatching point to save freight and wagon capacity — but the governing factor will be the availability of funds until the company resumes making profits on a scale that permits a generous plough back.

LABOUR

Since the close of the year agreement has been reached with the representatives of labour on a long outstanding dispute. An increase in dearness allowance has been grantad and an improvement in the clerical grade scales. On the other hand a retiring age has been accepted coupled with a gratuity scheme. It is also hoped that by the time shareholders read this speech, gate control will have been introduced at Nos. 1 and 2 Mills. Urwick Orr's investigations have shown up what a large surplus of labour exists at all mills, but with give and take on both sides it should be possible over a period to resolve this problem with the minimum of hardship, if any.

In conclusion, I would say that I well appreciate the concern shareholders will feel at the extremely poor results shown in the accounts now in their hands. Nevertheless, I feel confident that this year is a turning point — that the mistakes of the past are being corrected, and that the increased efficiency now evident at the three mills plus the modernisation programme being planned, and I hope sympathetic treatment by Government of the problems of increased costs, will restore your company to the high standing it has so long enjoyed.

N.B.: The above statement is not a report of the proceedings of the Annual General Meeting, which will be held on the 27th September, 1962.

Registered Office:
CHARTERED BANK BUILDINGS,
CALCUTTA, 1st September, 1962.

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.

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
May 1961 ..	117.2	104.1	121.6	153.2	136.9	125.3	126.9	125.4
June " ..	120.6	100.1	123.3	148.8	139.7	123.9	126.2	126.2
July " ..	124.2	98.6	122.1	151.4	141.9	125.3	127.6	128.8
May 1962 ..	124.2	102.0	122.3	134.9	137.3	125.9	127.5	126.3
June " ..	125.4	99.7	123.4	136.1	139.5	127.1	128.8	127.4
July " ..	128.4	98.5	124.5	138.8	142.6	127.2	129.4	129.6
July 14, 1962 ..	128.3	99.1	124.4	138.5	142.2	127.3	129.4	129.5
July 21. 1962 ..	128.7	97.9	124.6	139.3	142.5	126.8	129.0	129.7
July 28, 1962 ..	129.9	97.9	124.7	139.9	143.5	126.9	129.3	130.4
August 4, 1962 ..	133.0	98.5	124.5	139.5	143.6	126.7	129.1	131.9
August 11, 1962 ..	132.9	99.2	124.5	139.5	143.4	126.8	129.1	131.9
August 18, 1962 ..	132.5	99.6	124.5	139.9	143.0	126.5	128.9	131.7

* 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	Jabbulpur†	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	153	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 December	416	435	302	171	410	499	493	175	481	178	177	177
1962 January	415	436	295	170	399	513	495	178	482	177	174	175
February	417	438	295	170	399	513	492	—	480	177	177*	175
March	418	439	300	170	403	503	493	—	480	179	175*	175*
April	418	439	300	170	410	491	492	—	480*	182	175*	177
May	422	443	—	167	417	491	496	—	180*	180	177*	178
June	426	447	—	171	—	505	497	—	484	182	177*	179*
July	427	448	—	175	—	515	501	—	487	—	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

WEEK ENDED

	31-8-1962 High	31-8-1962 Low	31-8-1962 Average	24-8-1962 High	24-8-1962 Low	24-8-1962 Average	17-8-1962 High	17-8-1962 Low	17-8-1962 Average	10-8-1962 High	10-8-1962 Low	10-8-1962 Average
Gold (per 10 gram)	129.90	127.80	128.97	128.05	127.05	127.60	126.60	125.55	126.16	125.60	124.75	125.21
Silver (per kilogram)	219.70	216.85	218.20	216.35	215.05	216.00	215.70	214.00	214.76	214.20	212.95	213.41

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										
June 1961 ..	1,958,79	30,43	1,989,22	117,76	108,01	225,77	11.35	118,54	1,644,92	1,989,22
July „ ..	1,922,49	24,13	1,946,62	117,76	93,01	210,77	11.83	121,30	1,614,54	1,946,62
August „ ..	1,898,63	13,31	1,911,93	117,76	116,86	234,62	12.27	123,85	1,553,46	1,911,93
June 1962 ..	2,111,73	33,72	2,145,45	117,76	92,48	210,24	9.80	113,75	1,821,43	2,145,45
July „ ..	2,070,65	20,54	2,091,18	117,76	92,14	209,90	10.04	117,27	1,764,01	2,091,18
August „ ..	2,040,68	23,91	2,064,59	117,76	89,74	207,50	10.05	121,45	1,735,59	2,064,59
Week-Ending										
3-8-1962 ..	2,045,20	18,72	2,063,92	117,76	92,84	210,60	10.20	119,83	1,733,49	2,063,92
10-8-1962 ..	2,063,71	20,03	2,083,74	117,76	89,34	207,10	9.94	119,64	1,757,00	2,083,74
17-8-1962 ..	2,054,07	15,81	2,069,88	117,76	89,34	207.10	10.01	120,78	1,742,00	2,069,88
24-8-1962 ..	2,029,06	22,85	2,051,91	117,76	88,84	206,60	10.07	122,81	1,722,50	2,051,91
31-8-1962 ..	2,011,38	42,15	2,053,53	117,76	88,34	206,10	10.04	124,43	1,723,00	2,053,33

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														
June 1961 ..	64,96	13,55	84,67	123,86	287,04	134,21	506,25	30,47	39,78	14,49	68,97	121,34	208,22	22,97
July „ ..	58,61	18,56	93,24	111,63	282,04	94,38	461,41	24,17	26,26	9,98	40,10	117,43	221,75	21,72
August „ ..	65,39	16,45	88,09	180,22	350,16	89,86	525,02	13,35	15,21	30,97	47,71	116,37	284,51	16,89
June 1962 ..	56,84	11,35	91,78	149,74	309,71	168,06	562,78	33,77	52,34	8,62	98,64	126,68	203,05	39,67
July „ ..	51,34	20,63	102,86	196,73	371,57	121,12	577,67	20,59	63,99	5,86	37,96	130,85	280,80	37,71
August „ ..	65,16	24,57	94,63	181,32	365,69	115,38	566,08	23,97	69,23	5,45	31,00	136,99	265,68	33,76
Week-Ending														
3-8-1962 ..	49,08	36,07	94,88	203,80	383,83	117,22	586,06	18,80	60,16	6,22	27,77	131,33	308,19	33,59
10-8-1962 ..	58,23	23,15	91,48	204,64	377,50	109,13	571,63	20,11	70,08	5,16	30,62	134,17	277,81	33,68
17-8-1962 ..	67,31	16,90	97,45	160,15	341,81	112,30	539,11	15,86	75,12	5,08	35,45	133,32	240,56	33,73
24-8-1962 ..	59,07	11,92	108,23	173,84	353,06	118,28	556,34	22,89	67,03	5,06	34,91	132,92	259,82	33,72
31-8-1962 ..	92,12	34,85	81,13	164,19	372,29	120,00	577,29	42,20	73,74	5,75	26,27	156,07	239,17	34,08

* 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										
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
April „	927,18	1,240,90	2,132,08	51,77	83,78	6.36	1,198,27	229,73	66.96	592,07
May „	920,22	1,230,84	2,151,06	52,43	83,85	6.34	1,216,77	220,89	66.83	580,32
June „	911,54	1,266,78	2,178,32	53,30	84,92	6.35	1,235,93	197,66	65.81	584,76
July „	909,70	1,288,13	2,197,83	51,28	99,24	6.85	1,240,45	169,86	64.17	613,11
August „	915,52	1,305,73	2,221,21	50,04	90,22	6.30	1,213,47	180,08	62.74	678,24
Week Ending										
20-7-1962 ..	910,25	1,287,05	2,197,30	49,29	100,61	6.82	1,234,97	168,42†	63.87	620,05
27-7-1962 ..	918,41	1,294,28	2,212,69	49,46	98,40	6.68	1,223,59	170,52†	63.01	655,00
3-8-1962 ..	916,67	1,305,23	2,221,90	48.45	92,96	6.36	1,218,07	177,47†	62.81	672,12
10-8-1962 ..	903,37	1313,04	2,216,41	47,52	91,37	6.27	1,218,09	176,11†	62.90	670,25
17-8-1962 ..	912,72	1,311,26	2,223,98	53,43	90,93	6.49	1,215,63	177,03†	62.62	668,63
24-8-1962 ..	920,72	1,311,54	2,232,26	52,21	98,78	6.76	1,202,28	179,13†	61.88	680,84
31-8-1962 ..	923,92	1,287,56	2,211,48	48,57	77,06	5.61	1,213,31	190,68†	63.48	699.35

† 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
Nov.* 1961 ..	2,828,54	1,946,11	882.42	861,80	20,62	+ 21,20
Dec.* „ ..	2,876,63	1,983,35	893,29	874,37	18,92	+ 48,09
Jan.* 1962 ..	2,925,49	2,028,19	897,30	877,21	20,10	+48,86
Feb.* „ ..	2,979,64	2,077.17	902.47	883,45	19,02	+ 54,15
March* „ ..	3,081,18	2,122,84	958,34	934,94	23,41	+101,54
April* „ ..	3,141,27	2,174,67	966,60	942,51	24,09	+ 60,09
May* „ ..	3,129,50	2,177,58	951,92	930,65	21,27	— 11,77
June „ ..	3,085,84	2,124,22	961,62	941,36	20,26	— 43,66

* Provisional.

† Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

INDEX NUMBERS OF WHOLESALE PRICES — IMPORTANT COMMODITIES

(Base: 1952-53 =100)

Average of months/ Average of weeks	Rice	Wheat	Jowar	Bajra	Gram	Ground-nut Oil	Mustard Oil	Sugar	Gur	Tea
1955-56 ..	78	72	67	84	49	74	104	94	88	170
1956-57 ..	97	88	123	122	71	104	176	95	100	165
1957-58 .	105	88	114	126	68	105	164	110	107	164
1958-59 .	105	105	105	126	96	107	148	121	131	169
1959-60 ..	105	96	119	126	75	118	150	124	161	186
1960-61 ..	108	90	122	130	87	138	168	127	136	206
March 1961 ..	101	91	110	128	90	153	179	127	112	208
April „ ..	101	88	110	130	79	154	169	127	114	216
May „ ..	103	86	109	134	76	152	168	127	116	198
June „ ..	106	86	113	141	81	159	169	127	122	206
July „ ..	108	88	118	145	81	160	175	127	121	220
August „ ..	110	89	113	142	82	149	174	127	123	218
September „ ..	110	87	107	128	81	141	173	127	122	190
October „ ..	108	89	110	130	82	129	176	125	118	205
November „ ..	106	92	108	128	86	135	183	125	118	180
December „ ..	102	94	109	126	88	134	187	125	109	164
January 1962 ..	101	98	115	130	91	136	187	122	108	177
February „ ..	102	100	120	131	90	140	186	122	108	181
March „ ..	103	94	120	126	82	136	179	124	118	163
April „ ..	106	92	122	123	81	135	171	131	121	155
May „ ..	109	88	126	125	84	132	176	131	129	166
June „ ..	110	88	131	128	86	132	179	130	144	N.A.
July „ ..	112	91	137	135	90	135	187	131	161	N.A.
28-7-1962 ..	113	93	139	136	93	135	189	131	163	170
4-8-62 ..	113	93	140	137	96	135	186	132	185	166
11-8-62 ..	114	93	141	136	95	138	195	134	178	175
18-8-62 ..	114	93	141	138	95	140	195	134	186	170

Average of months/ Average of weeks	Spices & Condiments	Tobacco Raw	Coal	Cotton Raw	Jute Raw	Ground nut	Cotton Manufactures	Jute Manufactures	Silk & Rayon Manufactures	Machinery
1956-57 ..	97	80	116	111	126	111	116	95	88	104
1957-58 ..	96	92	128	106	133	108	116	95	86	107
1958-59 ..	127	93	133	99	118	117	112	87	93	109
1959-60 ..	152	98	135	106	125	131	117	91	96	111
1960-61 ..	128	111	141	112	210	146	128	131	104	116
March 1961 ..	122	114	141	111	271	159	127	162	117	117
April „ ..	123	111	141	110	243	162	127	142	117	117
May „ ..	128	101	141	110	245	162	127	137	115	118
June „ ..	151	95	141	110	208	167	126	125	117	118
July „ ..	145	93	141	107	215	171	126	131	119	118
August „ ..	143	95	141	105	180	167	128	121	118	118*
September „ ..	143	95	141	104	155	156	128	114	119	119
October „ ..	145	95	141	107	150	143	128	119	119	119
November „ ..	143	93	141	108	149	143	128	116	121	123
December „ ..	140	89	141	109	145	144	128	118	123	122
January 1962 ..	141	92	143	110	146	145	128	116	122	122
February „ ..	140	94	143	112	148	149	128	113	125	122
March „ ..	140	95	145	113	148	149	128	117	127	122
April „ ..	143	94	145	112	141	149	128	115	129	123
May „ ..	149	95	145	113	139	145	129	113	129	124
June „ ..	152	92	149	113	144	144	130	118	130	124
July „ ..	152	91	152	115	149	146	129	116	131	124
28-7-1962 ..	153	90	152	116	148	148	129	114	131	124
4-8-1962 ..	154	91	152	114	146	149	130	111	131	124
11-8-1962 ..	154	92	152	114	146	150	129	112	132	124
18-8-1962 ..	154	92	152	113	146	153	129	111	132	124

* Estimated.

POPULATION TRENDS : 1901 — 1961

State/Union Territory	1901	1911	1921	1931	1941	1951	1961
STATE							
Andhra Pradesh	19,065,921	21,447,412	21,420,448	24,203,573	27,289,340	31,115,259	35,983,447
Assam	3,712,638	4,333,826	5,157,789	6,165,612	7,403,396	8,830,732	11,872,772
Bihar	27,312,425	28,315,024	28,127,283	31,347,810	35,171,869	38,783,778	46,455,610
Gujarat	9,094,748	9,803,587	10,174,989	11,489,828	13,701,551	16,262,657	20,633,350
Jammu & Kashmir	..	2,292,535	2,424,359	2,670,208	2,946,728	3,253,852	3,560,976
Kerala	6,396,262	7,147,673	7,802,127	9,507,050	11,031,541	13,549,118	16,903,715
Madhya Pradesh	16,860,768	19,440,965	19,171,750	21,355,657	23,990,608	26,071,637	32,372,408
Madras	19,252,630	20,902,616	21,628,518	23,472,099	26,267,507	30,119,047	33,686,953
Maharashtra	19,391,643	21,474,523	20,849,666	23,959,300	26,832,758	32,002,564	39,553,718
Mysore	13,054,754	13,525,251	13,377,599	14,632,992	16,255,368	19,401,956	23,586,772
Orissa	10,302,917	11,378,875	11,158,586	12,491,056	13,767,988	14,645,946	17,548,846
Punjab	13,265,860	11,945,019	12,465,009	13,666,876	16,101,189	16,134,890	20,306,812
Rajasthan	10,294,090	10,983,509	10,292,648	11,747,974	13,863,859	15,970,774	20,155,602
Uttar Pradesh	48,625,310	48,152,273	46,669,865	49,776,754	56,531,848	63,215,742	73,746,401
West Bengal	16,941,873	18,000,661	17,476,273	18,899,118	23,231,829	26,302,386	34,926,279
Union Territories & Other Areas							
Andaman & Nicobar Islands	24,649	26,459	27,086	29,463	33,768	30,971	63,548
Delhi	405,819	413,851	488,452	636,246	917,939	1,744,072	2,658,612
Himachal Pradesh	844,270	876,562	890,046	954,276	1,057,711	1,109,466	1,351,144
Laccadive, Minicoy and Amindivi Islands	13,882	14,555	13,637	16,040	18,355	21,035	24,108
Manipur	284,465	346,222	384,016	445,606	512,069	577,635	780,037
Tripura	173,325	229,613	304,437	382,450	513,010	639,029	1,142,005
Dadra and Nagar Haveli ..	24,280	29,020	31,048	38,260	40,441	41,532	57,963
Goa, Daman and Diu ..	531,798	548,242	531,952	579,970	624,168	637,591	626,978
North-East Frontier Agency	..	..	..	..	..	..	336,558
Nagaland	101,550	149,038	158,801	178,844	189,641	212,975	369,200
Pondicherry	246,354	257,179	244,156	258,628	285,011	317,253	369,079
Sikkim	59,014	87,920	81,721	109,808	121,520	137,725	162,189
ALL INDIA	236,281,245	252,122,410	251,352,261	279,015,498	318,701,012	361,129,622	439,235,082

DECENNIAL GROWTH OF POPULATION

(Percentages)

State/Union Territory	1901-11	1911-21	1921-31	1931-41	1941-51	1951-61
Andhra Pradesh ..	12.49	—0.13	12.99	12.75	14.02	15.65
Assam	16.73	19.01	19.54	20.08	19.28	34.45
Bihar	3.67	—0.66	11.45	12.20	10.27	19.78
Gujarat	7.79	3.79	12.92	19.25	18.69	26.88
Jammu and Kashmir ..	—	5.75	10.14	10.36	10.42	9.44
Kerala	11.75	9.16	21.85	16.04	22.82	24.76
Madhya Pradesh ..	15.30	—1.38	11.39	12.34	8.67	24.17
Madras	8.57	3.47	8.52	11.91	14.66	11.85
Maharashtra	10.74	—2.91	14.91	11.99	19.27	23.60
Mysore	3.60	—1.09	9.38	11.09	19.36	21.57
Orissa	10.44	—1.94	11.94	10.22	6.38	19.82
Punjab	—9.96	4.35	9.64	17.81	0.21	25.86
Rajasthan	6.70	—6.29	14.14	18.01	15.20	26.20
Uttar Pradesh	—0.97	—3.08	6.66	13.57	11.82	16.66
West Bengal	6.25	—2.91	8.14	22.93	13.22	32.79
UNION TERRITORIES						
Andaman and Nicobar Islands	7.34	2.37	8.78	14.61	—8.28	105.19
Delhi	1.98	18.03	30.26	44.27	90.00	52.44
Himachal Pradesh ..	3.82	1.54	7.22	10.84	4.89	21.78
Laccadive, Minicoy, and Amindivi Islands ..	4.85	—6.31	17.62	14.43	14.60	14.61
Tripura	32.48	32.59	25.63	34.14	24.56	78.71
Manipur	21.71	10.92	16.04	14.92	12.80	35.04
Dadra & Nagar Haveli ..	19.52	6.99	23.23	5.70	2.70	39.56
Goa, Daman & Diu ..	3.09	—2.97	9.03	7.62	2.15	—1.66
Nagaland	46.76	6.55	12.62	6.04	8.60	14.07
Pondicherry	4.39	—5.06	5.93	10.20	11.31	16.34
Sikkim	48.98	—7.05	34.37	10.67	13.34	17.76
All-India	5.73	—0.31	11.01	14.22	13.31	21.50

Source : Registrar General of India, Ministry of Home Affairs.

PROGRESS OF LITERACY

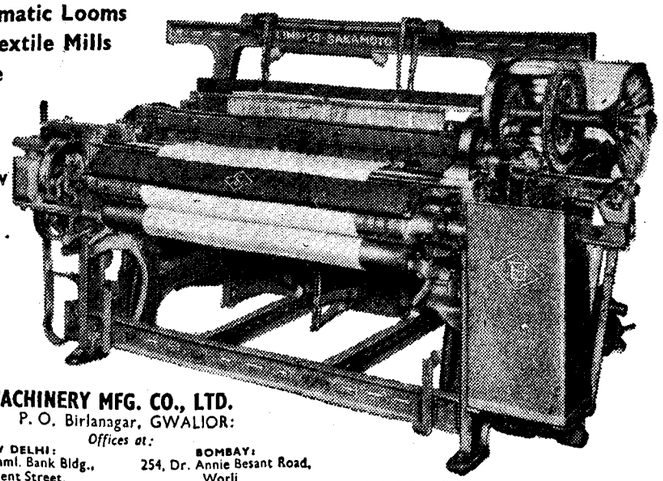
(Between 1951 and 1961)

States/Union Territories	Literates (including Educated) in 1961			1961 Literacy Rates			1951 Literacy Rates		
	Persons	Males	Females	No. of persons to 1,000 persons	No. of males to 1,000 males	No. of females to 1,000 females	No. of persons to 1,000 persons	No. of males to 1,000 males	No. of females to 1,000 females
States									
Andhra Pradesh	7,626,527	5,482,333	2,144,194	212	302	120	131	197	65
Assam	3,248,055	2,361,724	886,331	274	373	160	183	274	79
Bihar	8,547,845	6,950,967	1,596,878	184	298	69	122	205	38
Gujarat	6,283,256	4,373,373	1,909,883	305	411	191	231	323	135
Jammu and Kashmir	392,761	321,827	70,934	110	170	43	N.A.	N.A.	N.A.
Kerala	7,919,220	4,596,265	3,322,955	468	550	389	407	502	315
Madhya Pradesh	5,544,862	4,481,454	1,063,408	171	270	67	98	162	32
Madras	10,580,616	7,532,323	3,048,293	314	445	182	208	317	100
Maharashtra	11,793,070	8,588,657	3,204,413	298	420	168	209	314	97
Mysore	5,990,585	4,352,428	1,638,157	254	361	142	193	291	92
Orissa	3,801,245	3,042,004	759,241	217	347	86	158	273	45
Punjab	4,917,396	3,591,177	1,326,219	242	330	141	152	210	85
Rajasthan	3,065,568	2,504,983	560,585	152	237	58	89	144	30
Uttar Pradesh	13,013,183	10,546,795	2,466,388	176	273	70	108	174	36
West Bengal	10,225,664	7,454,006	2,771,658	293	401	170	240	342	122
Union Territories and other Areas									
Andaman and Nicobar Islands	21,372	16,675	4,697	336	424	194	258	342	123
Delhi	1,402,298	904,801	497,497	527	608	425	384	430	323
Himachal Pradesh	231,664	191,139	40,525	171	272	62	77	126	24
Laccadive, Minicoy and Amindivi Islands	5,610	4,273	1,337	233	358	110	152	296	53
Manipur	237,276	174,656	62,620	304	451	159	114	208	24
Tripura	231,188	175,060	56,128	202	296	102	155	223	80
Dadra and Nagar Haveli	5,495	4,342	1,153	95	147	41	N.A.	N.A.	N.A.
Goa, Daman and Diu	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
N.E.F.A.	24,260	21,879	2,381	72	123	15	N.A.	N.A.	N.A.
Nagaland	66,117	45,917	20,200	179	240	113	104	150	57
Pondicherry	138,149	92,384	45,765	374	504	246	N.A.	N.A.	N.A.
Sikkim	19,999	16,721	3,278	123	196	43	73	128	13
India ..	**105,333,281***	**77,828,163***	**27,505,118***	**240***	**344***	**129***	**166@**	**249@**	**79@**

* Excluding Goa, Daman and Diu. N.A. — Not available.

@ Excludes Jammu and Kashmir, Dadra and Nagar Haveli, Goa, Daman and Diu, N.E.F.A. and Pondicherry.

Source: Registrar General of India, Ministry of Home Affairs.

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THE EASTERN ECONOMIST

SEPTEMBER 21, 1962

After the Conference

THE Captains, in the form of the Prime Ministers of the Commonwealth, have now departed. Their parting gift to the world is a voluminous communique of 2,500 words, which is claimed to be a "factual" account of Britain's negotiations as well as a selected summary of the minutes of dissent. It is doubtful if this somewhat confusing document is reward enough for the labours which have shaken the Commonwealth over the last seven days. Indian opinion in Delhi, which is happy because the communique places on record the apprehensions expressed by the Prime Minister about the terms already negotiated for Indian exports, and also the proposal that our treaty with the enlarged Common Market should be negotiated at once, is, to say the least, easily pleased. As far as one can determine at this distance, Britain's decision to go it alone still stands. Only British diplomacy has sugar-coated its pill sufficiently to deceive superficial observers.

The truth is that the Commonwealth Prime Ministers in this matter were not, in fact, acting as an instrument of history; they were observers. They were observers, firstly, because the major decision on the Treaty of Rome is completely outside their hands. Secondly, because history has decreed, as has already been explained in *The Eastern Economist*, that the Commonwealth should be a declining factor in world trade and, therefore, increasingly become incapable of sustaining itself by a process of mutual exchange, preferential or otherwise. In retrospect, the expectations from this conference were clearly excessive. The results must be considered, from the Prime Ministers' own point of view, severely disappointing.

So far as India is concerned, interest has moved to the Prime Minister's trip to Paris, following President Ayub Khan's apparently infructuous visit, to see President de Gaulle. There is something curiously anomalous in the President of Pakistan and the Prime Minister of India first openly criticising the Six as reverters to a new form of colonialism by the denying of markets to the developing countries, and then proceeding more or less in the guise of statesmen with a purpose to argue a much more friendly case before General de Gaulle. If the President of Pakistan and the Prime Minister of India were really anxious to set up a base of friendship with the Six, their utterances revealed to the Press in London were certainly not the best diplomatic preparation for this purpose. In the result, we have only hardened opinion significantly in Paris and, indeed, somewhat in Bonn. It is probably a mistake to assume that the Paris-Bonn axis is decisive so far as the Treaty of Rome is concerned. But if, as the leaders of India and Pakistan seem to consider, this is a political move of France and Germany above the other countries, surely they might have been a little more moderate in the expression of opinion when they intended to make submissions in areas in which goodwill was necessary even above argument.

The Eastern Economist believes that the Indian delegation has erred in its assumption that outspoken criticism in London will help our case in the European Continent. It is possible it will make the British Government more ready and anxious to negotiate on some points; it is not likely, as Professor Hallstein has made clear, that it will change the opinion of the Six. Can it be that the Ministry of External Affairs has misjudged the environment as well as the timing of the present *demarche* against the European Common Market?

This is not the only event which has caused comment in New Delhi. What is even more disturbing is that the Ministry of External Affairs has made a huge error at the same time at the United Nations. It seems incredible in retrospect that India should have been so misguided as to back Prof. Malalasekara of Ceylon for the candidacy of the U.N. General Assembly's Presidentship, against Mr. Zafarullah Khan. Seeing that Mr. Zafarullah has won by 72 to 27 votes and only the Communist Bloc has solidly voted for Prof. Malalasekara, one wonders how the Ministry of External Affairs committed this country to so ignominious a defeat. It is now openly said at the United Nations that the defeat was as much for India as for Ceylon. There is no justification whatever for our having allowed ourselves to be placed in this ignominious position. The indications are fairly clear that we are inadequately briefed on the structure of opinion inside the Afro-Asian group and are, therefore, unable to estimate the consequences of going out on a limb with the non-neutral areas. It would seem that both for London and New York, Indian information on the structure of opinion which would prevail is, to say the least, incomplete.

Only a postscript needs to be added to this statement of events after what might well be, at least in terms of the Commonwealth, a historic conference. Its importance arises not because it can change the substance of the European Com-

mon Market's conditions of entry, but because it exhibited, under the tremendous pressure for survival, the remarkable capacity that the British people have of facing severe criticism and maintaining a position of reason with dignity and good sense. This is something when the ability to shape history departs from a Great Power. Nobody really believes that either Britain or the British Commonwealth can today be decisive in the most momentous decisions of the world. This does not imply that the Commonwealth has not a major contribution to make. There was enough in this Conference to suggest that the moderation and good sense shown by Britain in dealing with somewhat hasty and ill-considered criticism from the Commonwealth will be used to good advantage after Britain has entered the European Community to temper the somewhat rigid apparatus of dogma which surrounds the Treaty of Rome. It may well be that the leavening of the lump will be the greatest contribution that Britain can now make to the history of the world.

Postscript to Steel Prices

A POSTSCRIPT is required to the controversial issue of steel retention prices because of the explanation given by the Minister of Steel, Mr. C. Subramaniam, as late as Wednesday the 19th September. There is no doubt that some of the criticism would have been averted had this clarification been available at the time of his statement in the Lok Sabha. The essential point that the cost structure suggested by the Tariff Commission has been accepted in full would have itself allayed much of the resentment felt in the business circles at the suggestion which was contained in the Minister's own remarks that the Tariff Commission was out-of-date. It now transpires that the Tariff Commission was out-of-date in only two respects that it assumed 90 per cent working as an optimum for the assessment of the cost of production and, secondly, that it made full provision for working capital not all of which was, in fact, being raised by the steel companies, and, furthermore, they actually used large amounts payable to the Equalsation Fund due to the element of time-lag. Also the sums due by the companies to the Government towards interest and repayment of the special advances are, in fact, available as working capital since the date of repayment has not matured. In the light of these explanations the general public might tend to be more tolerant, even though distress signals have been hoisted by the stock exchanges all over the country.

The issue that is involved in the steel retention prices is two-fold. One is an issue of public policy in which India is certainly not unique. The fixing by the Government of the price of steel in the United States by a Presidential directive is certainly a precedent which cannot fail to have been noticed in other countries. Its meaning was that the price of steel, entering, indeed, in a wide variety of industries, essential for a nation's life, might be regulated not with reference to the general principles of free enterprise or fairness of return, but by strategic elements not all of which can be fully explained. In that sense there is a political component in steel prices which takes them outside the routine processes, like that of the stock exchange. The stock exchanges in India, no less than in the United States, have responded fully to the bearishness of this factor in the economy, but in the circumstances, such as they prevail at the present time, one wonders whether the bearishness of the stock exchanges is itself a decisive factor for the making of public policy. It would not be in the highest interests of the country as a whole that a somewhat mercurial behaviour of the stock exchanges should, in fact, be a good touchstone of public policy.

On the other hand, the psychological elements which invest the situation with uncertainty cannot be conducive to the fulfilment of India's Plans particularly in the private sector. It is undoubtedly true that the disturbance which has now been communicated to the private sector climate for expansion has been grave. This is largely because it is believed that the Government of India is likely to be arbitrary not only in respect of steel but in respect of a large range of products, where heavy investment is taking place, based on the belief that free selling prices will prevail. This was a reasonable calculation of many of the entrepreneurs who had sought licences and it would be a misfortune if the impression were created that the policy followed in respect of steel is capable of application everywhere. It would be necessary for the Government of India to make clear that this is not the case, if it is desired that the incentives for expansion under the Third Five-Year Plan should not be eroded so considerably as to lead to a shortfall in the private sector expansion. There is no current indication too that the public sector can fill the gap.

The essence of this postscript, therefore, is two-fold. It is, firstly, to argue that the case of steel does, in some respects, permit of exceptional treatment, even if this is somewhat adverse to the interests of the shareholders and in the long-run denies capital to the steel-making industries from private sources. This only means that the public sector will have to accept its full obligations for setting up of steel plants in future with the consequent difficulties posed by the challenge of good management. The second and more important postscript is that the Government of India should clear the air and make it patent that the private sector's right to earn fair profits on its investments is not jeopardized by its ruling in the steel case. There are grounds for believing that this clarification is overdue and optimism will not be restored until the Government sees its way to removing psychological disincentives which have loomed large over the last several days.

U.P.: Crisis Over the Land Tax

THE crisis in UP over the Agricultural Land Holdings Tax Bill, which is rapidly heading towards the peak, is unique in its character as well as magnitude. While this is purely an issue of taxation, it has been distorted by unscrupulous manoeuvring by the Opposition parties as well as by the anti-Chief Minister faction inside the Congress Legislature Party into a major political controversy. Altogether, a grave situation has been created in the State which threatens to undermine the strength and cohesion of the State Ministry. The tension over the Bill is being queered to a new pitch and it now transpires that it is not the State alone which will be affected by the ramifications of this controversy. In denouncing the incidence of the tax on the land-holder, a new twist has been given to the agitation. This strategy aims at assailing the very principle of enhancing the land revenue and tax. As a corollary, it also assails the principle of a rational allocation of responsibility, as between the Centre and the State Government, for providing financial resources for the State plan with the apparent object of shifting a substantial part of the burden of the State to the Centre.

In principle the Bill is quite unexceptionable and for this fundamental reason the State's Chief Minister, Mr. C. B. Gupta, deserves the support and backing of the Central Government as well as the Planning Commission since they have now come in the picture. He has taken courage in both hands and at the risk of unpopularity come forward with a bold measure to tax the land property, which is a vital source of direct taxation for the State Governments. It is also one of the major sources of tax-revenue in predominantly agricultural States of which UP is a typical illustration. But if the Bill is based on a rational principle, it suffers from drawbacks which must be regarded as serious. The limit of exemption from the tax has been adjudged to be low by the consensus of opinion. A uniform limit is hardly sustainable in a large-sized State like UP, where the disparities of land fertility and capacity to bear the tax are as gross as they actually are between the prosperous western districts and the indigent eastern districts. A broad-based scientific definition of an economic holding, taking cognizance of regional variations, ought to have been framed and prescribed by the Cabinet as the basis for determining the limit of exemption. The grievous omission to take this preliminary precaution has made the demand for raising the limit of exemption irresistible. There are other clauses in the Bill which relate to the assessment of the value of the holdings on which the capital tax is based. Still other complicated features of the Bill include the filing of very intricate returns by a class of illiterate tax-payers. The high cost of collection is easily another impediment, arising from the complex procedure of the assessment, which reduces the net revenue by a substantial margin.

By an ironical coincidence, which it was not difficult to foresee, an extraneous circumstance has strengthened the opposition to the Bill and placed the Chief Minister in an unenviable predicament. The Bill was introduced in the State Legislative Assembly immediately in the wake of devastating floods, which have wrought abnormal destruction, particularly in the eastern districts. Why this impolitic course was adopted by the Chief Minister is beyond comprehension. In this situation Opposition slogans against the Government's attitude in seeking to tax the flood-stricken peasant, when relief should have been provided first, have found a ready emotional appeal. The Opposition may be pardoned if it is exploiting this blunder. But a substantial section of the Congress Legislature Party, which is also conducting an open campaign against the Bill, ought to have preserved a reasonable balance before jumping in the fray, by flouting Party discipline, to condemn the Bill outright on this particular count. Statutory relief can surely be provided by way of suspension or remission of the tax on the score of natural calamities. But the ill-fated timing has made the task too difficult for the Chief Minister to remove the misunderstandings and prejudices of the people.

There cannot be the least doubt that the Bill ought to be watered down sufficiently to take away the sting of the high incidence of the tax. The extraordinary course of bringing in the intervention of the Planning Commission at the belated legislative stage has been adopted in the case of the UP Bill. But the available reports of the recent talks between the Planning Commission and the Ministers unhappily disclose that this intervention has borne little fruit. What is to be regretted most is that there are sharp differences still existing between the Chief Minister and two high-powered Ministers, one of whom, strangely enough, is the Finance Minister himself. If, as Mr. C. B. Gupta has been protesting aloud, there are no serious differences inside the Cabinet over the Bill, the best way for him to silence his critics is to evolve a compromise formula for the modification of the Bill before the intra-party situation deteriorates and the rift inside the Cabinet as well as the Legislature Party goes deeper.

The dissenting Ministers, according to reports, have been making repeated statements (in private, of course,) that they have a substitute in mind. If so, they ought to offer it to the Chief Minister without any delay in this critical situation, consistently with their joint Cabinet responsibility. But rumours are afloat that the substitute means substitute taxes different from the land tax incorporated in the Bill. Actually, not only the Opposition parties, but the rebel elements inside the Congress Legislature Party are campaigning vigorously for the declaration of a policy of no enhanced taxation of the peasant. This is a dangerous move. The argument need not be elaborated that land revenue or land tax ought to share the increasing burden of tax-revenue, like other sources of taxation, for developmental outlay from which the peasant derives positive benefits.

There is still another angle to this agitation. Along with the propaganda against any enhancement in land taxation is being carried a propaganda for lightening the burden of developmental taxation on the State Government. This latter propaganda is now openly and feverishly being carried out and the claim is being pressed hard that the deficiency in the States' share of tax-revenue should be made good by Central aid. This principle, fraught with potential consequences, ought to be discouraged at this initial stage. Rajasthan has adopted the wise course of voluntarily offering a cut in its Plan on account of its inability to raise its agreed share of tax in the Third Plan. If UP finds itself unable to meet its accepted commitment of Rs. 110 crores, the best it could do is to ask for more Central aid along with a fair pruning of its Plan. If the principle of Central aid equitably correlated to self-help is diluted by a policy of drift, it will impose a serious strain on the Centre and indirectly promote laxity on the part of the State Governments in shirking their basic responsibility.

(This is an Announcement and not a Prospectus)

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2. The bonds are approved securities under the Indian Trusts Act, the Insurance Act and the Banking Companies Act and are also eligible for grant of advances to scheduled banks by the Reserve Bank of India. They are on the approved list of securities of the State Bank of India.

3. Applications will be received at the branches of the Reserve Bank of India at Bombay, Calcutta, Madras, New Delhi, Nagpur and Bangalore **from the 28th September, 1962 to the 5th October, 1962**, both days inclusive, unless the subscription list is closed earlier. Copies of the prospectus and application forms can be had from the above offices of the Reserve Bank of India as also from the Head Office of the Corporation at Reserve Bank Building, 6-Parliament Street, New Delhi and branches at Liberty Building, 8-Marine Lines, Bombay-1, P-11, Mission Row Extension, Calcutta-1, and 38, Whites Road, Royapettah, Madras-14.

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NEW DELHI,
Dated: 14th September, 1962.
DA-1036 (5)/62.

K. P. MATHRANI.
Chairman.

THE WEEK'S NOTES

The U.N.

TWO PROBLEMS

THE SEVENTEENTH SESSION of the General Assembly which started early this week will be significant since the Assembly will be called upon to face and tackle at least two issues of major importance. The first is the appointment of a permanent Secretary-General. U Thant, the Acting Secretary-General, has, by the general consensus of opinion in both the power blocs, conducted himself not only with competence and impartiality but with a remarkable degree of statesmanship, making himself acceptable to all the nation-members. There are several concrete successes to his credit during this brief tenure and among them may be mentioned two. The agreement on West Irian owes much to his persevering and tactful good offices. At long last this thorny problem has been resolved after fifteen years. In the Congo he has been successful in preventing a bad situation from getting worse and internecine strife causing ruin in that country. It was he who tried to induce with initial success the Central Government at Leopoldville and Katanga to examine the scheme of a federal union. It is another matter if Mr. Tshombe, with his characteristic evasive strategy, is attempting to indulge in a more wearisome war of attrition with a view to smothering the idea of the federation and having his way with his cherished goal of secession. But the Acting Secretary-General has undoubtedly acted with impartiality and determination to promote the cause of peace in that tormented area. While there is everything to be said for the election of U Thant as Secretary-General, one cannot be too sure that it would follow automatically in due course. Russia may again raise her "troika" proposal. U Thant's latest visit to Moscow has not been able to shed light on how Mr. Khrushchev's mind works. But U Thant has made one thing clear and it is that he will not accept any further offer of an officiating position.

The finances of the UN are in a chaotic condition and this result has been precipitated by the heavy expenditure it had to incur in the Congo. Only a shrewd device conceived by U Thant prevented the prospect of near-bankruptcy. The bonds floated by the UN are somehow helping the Organisation to live a hand-to-mouth existence. If the military position in the Congo were to be reversed in the future, nothing short of defeat may have to be admitted by the UN in continuing its presence and handling the situation. The only solution to the problem is to recover the contributions of the members to the extraordinary expenditure in the Congo as also the arrears of the normal contributions into which several small countries have fallen and to raise the quantum on a normal footing. The former problem poses the real and substantial difficulty. Russia has refused to recognise her obligation to pay towards the Congo expenditure on the ground that she does not approve the policy applied by the UN. It is significant that Britain also has her important reservation about the Congo policy, but she is willing to bear the expenditure which is the result of the majority decision. If Russia's reasoning were to be accepted, it would create serious difficulties in the future. Once the principle is accepted that a dissenting country is free from the obligation to abide by the responsibilities involved in a resolution or policy adopted by the UN, only unanimous decisions will qualify for financial and other support from the members. This will make the democratic process difficult to function particularly because unanimity in the UN will be scarcely obtainable.

Kashmir

GRATUITOUS CONTROVERSIES

IT IS astonishing that political organisations as well as high-placed responsible Ministers should gratuitously raise issues of controversy in relation to Kashmir and give a handle to interested quarters in the State as well as abroad to sow the seeds of confusion—the former by habit as it were, and the latter through sheer inadvertance or lack of appreciation of the course advocated. The Praja Parishad has raised its voice against the continuance of the special constitutional status conferred on the Jammu and Kashmir State by Article 370 of the Constitution and demanded its abrogation forthwith. Article 370 makes the provisions of Article 238 of the Constitution, which deals with the powers etc. of the former Part B States, inapplicable to Jammu and Kashmir and it also contains provisions which places certain limitations on the applicability of the laws passed by Parliament to that State. This Article is by no means irrevocable, but by Clause (3) the President may declare it to be inoperative, or operative with certain modifications, only with the concurrence of the State Legislature. The major point involved in the demand of the Praja Parishad is whether the time is ripe for abrogation. Mr. Lal Bahadur Shastri, making a statement in the Lok Sabha on September 6, explained why the continuance of the special status was essential and expedient. Among the major causes he assigned were two — that a part of Kashmir is still occupied by Pakistan and the Chinese intrusion in Ladakh has created a continuing situation of emergency in which it would be unwise to make the constitutional change. This statement of the Home Minister has set the matter at rest for the time being and it was fully endorsed by the Jammu provincial branch of the National Conference at its last week's session. The termination of the status must come at the appropriate time by consultation and agreement between the Central and the State Governments.

Mr. Pratap Singh Kairon, Chief Minister of Punjab, was hardly aware how his proposal for the merger of Punjab, Rajasthan, Himachal Pradesh and Jammu and Kashmir into one state would be misinterpreted and abused for vicious propaganda, particularly by Pakistan. The sole idea which seems to have primarily predominated Mr. Kairon's proposal was to remove the canker of communalism from the politics of his State by a broad-based and more comprehensive reorganisation of the regions into one unit. But precisely by the same line of thinking, it was taken to be a clandestine attempt at nullifying the fact of a Muslim majority in the life and politics of Kashmir and propaganda was rivetted on this particular emotional point. Mr. Kairon's proposal, however, has gone unheeded. But its lesson should not be lost.

Cuba

PRESSURES VERSUS RESTRAINT

NO DOUBT need be entertained about the fact that a the present time the gravity of the situation in Cub is being magnified out of its due proportion in th United States. Pressures are being exerted on Presiden Kennedy to take snap action before the danger fron Cuba assumes big proportions. This is nothing but plain advocacy of another invasion. The America healthy tradition of a bi-partisan foreign policy is bein overlooked, albeit for a temporary period, in view c the gains to be scored in the forthcoming mid-terr elections. Reports are being strongly circulated abou

the setting up of some four or five Russian military bases in Cuba which may involve the danger of a surprise action at any moment. There is no possibility of enlisting any sympathy or support from the other Latin American countries in an overt military invasion of Cuba and the viewpoint is argued by a minority section that America should proceed headlong. All these pressure tactics apparently fail to assess the deeper consequences of the action that is being advocated. Mr. Eisenhower has rightly intervened at the correct moment and asserted after his interview with the President that Cuba must not be made an election issue. This is expected to have a salutary effect on the pressure wave.

Between the unsuccessful invasion of the Bay of Pigs and now the political and military scene has undergone a substantial change in Cuba. Even so, things happen sporadically without official responsibility or knowledge of the Department of State. The shelling of the Havana water front certainly took the Administration by surprise. It is not fully understandable why President Kennedy asked for the authorisation of the House for calling up of 150,000 reservists at his discretion. This, coupled with the unauthorised misadventure of Havana, has given a handle to Russia and Mr. Khrushchev has come forward with a warning that Cuba would be protected in case of aggression from anywhere. He made it plain that there was no need for Russia to construct any military bases in Cuba for the simple reason that protection could be provided promptly to Dr. Castro's regime from the Russian territory itself. This is but a veiled threat that nuclear missiles would be launched from Russia in defence of Cuba, if necessary. President Kennedy did well to come out with a prompt statement that the Monroe Doctrine would be observed and that there was no question of American aggression in Cuba. The fact, however, remains that large-scale military help in the form of equipment and technicians is being poured from Russia into Cuba. In retrospect, it would appear that the misconceived adventure in the Bay of Pigs and the trade boycott of Cuba have pushed this tiny country into Russian arms more vigorously than Dr. Castro himself would have thought it advisable to do. There is no danger to American security from Cuba and, furthermore, there is the important consideration that any overt move against it may provoke a retaliatory move by Russia in Berlin. Restraint under this provocative situation is of the utmost importance and the President has shown determination to stick to this farsighted policy.

Management Pool

STAGNATION AND FAILURE

WHY IS it that the Industrial Management Pool, so ably conceived and planned, has failed to make any impact whatsoever on the quality of the management of the public sector undertakings, it is stagnating at its strength of 200 without any expansion during its life of five years and a feeling of frustration has seized the managers and technical experts who constitute this sorely-needed cadre? By and large, the stagnation and failure in this crucial sphere can be blamed squarely on bureaucratic rigidity and lack of imagination on the part of those who had excellent opportunities offered to them to put it to the best use. Dr. Paranjpe of the Indian School of Public Administration, New Delhi, has thrown revealing light on the failure of the pool in his evaluation, but only some scanty facts and findings recorded in his report are available in the published reports at the moment. They underscore the lesson how a valuable plan can be rendered unfructuous by bad implementation. This is one glaring instance which demonstrates the lack of tact and skill on the part of the public sector to carry out managerial policies, even where they are very seriously lacking.

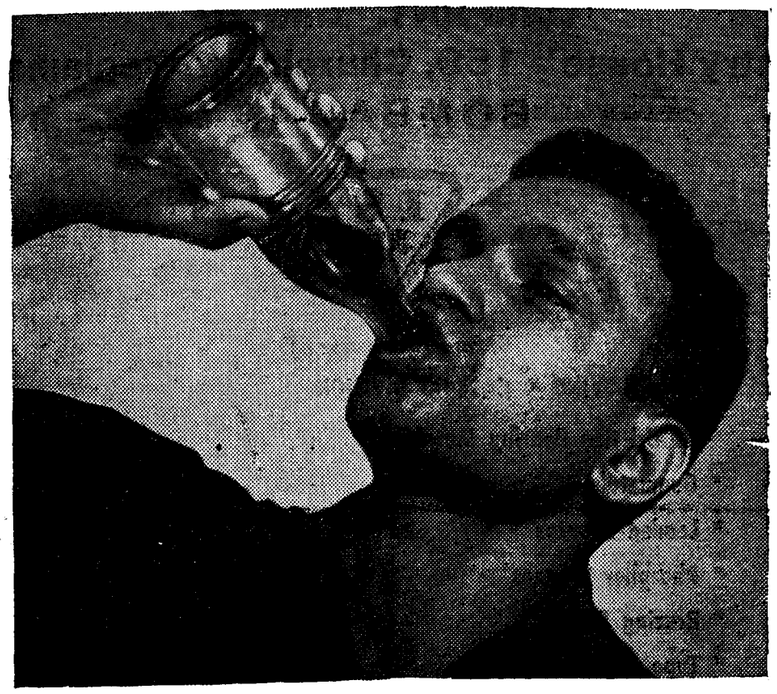
The insistence on following all the rituals prescribed by red tape are responsible for the loss of talents with long experience to the pool. By the time actual recruitment was made, many of the aspirants to senior grades declined the offers as they were comfortably established in good positions elsewhere. But the time and dilatory procedure of recruitment took its winding course and several of the posts of responsibility in the public undertakings for which they were intended were already filled. Presumably, a good part of them was appropriated by the officials in various Government Departments and it is likely that urgency to fill the posts was pressed as a ground to provide placements in many cases. Worse than that, it is only ironical that many of the members of the pool, selected after careful scrutiny of their qualifications and experience, were found to be misfits for no fault of their own. They were appointed to positions for which they claimed no expertise, while posts where their qualifications would be suited were offered to others, swelling the number of misfits. Complaints are heard of this callous policy of appointments and the consequent waste, of managerial and technical talents. To abolish the pool may perhaps amount to too radical a course. But if it is to be forced, there should be a determined bid for another serious experiment to make it a success. The ever-growing appetite of the public sector for technical experts surely requires the pool. But if a pool cannot be managed by the Government on sound principles, the last resort will be to allow each undertaking to make direct recruitments of men with practical experience and not of officials approaching retirement or by granting superannuation.

Maharashtra

PROHIBITION MINUS PURISM

IT IS heartening to learn that Maharashtra, which, as part of the former Bombay State, was in the vanguard of total prohibition, along with Madras, is having second and sober thoughts on the policy for prohibition. Reports, whose authenticity can hardly be questioned, indicate that a modification of the present rigid policy of prohibition in the State is in the offing. The State's Prohibition Minister, Mr. Salebhoy Abdul Kader, specially studied the problems of prohibition in Madras and Andhra in an effort to understand what precisely is needed to rationalise prohibition, but not to scrap it. The rationalisation of the present inflexible policy of prohibition in the State is to proceed on two major, among other, principles. Liquor permits will be issued on a liberal basis to remove the existing difficulties of those who genuinely need them and certain types of liquors or medicinal preparations with a nominal alcoholic content will be exempted from the law of prohibition. It will be news to many in several parts of India that in this State a licence or special permit is required to buy a bottle of methylated spirit. Examples of a long range of medicinal preparations can be added to it.

Prohibition has given a boost to a highly remunerative illicit traffic in liquor in this State as well as in Gujarat. Illicit distillation of liquor and its sale are conducted with impunity on such an extensive and State-wide scale that in several areas criminals have taken to this lucrative trade to avoid the risk of jail-going. The traffic has taken a deep root and how far it will be eradicated by the proposed rationalisation is a matter only for experience. It is also problematic how far corruption in the excise staff will be eliminated. To achieve success in these two spheres, enforcement of the liberalised and rational policy of prohibition will need to be very strict. This should not necessarily prove an insurmountable task since the availability of liquor in the open market will be liberalised.



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The World Abroad

RURAL PUBLIC WORKS

By ODYSSEUS

ARGUING IN FAVOUR OF utilising India's vast labour potential to build rural roads, new wells, and improvements to irrigation works, in order to tap resources which do not involve strains on foreign exchange for the import of capital equipment, Mr. W. B. Reddaway, in his recent address to the British Association, added some words of caution. He said that one of the difficulties in launching such schemes on any big scale lay in their organisation, the inadequate numbers of skilled administrators, and also the problem of allocating the costs and benefits from these schemes among the people involved. Once these are overcome and the construction work is started, a further problem is an additional demand for consumer goods, mainly for food. The extra demand is liable to fall on the balance of payments, whether through increased imports, or diversion from exports, or, if this is prevented by import controls, it pushes prices up. There are, of course, some beneficial effects from the increase in demand, where this falls on an industry in which output can be readily expanded, notably the service and distributive industries, and possibly textiles. In the main, however, the counterpart in the national income account to the extra investment is not additional saving in India, but an increase in the balance of payments deficit.

Mr. Reddaway emphasises that this does not mean that rural public works could not be usefully increased. If increased expenditure of this kind is matched by increased taxation, then the primary addition to the national income is secured, and the stock of useful assets is increased, with a counterpart in the national account of saving through taxation. Mr. Reddaway urges administrative efforts to overcome the organisational problems involved in simple construction schemes and the difficulties in collecting the revenues needed to cover the expenditure. Additional foreign aid of gifts of food grains would also help this rural development. All that he is saying is that you cannot adopt the superficially attractive Keynesian method of printing money to do the investment, and relying on the multiplier to generate the necessary savings. Incidentally, more and more people are coming to wonder if Keynes's diagnosis was correct even for the UK at the time of its publication. In arguing that the depression was caused by over saving and under consumption, Keynes forgot that several leading UK industries, such as coal, textiles, and railways, were powerful centres of depression because they were obsolescent. Public works and credit expansion could do little to revive these industries and to the extent that they might have been revived, they would not have promoted health in the UK economy, which needed to boost expanding industries, not bolster declining ones.

INFLATION DANGERS

Mr. Reddaway makes a novel point about the difference between inflation in a Western economy and the type of inflation which could be expected in a developing country if it insisted on large capital expenditures with created money, and were to use import controls to prevent large deficits in the balance of payments. In a Western economy, one of the factors which slows the pace of inflation is the tendency of profits to rise disproportionately, and for a substantial proportion of these additional profits to be saved or paid in taxes. Additional profits do not immediately raise demand for consumer goods, because typically they accrue to a company, and no additional dividends will be paid for some months to come. Even on a longer view, a substantial part of the additional profits will be retained by the company, or paid to the government, and even the part paid in dividends will accrue to shareholders, who are usually people with a low propensity to consume.

In a developing country, however, if rising prices lead to higher profits they do not typically accrue to a company at all, but to working farmers, traders, and managers of small-scale business. There is no time lag between receipt of profits and payment of dividends, and little tendency to retain profits in the business. Moreover, most Indian entrepreneurs who receive the profits are not rich but are struggling people with low incomes and a real need to spend more on consumption. In such circumstances, the built-in brakes on the pace of inflation which exist in the West are replaced by built-in accelerators, because the new distribution of income favours potential spenders rather than savers. The only qualification is that Indian entrepreneurs are frequently in debt to money-lenders, who may ensure that a good slice of increased incomes goes in debt repayment rather than in consumption. Has anyone done any research on this point? According to the First National City Bank of New York, India, between 1951 and 1961, was inflating at the rate of 1.8 per cent a year, and between 1956 and 1961 this average doubled to 3.6 per cent. The purchasing power of the rupee fell from 100 in 1951 to 83 in 1961. Does anyone know anything about the volume of small-scale indebtedness in these years?

Mr. Reddaway stresses that the process of transforming a developing country into one with higher productivity and real incomes involves creating a much more complex economy, in which productive units are much more dependent on each other, and so on the existence of a mechanism to ensure a proper inflow of materials, power, and other imports, and a proper outflow of their products to market. In turn, this requires not only adequate public utilities—notably power and transport—but also efficiency in the apparatus of government. Development is unlikely to flourish, however much foreign capital is provided, amidst political instability, corruption, riots, and so on. "In countries where poverty is as rampant as it is in India," says Mr. Reddaway, "there might easily develop a disregard for any system of property rights, which would make orderly development impossible."

DIFFICULTIES OF CULTIVATORS

One of the difficulties in securing an increase in the output of Indian agriculture is that so many of the people actually doing the cultivation have no incentive to improve their methods, because they know that they will not enjoy any appreciable part of the extra output: either they are hopelessly in debt, so that any extra income will go to the money lender, or the terms on which they hold their land will be revised so that the landlord gets the main benefit.

It has been argued that the introduction of better credit systems and minor irrigation works are of little value without a reform of the structure of the village,

because the benefits will go to the more powerful members of the village, leaving the poor as poor as before. The new measures will have to be administered by these more powerful people because nobody else is capable of the job: hence the hopelessness of trying to make progress by measures which would weaken the position of the very people who would have to administer them. Mr. Reddaway's views tie up with Mr. Colin Clark's criticisms in "The Eastern Economist" of August 10, in the course of which he quoted Mr. and Mrs. Thorn as saying in their new book "Land and Labour in India" (Asia Publishing House) that the administrators of the Sardar canal in the Punjab are never able to supply enough water when needed, that the available water goes to "the strong, the powerful, and the well-connected," and that much of the great change in land ownership supposed to have taken place in India since 1947 can be dismissed as "Agrarian Revolution by Census Redefinition." These are grave charges. They should be refuted if they cannot be sustained. But up to the moment of writing, no one has challenged Mr. Clark's article.

If, however, we admit the truth of these allegations, Mr. Reddaway urges that this should not lead to fatalistic inaction. Many measures, such as the production of artificial fertilisers, on a scale adequate to meet the market demand at an unsubsidised price, would secure a valuable increase in output, which would speed the over-all process of development. That the fertilisers will largely be bought by the richer farmers, and that their incomes will be raised rather than those of the poor, is a reason for imposing suitable taxation on them ("suitable" seems to me the operative word—if it is too harsh, there will be no incentive to increase output), and for pressing ahead with reforms of land tenure and debt. It would be absurd to refrain from supplying fertilisers on the grounds that the resulting increased food production will not solve the village's social problems at the same time: they are, in fact, likely to bring some benefits through more employment for the poor on the lands of the richer farmers to spread the fertilisers and harvest the larger crops. As against this, that some increase in output can be secured without structural reforms is no reason for refraining from striving after reforms, which may often be arranged in a way that will also increase output, by improving incentives to the actual cultivators.

Mr. Reddaway notes that foreign aid covers about 40 per cent of India's imports, and asks whether this is a sign of extravagance, mismanagement, or over-ambitious plans. He replies that while no nation has a right to demand foreign aid, the broad strategy of India's planning makes sense and the objectives are modest in relation to the size of India's problems. He therefore hopes that the developed countries—not all of which are in the West!—will aid India, and he stresses that trade facilities are as important as aid. Admission of cheap Asian textiles do create difficulties for Western producers—though, as Asian spokesmen seem to me slow to point out, they benefit Western consumers, and so in the longer run will benefit Western economies. These difficulties are, however, trifling when compared with the problems which the exclusion of Asian exports—often in defiance of GATT obligations—causes to the whole development of poverty stricken Asia. And, I would add, the peaceful development and political stability of Asia are important to the free world.

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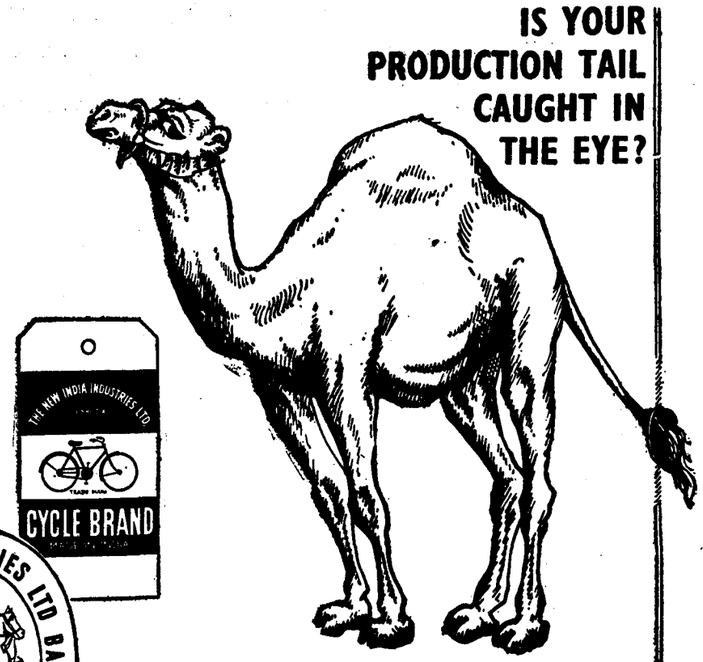
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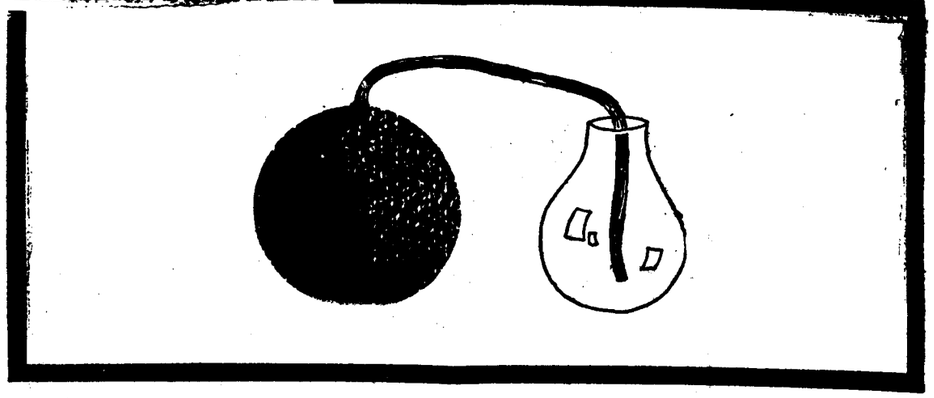
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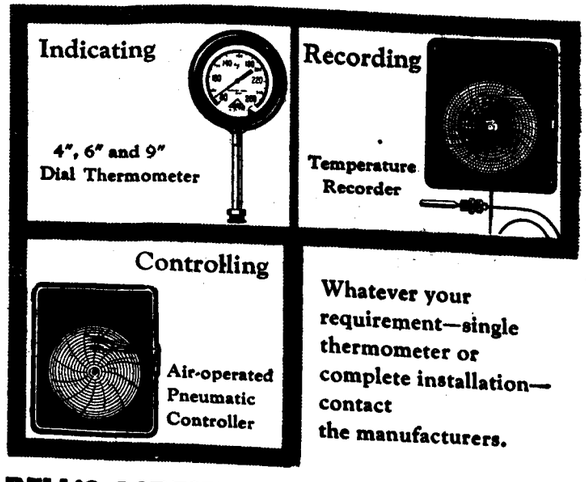
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The European Scene

FRENCH TRADE IN 1965

From Our Special West European Correspondent

PARIS, September 15.

AFTER its approval by Parliament, the weighty official document entitled "Fourth Plan for Economic and Social Development" has just been published in Paris, almost nine months after the 1962-1965 plan has begun to run its course. This tardiness, though deplorable and apt in itself to raise doubts about the efficiency of planners, is not grave since the economic agents, who collaborated in writing it, already knew what was expected of them; by its nature, a French plan can contain no surprises, for it consists not of orders from above but of agreements reached during discussion. In any event, the outside commentator has in hand for the first time a complete and detailed picture of the programme thought feasible for the coming three or four years. The main lines of this programme are known and have been discussed here before: a 24 per cent increase in gross domestic product in four years, which means an annual growth of about 5.5 per cent. The spirit of the plan remains, as with its three predecessors, the effort "to conciliate the imperative of development with an attachment to liberty", but the context of the fourth plan differs because of radical changes in France's international situation. The main changes, says the introduction, are: the beginning of the crucial phase of the Common Market, the opening up of the French economy on to a freer-trading world, the transformation of the imperial connection with the African peoples to a new style of co-operation, the intense scientific and technical competition within the industrialised world, and finally the appearance in France of a more numerous youth.

Publication of the plan documents enables us to go beyond these generalities to detailed figures. This would perhaps be instructive only to those familiar with the orders of magnitude that appear in the Indian Five-Year Plan, and who remember that France's population is slightly more than one-tenth of India's. However, there is one important table in the plan that is of general interest ,and of which one would like to have the equivalent for all the industrialised countries: an analytical forecast of French imports and exports in 1965. This can give foreign traders concerned with exporting to, or in competition with, France an inkling of the evolution of their markets. Thus when one reads the forecasts of substantial increases in French imports of textiles and non-ferrous metals, piecegoods, leather and wood, one can draw conclusions of evident business relevance.

This evolution of foreign trade will be governed not only by the development of French industry but by changing trade conditions. For example, tariffs on goods traded inside the Common Market will have fallen by the end of the plan period to 20 per cent of their 1957 level, and this naturally affects estimates of exchanges. The sharp rise in imports of motor cars and bikes, for example, has this for sole cause. The common agricultural policy of the Six will be coming into effect in this period, and this is the reason for the sharp increase in exports of the first two entries, which together make up agricultural produce: their total value will more than double at fixed prices, from 2,300 million NF in 1959 to 4,800 million NF in 1965. This supposes that new markets are indeed found for the output of French farms in the territories of the Six.

The Common Market is not the only factor responsible for the transformation of French foreign commerce. Tariffs on goods imported from outside the region will, in general, also fall as the common external tariff comes into effect. Moreover, the growing economic independence of the franc zone—former French colonies, in Africa principally—will deprive French exports of their predominance in those markets. That is why the plan foresees that the traditional surplus in trade with the franc zone will fall from 2,700 million NF to 1,600 million NF, since exports to that region will grow more, slowly than imports. The main developments due to the growth of French resources, as distinct from transformed trade terms, are the fall in imports of oil and of food and farm produce. The former is due, of course, to the expansion of franc oil supplies, from the Sahara in the main, but it will be noticed that this gain will be annulled by heavier imports of coal as uneconomic domestic mines are closed down; in sum the fuel bill will stabilise. Smaller imports of food will be due to the vast increase in productivity in French agriculture that is expected in the next few years.

In contrast, imports of mechanical and electrical apparatus are expected to rise by 128 per cent, as industry is expanded and farming mechanised more rapidly than the domestic capital-goods industries can follow. Yet on the export side, those same industries are counted

FRENCH FOREIGN TRADE

(In millions of New Francs, at 1959 prices)

	Imports		Exports	
	1959	1965	1959	1965
Total	20,126	31,153	20,112	32,262
of which :				
Farm and forest produce ..	1,186	1,576	1,157	2,943
Foodstuffs and fibres ..	1,526	1,826	1,191	1,867
Solid fuel	1,697	2,530	114	70
Gas	25	34	1	—
Electricity	24	48	36	—
Oil and petrol	3,185	2,856	562	880
Building materials ..	223	470	203	293
Glass	37	150	221	338
Iron ore and steel	1,272	1,572	3,228	3,720
Non-ferrous metals & minerals	1,095	1,712	458	592
Metall. semi-manufactures	546	989	1,003	1,538
Mechanical goods	2,308	4,105	1,687	3,504
Electrical goods	416	1,402	666	1,527
Cars and bikes	337	1,570	2,423	3,474
Ships and aeroplanes ..	568	494	936	1,200
Chemicals	1,956	3,274	1,793	3,717
Textiles	2,326	3,623	2,318	3,188
Clothing	34	149	178	259
Leather	199	405	503	707
Wood products	307	535	382	608
Paper, pulp & cardboard ..	524	806	174	337
Publications	141	261	196	319
Various	194	766	677	1,581

upon to increase their foreign sales by 86 per cent; different machines are involved in each case, as the division of labour progresses within the Common Market. In general it can be said that the planners look for a dual change in French export catalogues: big increases in sales of food, and considerable progress in sales of highly technical goods, notably machines and tools. This reflects the hopes placed in the Common Market, which will allow France to become the granary of West Europe, while yet continuing her industrialisation in those fields where she enjoys special advantages.

The admission of Britain to the Common Market, at least on the terms so far envisaged in Brussels, would not greatly affect these prospects within the period here envisaged, for a gradual transition will be allowed that will not be far advanced by 1965. Thereafter, the trends indicated would be hastened without being revolutionised; French farm produce would gain wider markets in the United Kingdom, while the division of labour in highly technical industry would have to be pushed a stage further as British specialities found easier access to the Continent. Perhaps the imports of textiles, already predicted to be notable, would grow more quickly if the facilities tentatively offered India and Pakistan are confirmed in the final settlement. It will be noticed that trade in textiles was approximately in balance in 1959, but is expected to be in deficit in 1965; most of the increase in exports concerns synthetic fibres. So the plan seems to take account of the necessary, relative restriction of the national textiles industry as increased opportunities are offered to non-European countries that rely on textiles largely for their export earnings.

It can be calculated that the plan foresees that imports will increase in value annually (at stable prices) by 6 per cent, and exports by 6.2 per cent yearly. The year of reference, 1959, was already a period of favourable trade for France, following on the end-1958 devaluation and monetary reform, so the planners are taking an optimistic view of trading prospects. The trade surplus including services is expected to increase (for trade with the franc zone and foreign countries together) from 6,600 million NF in 1959 to 7,200 million NF in 1965. This surplus will amply compensate from the expected fall in receipts from tourism and capital revenues, so that the balance of payments on current account will show a surplus of $810 million, against $620 million in the earlier year.

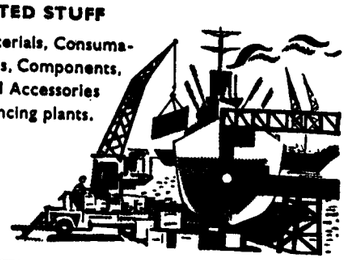
Foreign trade predictions are no doubt the least certain part of forward programming because external commerce depends on so many factors beyond the ken of national planners. In the present case, however, the risks of error are reduced by the existence of the Common Market's schedule of tariff cuts and its common farm policy; since almost one-half of French trade is conducted with her Common Market partners (rather more if Britain and one or two other European countries accept that schedule and that policy), the evolution of trade can be fairly safely foreseen. Whatever the uncertainties, it is the forecast of future imports and exports that most interests traders abroad in any national plan, and if tables similar to the above were to hand for other Western economies, the developing nations would know better where they stood.

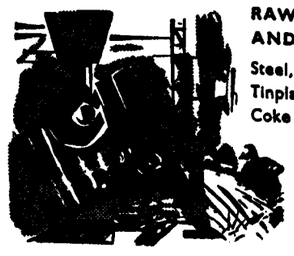
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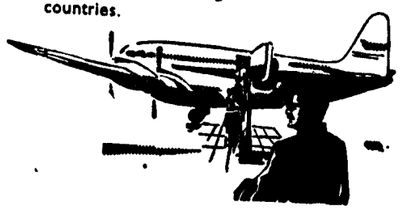


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GAS COMING UP

When a successful well has been completed the oil that has entered the bottom of the hole has to be brought to the surface. Sometimes the oil will flow to the top of the well of its own accord, rather in the way that a bottle of warm soda-water will empty itself when the cap is taken off—the gas bubbles out strongly and carries the liquid with it. Sometimes the oil has not enough gas associated with it to flow in this way, but it can be encouraged to do so if extra gas is forced down the well. Sometimes again the oil has so little gas that the easiest way to get it out is by pumping it up with a special type of pump.

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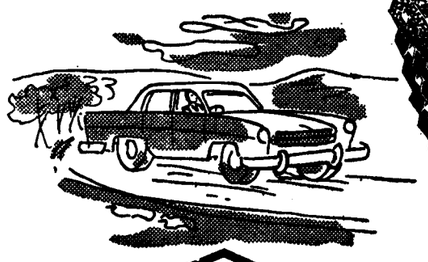
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Economic Report from the U.S.

GOVERNMENTAL FINANCES

By GUY SIMS FITCH

WASHINGTON, Sept. 11.

EVEN the most prosaic of economic reports may reveal exciting and significant developments. Such a report has recently been issued by the US Department of Commerce, in the form of a detailed summary of governmental finances for the 1961 fiscal year that ended last June 30. From it, one can gain renewed appreciation of the magnitude and variety of public services in the United States and of the vital and often interrelated roles of national, state and local governments in the US Federal system. In this context, the fact that governmental outlays have been rising is not nearly as important for itself as for the light it sheds on the continuing US effort to meet responsibilities abroad and to supply a growing population with more and better services at home. While the former burden, with all that it implies for the economic advancement and the defence of free nations, is largely that of the Federal government, the latter tends to fall more heavily on state and local units.

The much publicized Federal budget, which does not include state and local outlays, thus embraces only one of the three main governmental levels in the United States. Hence, it understates by many thousands of millions of dollars the full scope of the nation's public activity. All told, government spending in the United States came to no less than $164,200 million in fiscal 1961. A more pertinent figure, however, one that excludes capital outlays and trust fund operations, is the $138,800 million spent for such general purposes as defence, education, highways, health, housing and transportation. This represents a fiscal 1961 outlay of $758 for every man, woman and child in the country, compared with $644 back in fiscal 1957, when general spending totalled $109,800 million. Significantly, the big spending increases have come not so much in the areas of Federal activity, as in those which traditionally have been reserved for state and local action in the US socio-political system. Thus, national defence and such related international activities as foreign aid, constituting the largest single statistical element in both Federal and total government spending, came to $49,400 million in fiscal 1961, up from $45,000 million in fiscal 1957. On a per capita basis, however, the rise was negligible—from $269 to $270. A notable contrast is in the field of education, the second largest area of total government spending and the largest area of state and local expenditure. Here, total outlays rose from $15,100 million or $88 per capita in 1957, to $21,000 million or $115 per capita in 1961. The predominance of state and local responsibility in this field is seen in the fact that of the $21,000 million spent in 1961, the Federal government put out only $1,600 million, of which $1,000 million represented aid to state and local educational programmes. Inter-governmental payments of this kind are typical of the US Federal structure. For instance, state and local governments also are primarily responsible for such varied programmes as highways, health and hospitals, public welfare, housing and urban renewal. In each of these, as in education, the Federal government provides varying degrees of financial aid to the state and local units, in addition to its own relatively minor direct spending.

This principle also extends to relations between state and local units. As an example, states provided local governments, which are the principal operators of the nation's schools, with some $6,000 million for educational support in fiscal 1961. This was about 36 per cent of the total sum spent for education by the local governments. In many cases Federal aid reaches local communities via state administration and distribution. There are some domestic activities, of course, which are principally or entirely the responsibility of the Federal government. By and large, like national defence and the conduct of foreign affairs, these are clearly national in scope, inter-state in character and beyond the effective capacity of state and local bodies. Among them are the postal service, air transportation, and the conservation and development of natural resources—agricultural, forest, mineral and water.

A Letter to the Editor

HAFIZ MOHAMMAD IBRAHIM

Sir,

Your main editorial in your issue of 17th August in making a frontal attack on the Minister for Irrigation and Power, Shri Hafiz Mohammad Ibrahim, has done less than justice to the Minister. It is not generally realised that as far as Constitutional or other responsibilities are concerned the Ministry of Irrigation and Power is in no way responsible about the working of the Delhi Electric Supply Undertaking. One has only to refer to the provisions of the Delhi Municipal Corporation Act, to uphold the truism of this stand.

A correspondent in a local Paper in discussing the debate in the Lok Sabha about the Delhi power failure very jocularly reported the Minister having said in chaste Hindi "If the Transformer at the Rohtak Road Power Station fails what would the Supreme Court do!" Joke apart this is a real fact.

There is of course something wrong with the working of the Delhi Undertaking and if one were to ascribe responsibility to the present situation one has to go right back to the year 1957 when the then Delhi State Electricity Board was dissolved and the Undertaking handed over to the Delhi Municipal Corporation as part of a political deal.

It may perhaps be appropriate here to dilate upon some of the other legal aspects arising out of the Delhi Municipal Corporation Act whereby the Delhi Electric Supply Undertaking was vested with the Municipality. Under the law the General Manager (Electricity) is subjected to "all the obligations of a Licence under the Indian Electricity Act 1910 or any other law for the time being in force relating to generation or supply of electricity". In this context, if therefore any direction on matters of policy were to have been given they should have been done by the Home Ministry and consequently the responsibility on the part of the Ministry of Irrigation and Power could only be to the extent advice is sought by the Home Ministry.

To sum up, the malady lies in the sudden reversal of policy in 1957 in relation to the electric supply organisation in the Union Territory of Delhi and consequently the responsibility for the present impasse must be fully borne by the framers of the Delhi Municipal Corporation Act and not by the Ministry of Irrigation and Power.

Yours faithfully,

1st September, 1962. R. P. Aiyer

[We are glad to publish this letter but adhere to the view expressed in the Leading Article — Ed.]

Special Article

THE CRISIS IN COTTON TEXTILE EXPORTS

ADDRESSING the joint meeting of the Import and Export Promotion Advisory Councils in New Delhi early this month, Mr. Neville Wadia, who speaks as one having authority, painted a dismal picture on the export of our cotton textiles. He implied that, if drastic action were not taken, exports were unlikely to exceed 300 million yards next year. Our present expectation is less than 500 million yards for this year as against the target of 800 million yards. This reduced figure will earn even less in ratio because of the drop in international prices and may fall in between Rs. 20 and 25 crores in 1963, as compared to Rs. 40 crores for 1962 and Rs. 46 crores for 1961. One may characterise this picture of our textile export outlook in the near-term as alarming, but there is no denying the fact there exists at present a near-crisis in the export trade of Indian cotton textiles. How far these exports would go up as a sequel to the institution of the Obligatory Export Scheme by the industry about 2½ months ago, it is difficult to say, although the indications are said to be encouraging.

That India's cotton piecegoods exports have been in a bad shape, particularly since 1960, should be evident from the fact that in 1961, in terms of yardage, exports touched the lowest level since 1956. During the first quarter of the current year, these exports declined further to 133.55 million yards from 152.32 million yards during the corresponding period last year. The provisional estimate of exports during the second half, April - June, 1962, is put at about 110 million yards, as against actual exports of 138.82 million yards during this period in 1961.

This decline in our cotton textiles exports during the past one-and-a-half years may be partly attributed to the expansion in the indigenous industry in some of our traditional importing countries and to the tight raw material position, but that this setback has been due much more to the severe competition that India faces today in the world market is a fact that hardly requires elaborate data to prove. The competition is from a number of sources, both old and new. In our traditional South-East Asian, West Asian and African markets, the competition is stated to be particularly keen from Japan and China. But there are signs of stiffer competition being faced from such new suppliers as France, West Germany, East European countries, Turkey and Egypt. The overall effect of this on our textile exports has been that despite the fact that the international trade in this commodity had expanded in 1960 by about 11 per cent over the preceding year, our exports in that year dropped by about 14.7 per cent. In 1961, while exports from the major Communist countries declined by about 6.3 per cent as compared to 1960, exports of Indian textiles declined by about 17.4 per cent. This is an unmistakable evidence of Indian cotton goods being priced out in the world markets.

If our textiles exports are to improve to any great extent, it is obvious that our cost of production should be made more competitive. But how this is to be achieved is the crucial question.

The important point, namely that India's exports have been ruled very largely by the price of cotton has uncomfortable implications both for the Indian agriculturist and for the textile manufacturer. Mr. R. G. Saraiya made the point well in response to Mr. Neville Wadia's remarks that when India's exports were at their peak in 1951, this was almost entirely because Indian cotton was 21 per cent below world prices.

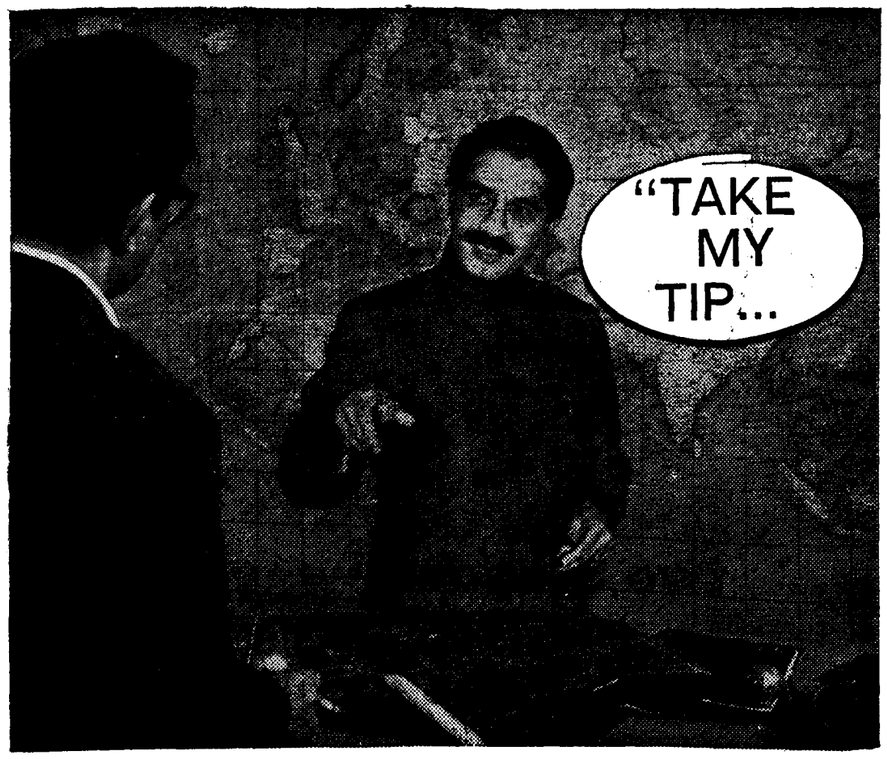
TABLE I.

CEILING PRICES FOR NEW CROP INDIAN COTTON AS COMPARED WITH AMERICAN COTTON PARITY PRICES: (ALL PRICES ARE IN RUPEES PER CANDY (784 LBS.) BOMBAY MILL DELIVERY TERMS)

INDIAN				AMERICAN		
S.N.	Description	East India Survey Valuation	Ceiling Prices	United States Description	Prices	Parity Differences
1.	Cambodia 'A'	E.S.F. 1.1/16"	1,625|-	Memphis, St. Middling 1.1/8" Staple	1,270|-	355
2.	Cambodia 'B'	E.S.F. 1.1/32"	1,530|-	Memphis, St. Middling 1.1/16" Staple	1,185|-	345
3.	Cambodia 'C'	E.S.F. 31/32"	1,320|-	Orleans/Texas, S.M. 1" Staple	1,140|-	180
4.	Buri American 0394	S.F. 29/32"	1,176|-	Orleans/Texas Midd. 15/16" Staple	1,090|-	86
5.	Digvijay	E.S.F. 15/16"	1,315|-	Orleans/Texas S.M. 1" Staple	1,140|-	175
6.	Vijay	E.S.F. 7/8"	1,212|-	Orleans/Texas S.M. 15/16" Staple	1,130|-	82

CURRENT C.I.F. PRICES FOR NEW CROP FOREIGN 'A' COTTON

Mexican Matamoros G. M. 1.1/16"	Rs. 1,170|-	: August - September Shipment
Californian Acala 442 G.M. 1.5/32"	Rs. 1,280|-	: October - November shipment
Uganda B. P. 52 F.A.Q.	Rs. 1,240|-	: January - February 1963 Shipment
Uganda A.R. Jinja F.A.Q.	Rs. 1,150|-	: -do-
Tanganyka, Mwanza	Rs. 1,130|-	: September - October Shipment
Syrian (Stapling 1.1/8")	Rs. 1,140|-	: September - October Shipment
Current Crop (1961-62) Sudan G6S	Rs. 1,250|-	: August Shipment



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It seems true today that we are losing cotton textile market because Indian cotton is nearly 25 per cent above world prices (vide Table I, page 536). Thus the point that manufacturing costs are almost secondary, whilst the price of cotton is the dominant element, would suggest that not too much stress should be laid on the rationalisation argument by itself. Rationalisation can reduce costs, but it cannot eliminate the disadvantages of price of cotton so largely out of parity with international levels.

A historical study of Indian exports in relation to the average prices of cotton inside the country is presented in the table below (Table II). This particular point, namely, that the price of cotton and not India's efficiency in manufacture has been the dominant element emerges from this table. It does look as though, if markets are to be recovered, something radical will need to be done on the price of cotton. The current floors and ceilings are too high. At the same time, there must be a ceiling on manufacturing costs. This does not imply that they are always fair any more than the price of cotton has been fair to the Indian agriculturist. A policy for cotton textiles today is not a policy for equity, but a policy for exports. For these purposes, Mr. Neville Wadia's suggestion acquires importance, which has little to do with historical injustices in the past or necessities of distribution at present. The country must make up its mind whether it wants exports or fair wages or fair prices, irrespective of the shortages in foreign exchange. It should not be difficult for the Planning Commission at least to make up its mind.

TABLE II.

Monthly Average	Exports of Cotton fabrics				Wholesale Price Index of Raw Cotton (Base : 1959 : 100)
	Quantity (Million Metres)	Value (Rs. Million)	Export price per metre		
			nP	Index Number (Base: 1959 : 100)	
1959	62.16	46.20	74.3	100.0	100.0
1960	52.78	48.58	92.0	123.8	109.7
1961	43.51	38.21	87.8	118.2	105.6
1961 (Jan.-June)	46.83	46.50	99.3	133.6	107.4
1962 (Jan.-June)	37.50	36.66	97.8	131.6	109.3

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THE BUSINESS WORLD

Handloom Board—A Decade's Work in Retrospect

By CROESUS

SAVE for the absence of Mr. W. R. Natu, who died prematurely a few weeks ago, the 18th meeting of the All-India Handloom Board (A.I.H.B.), which was held in Bombay, last week, must be regarded as an important landmark in the history of the handloom industry in this country. It is important, because it marked the completion of the first decade of the Board. Fortunately for the industry, the Board has, in the new Chairman, Mr. R. Doraiswamy, a no less sympathetic guide than the late Mr. Natu. He may be depended upon to tackle the problems of the industry with the same degree of sympathy and single-minded devotion as his distinguished predecessor. But, in the final analysis, more depends upon what the industry itself does, or is prepared to do.

If after the past ten years of the A.I.H.B.'s working, one were to ask whether what the industry has achieved during the decade is at all commensurate with the generous measure of assistance accorded to it, I feel, one should be excused. For, even whilst inaugurating the 18th meeting of the Board, Mr. Manubhai Shah, the Union Minister for International Trade, was still referring to the several schemes "being initiated to assist the industry" and not to any spectacular achievement as such in any specific sphere. If there is some achievement that the Handloom Board can take credit for, it is undoubtedly the organisation of the industry on co-operative lines, although, even here, not to the extent it originally bargained for. But, then, one must concede, there are several inherent difficulties in organising all those engaged in the handloom industry on co-operative lines. Nor does this seem desirable, and this perhaps explains the concern of Mr. Shah more for consolidating the gains of organisation already achieved than for enlarging the number of looms within the co-operative field. Of course, from the point of view of production, — assuming that the official statistics are wholly dependable — the progress made, in absolute terms, that is from 950 million yards to 2,000 million yards, is sufficiently spectacular, and the handloom interests might even gleefully compare this rise with that in the organised mill sector from 4,076 million yards to 5,142 million yards over the same period. But the public, one hopes, is not unaware of the fact that, whereas the handloom sector is actively encouraged to augment production, the mill sector is deliberately discouraged from increasing its output. Also, one must not overlook the fact that the progress of handloom industry has been achieved at enormous cost to the country's exchequer. According to Mr. Shah himself, the Government has so far provided financial assistance to the tune of very nearly to Rs. 45 crores, while, under the Third Plan, the revised target of expenditure, including the expenditure of Rs. 3 crores for the Central schemes, is Rs. 34 crores. And all these for just 28 lakhs of handlooms said to be working in all parts of the country.

After spending such a huge amount, how has the industry fared on the export front? Miserably! The value of handloom cotton fabrics exported has steadily come down from Rs. 10 crores in 1953 to Rs. 8.7 crores in 1956 and to Rs. 4.8 crores in 1961. Even after making allowance for the keen competition in foreign markets, one cannot explain away this shrinkage in exports, especially when we are repeatedly told that there is cosiderable scope for expansion, except by frankly admitting the failure on the part of the industry to improve quality. The industry has not been denied incentives to export either. In fact, it has been enjoying export incentives in the shape of licences (15 per cent import entitlement) for the import of scarce dyes and chemicals ever since 1959 and a cash incentive by way of a part of cotton entitlement of 5 per cent (this has since been raised to 8.4 per cent) on the f.o.b. value of export. It is significant that these incentives apply both to manufacturer-exporters and to merchant-exporters. Perhaps the only thing that the industry has been clamouring for, but has not got, is a separate Export Promotion Council. Although the Government had earlier conceded this demand, it was withdrawn subsequently — at the instance of Mr. Shah, of all people, I am told — and the industry has been asked to content itself with an Export Promotion Committee of twelve people to advise the two existing all-India organisations which are already there to develop markets for hand-woven fabrics — namely the Handloom Export Organisation — a subsidiary of the S.T.C. (for non-traditional markets) and the All-India Handloom Fabrics Marketing Society (for traditional Markets). Although denying a seperate Export Promotion Council to the handloom interests, the Union Minister for International Trade assured them that the Central Government would accord the highest priority and provide all assistance to development schemes oriented towards the production of export goods. As it is, whether by way of finance (as witness the pilot schemes of the Reserve Bank of India to ensure the working capital needs of the industry) or by way of quality control as in the case of "Bleeding Madras" and Etawah bed spreads (by fixing either ceiling or floor prices or both), the industry has been helped sufficiently, and it can depend on the powers-that-be to pamper it furthermore. Even so, it remains to be seen if the export target of Rs. 14 crores worth of handloom fabrics would be achieved during the Third Plan period.

Even as regards the contemplated Third Plan production target, one cannot be absolutely certain that the handloom industry would be able to raise its production from an estimated 1,930 million yards in 1960-61 to 2,800 million in 1965-66. For this would mean an overall increase of as much as 870 million yards, or an average annual increase of 174 million yards. Moreover, the realisation of the target is based, among others, on the assumption that the per loom production in 1965-66 would go up to 800 yards, which is contingent on adequate technical improvements proposed to be effected during the Plan period. There is no doubt that some useful work in designing and quality improvement has been achieved by the various units of the Weaver's Service Centres organised by the Handloom Board, but a good deal more remains to be done in the matter of effecting improvements, both in the techni-



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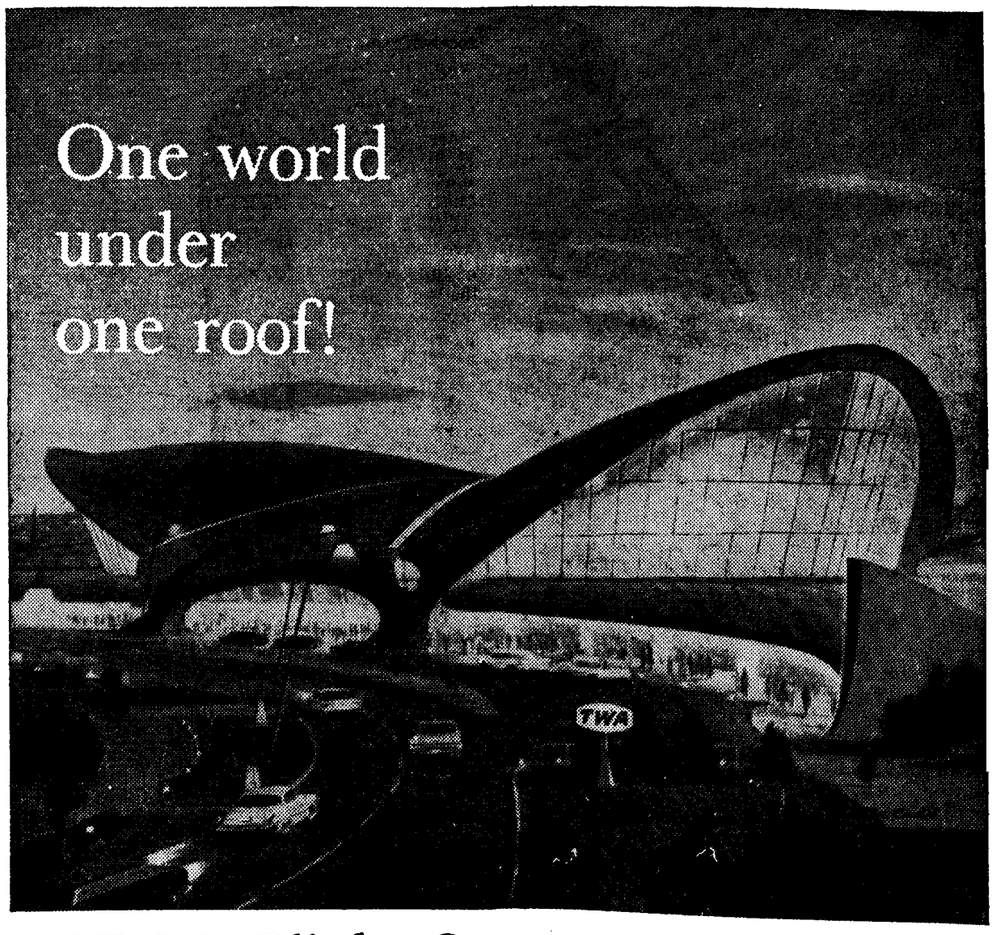
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ques of production and in the production of attractive fabrics, so as to make these fabrics readily saleable. Even on the admission of Mr. Shah himself, although a substantial portion of development funds has been utilised for the encouragement of the consumption of hand-woven fabrics, such has been done without specifically linking it to the improvement in quality or the utility of cloth. He was, therefore, eminently in the right when he pointed out that, in the final analysis, a decentralised industry, such as the handloom industry, can hope to stand on its own feet only by effecting technological improvements to enable the industry to produce quality material capable of being marketed anywhere at competitive enough prices.

Business Notes

Drugs

DESTROYING THE RACKET

THOUGH OF recent origin, like so many other industries, the Indian Pharamaceutical Industry also has registered a notable progress in recent years. The total value of its production has gone up from about Rs. 10/12 crores in 1948 to as much as Rs. 80 crores in 1961, and this is shared by as many as 120 manufacturers in the organised sector and about 2,600 in the medium and the small-scale sectors. All this is to the good, but, lately, there has developed a disturbing trend in the pharamaceutical world, namely the growing predominance of spurious drugs which has begun to cause both concern and consternation—concern for the future of the healthy section of the industry and consternation at the probable damage to human health.

It is in the fitness of things, therefore, that the Indian Pharamaceutical Association (I.P.A.) should have arranged a symposium, in Bombay, last week, to take stock of the present situation and also to review the problems of the industry as a whole—on its manufacturing, distributing and control aspects. The Chairman of the I.P.A. did well to emphasise the urgent need first to dispel the loss of faith in the drugs made in the country and the consequent sense of panic in the public mind caused by such revelations as recent detection which showed that spurious distilled water had been used for injections! Calling forth for adequate and effective measures, Dr. Rohatgi suggested that all pharamaceutical products offered for sale be brought under effective control and proposed three methods for the purpose.

First, he said, there should be control over the conditions under which manufacture of drugs is carried out, leading to the licensing of firms, and the continued check of their performance under supervision at various stages. Dr. Rohatgi observed that the Government should make an effective use of the powers accorded to it under the Drugs Act to ensure that the Drug Control does operate at various stages. In view of the fact that there is considerable inter-State movement of drugs, the I.P.A. Chairman felt that there was need for appointing an expert committee.

Secondly, Dr. Rohatgi suggested the control of each batch of drug so as to guard against mistakes and ommissions and also to ensure that each packing conformed to the prescribed standards. The responsibility of maintaining the quality and standard of a given drug rested solely on the manufacturer, who should spare no efforts in maintaining them. As Dr. Rohatgi rightly remarked, "no amount of precaution taken by the manufacturer can be considered as excessive".

And, finally, the control at the different stages of distribution, that is wholesale and retail trade, and dispensing, should be such as to ensure that the drugs are stored under proper conditions and that deteriorated drugs as well as those of doubtful quality are promptly eliminated. The snag here, however, is, according to the I.P.A. Chairman, that the problem of distribution has not received the attention that it deserves. The spurious drugs racket, in his opinion, could not possibly have thriven but for the support of sections of the trade and the medical profession, as also some buyers of such products. In this connection, he further said that, in spite of all the precautions taken in regard to manufacture and analysis and the control exercised by the Drug Control Administration, faulty storage could cause considerable deterioration and render a given drug ineffective and even harmful. Inasmuch as this function mainly rests on the dispensing pharmacists, who represent the last link in the chain of distribution, it is imperative that adequate facilities for the training of pharamacists should be provided, added Dr. Rohatgi.

Dr. Sushila Nayar, the Union Health Minister, inaugurating the symposium, said that the twin problems of keeping the prices of drugs at a reasonable level and bringing in stringent measures against the spurious drug trade, had become more urgent today than at any time before. She, accordingly, hinted that the Government would play a very important role in the future in this connection. Dr. J. N. Banerjee, Honorary Secretary of the I.P.A., however, suggested that what needed investigation was the effective enforcement of the machinery already constituted under the Drug Act. He felt sure that such would not in any way hit the reputable manufacturer even on technical grounds.

World Bank

AID WITHOUT STRINGS

WHILE IT is true that economic assistance to the underdeveloped countries from industrially advanced countries has become a recognised factor in the process of economic growth, Mr. Eugene Black, President of the World Bank, in his address at the Annual Meeting of the World Bank and other international financial institutions this week has made it clear that it is not the same thing as economic assistance that flows through certain international institutions. The bilateral aids however justified, can lead to confused economic objectives when influenced by political ends. This nevertheless may not be always so. The experience in India has been that bilateral aid has by and large been received without any political strings. It has to be stressed that assistance in whatever form from the World Bank and International Monetary Fund has been based purely on economic grounds. Naturally, therefore, Mr. Eugene Black urged that while bilateral aid should be continued, more and more aid should pass through the international development institutions. In this context it has to be recorded here that the assistance received by India from the Aid-India Consortium was definitely substantiated by the World Bank authorities. It goes to their credit that apart from the aid offered by other countries like the United States, Germany and Great Britain, the World Bank contributed a substantial share.

The annual report of the Bank outlines that during the last decade there has been a shift in the source of funds that were made available to the World Bank. During the immediate post-war period, the Bank was obliged to depend on the U.S. for virtually all its

funds. By 1962 the capital contributions made available by members other than the US had risen to over $1,000 million. Other countries have obtained their capital markets to Bank Bond and Note issues so that by the end of the fiscal year 1961-62 about 56 per cent of the Banks' outstanding funded debt of $2,521 million was held by non-US investors.

New bank loans of the year came to $882 million, the highest annual figure so far attained. Electric power was the largest single purpose of bank lending at $493 million which was followed by loans for transport facilities at $241 million. The Bank also extended its activities and had increased its expenditure in the less developed countries on studies both of specific projects and all factors of the economy. Assistance of this type of undertakings included study for a new bridge over the Hooghly River in Calcutta. Thus it is clear that the Bank is gradually increasing its activities both in terms of quantity and sphere.

I.F.C.

A NEW ROLE IN DEVELOPMENT

PERHAPS ONE of the most important developments of the year for the International Finance Corporation was the approval by the Board of Governors of an amendment to the Articles of Agreement enabling the Corporation to make its investments in equity form. As a result of this, IFC was also able to participate for the first time, in under-writing the issue of common shares by one of its borrowers, a steel corporation in Mexico. This move is a positive step forward and it gives a new role to IFC in the field of economic development. The annual report reveals that during the year 1961-62 IFC made nine investment commitments totalling $18.4 million and one underwriting commitment of $2.9 million, in seven countries. The Corporation made its first investment in Spain assisting a manufacturer of electrical components for automobiles to expand operations. IFC's $3 million investment was partly in loan form and partly in equity form and was the first in which capital stock was purchased directly as part of IFC's original investment commitment. Other investments included $4 million in a new cement plant in Pakistan; $2.4 million in the expansion of a cement plant in Peru; $3.05 million in petro-chemical plant in Argentina; $600,000 in a new fertilizer plant in Greece and small supplementary investment in a fertilizer plant in Peru.

By and large it is true that IFC, like many other bodies associated with the World Bank, is assisting the Development projects in various countries, where finance is not readily available, but it appears that the institution has its own limitations because funds at its disposal are not sufficient. This has to be seen in the context of huge demands that exist in most of the developing countries. It seems, however, that the number of institutions that are prepared to associate the IFC in its lending programme is increasing. For instance, IFC formed a syndicate with Credito Bursatil, a Mexican investment house, to under-write the issue of capital shares of the largest private steel company in Mexico. Three private investment banks, two U.S. and one European, joined IFC as participants taking up about one-third of the IFC's under-written commitments. It may be added that five private financial institutions in the United States, Germany and Switzerland agreed to participate for a total of approximately one million dollars in four IFC investments this year. Thus, there has been a broadening of its activities, but it seems that there still is scope for performance on a much larger scale.

I.D.A.

AID FOR DEVELOPMENT

AS THE annual report of International Development Association for 1961-62 recalls, the primary purpose underlying the establishment of this institution is to provide a supplementary source of development capital for countries whose balance of payment prospects would not justify their incurring or continuing to incur external debt on conventional terms. Consequently in each of the credits so far made by the IDA the credits are repayable over a longer period and with considerably lower rate of interest as compared to the World Bank Funds. The rate of commitments of IDA funds is accelerating and it appears that the entire $757 million of freely convertible resources available to this institution designed to cover its first five years of operation might well be committed by mid-1963. The annual report, therefore, records that steps have been taken to place the question of replenishment of IDA sources on the agenda of the annual meeting of its Board of Governors.

The report outlines that agricultural improvement received largest amount of IDA finance in 1961-62 — to the extent of $66 million. The development credits were principally for irrigation and drainage in farming areas in India and Pakistan where greater agricultural output is vitally needed to keep pace with growing population. Second in importance were the credits given for transportation. In most of the cases these were also of direct benefit to agriculture by opening up of new areas for farming and providing efficient farm-to-market roads. Another important credit made was for electrical power ($18.5 million), which was for India. Credits were also given to finance municipal water supply system and only one credit was given for industry, which went to assist the China Development Corporation.

Of the six credits that India received, four were for irrigation. Uttar Pradesh received $6 million which will assist in financing the drilling and equipping of 800 tubewells for the irrigation of 320,000 acres of land in Uttar Pradesh. The wells will be built and operated by the State's Irrigation Department and this project will naturally improve agricultural output substantially. The second important credit was for Salandi project, which will irrigate about 225,000 acres in the State of Orissa. The area is now under dry farming and produces only one crop a year. The crop failures in the area are frequent and with proper irrigation double cropping would be possible on almost 40 per cent of the land which naturally would lead to higher yield. The third project to get the credit is Shetrunji project which will receive $4.5 million. This credit will help to finance completion of Shetranji Project for the irrigation of 86,000 acres in an arid, but fertile, area of Gujarat. Work has already started on the project and it will involve the building of about 94 miles of main and distribution canal, houses, workshops, buildings and service roads. The State of Gujarat is going to provide technical sources to farmers to bring about prompt utilisation of the available water.

The fourth credit is to finance Punjab project for irrigation and drainage. The high water table has aggravated the problem of flooding which occurs in areas when the monsoons are heavy. The State is now constructing a system of adequate service drainage and building embankments to keep rivers in their channels. The project includes the construction of 17 miles of such embankments, the enlargement of 300 miles of existing drains and excavation of 2,000 miles of new drains. The fifth credit is for Sone Project being carried out by the State of Bihar to improve and expand the Sone irrigation system making possible the irrigation of about one million crop acres annually. The new diversion barage is to be built on the Sone river, a tributary of the Ganges, and the canal system now comprising about 427 miles of canals on one side of the river and 1,235 miles on the other, is being remodeled and extended. The last credit of the year was for Damodar Valley Project to assist in financing an expansion of the electrical power system of the DVC. The IDA credit will help to finance the addition of 140,000 kilowatts generating unit at the existing 165,000 kilowatts Durgapur Power Station and the expansion of transmission facilities.

Industrial Finance

IFC'S NEW LOAN

THE INDUSTRIAL FINANCE CORPORATION of India is floating a Rs. 6 crores loan on September 28. This will be the fifth loan that this Corporation is going in for during its short tenure of less than a decade and a half. The new series of bonds which the IFC is issuing with the approval of the Central Government and the Reserve Bank of India, will have a maturity period of 12 years and will carry interest at the rate of 4½ per cent per annum. The issue price will be Rs. 99.50 for Rs. 100 bonds, thus giving a running yield of 4.54 per cent per annum. The list closes on October 5, or earlier as soon as the issue is fully subscribed. Since these bonds are eligible securities for the purposes of advances to scheduled banks by the Reserve Bank under Section 17 (4)(a) of the Reserve Bank of India Act, and are included in the list of approved securities of the State Bank of India, they should prove an attractive avenue of investment for institutional investors like the Life Insurance Corporation, Provident Fund Accounts, Scheduled Banks etc., as also the general public. Arrangements are being made by the Corporation for getting these bonds listed with the Bombay, Calcutta, and Madras stock exchanges to ensure their easy marketability.

This new issue by the I.F.C. is obviously an indication of its growng activities. During the 14 years of its existence, the Corporation has sanctioned loans to the industry to the tune of Rs 130 crores and disbursed loans to the extent of Rs. 69 crores on the security of fixed assets stated to be valued at much more than twice this amount. The Corporation has also been approving underwriting proposals for the issue of shares and debentures; it has done so to the extent of Rs. 5 crores. Besides, it has agreed to guarantee deferred payments to foreign machinery suppliers to the tune of nearly Rs. 26 crores. The working results of Corporation during the last five years have been very satisfactory. During this period, it has not only paid the dividends out of its own profits, but, has also repaid the subvention received by it from the Government in its early years of operations, to the extent of nearly 66 per cent. The remaining about 34 per cent of the subvention amounting to Rs. 18 lakhs, it proposes to pay out of its profits during the year ending June 30, 1962. The Reserve Fund of the Corporation now stands at over Rs. 2.3 crores.

Electricity

TWO BOARDS TO FLOAT LOANS

TWO ELECTRICITY BOARDS—the Gujerat Electricity Board and the Madras State Electricity Board—have also decided to float loans, of the nominal value of Rs. 300 lakhs each, with a view to provide part of the finance required for their expansion programmes during the current Plan period. Both the loans carry interest at the rate of 4¾ per cent per annum. The Gujarat Electricity Board's loan is to be issued at par and has a maturity period of 12 years. The Madras State Electricity Board's loan is redeemable after 10 years and is to be issued at a discount of 25 nP per Rs. 100. The subscription list of the latter opens on September 24 and closes on September 29, or earlier as soon as the total subscriptions amount to the sum called for. Gujarat Board's list opens on October 3 and closes on October 6.

Both the loans are fully guaranteed by the respective State Governments in regard to the payment of interest and the repayment of principal. Both will be trustee securities under the Indian Trusts Act and approved securities for the purposes of the Insurance Act and the Banking Companies Act. They will also be eligible for the purposes of advances under the Reserve Bank of India Act.

During the current Plan period, the generating capacity of the installations owned by the Gujarat Electricity Board is proposed to be increased by about 3,00,000 KW, excluding the 1,50,000 KW to be obtained from the Tarapore nuclear power station. The total funds required by the Board for implementing this expansion programme is estimated at Rs. 47 crores. A major portion of this is to be advanced by the State Government and the balance is to be found by the Board from its own resources, including public loans.

The Third Plan allocation for power to be fed into the Madras grid — its present installation capacity of 5,60,000 KW is envisaged to be doubled — is Rs. 100 crores, nearly one-third of the total outlay of the State Plan. During the first year of the Plan, the Madras State Electricity Board spent Rs. 17.93 crores. The capital programme for the current year is of the order of Rs. 20 crores.

Co-operatives

LOAN TARGETS CROSSED

THE LATEST review of the co-operative movement in India, that for 1958-60—the ninth in the series to be released by the Reserve Bank of India—is notable for its disclosure that the village credit society became the base for the structure of the credit movement, as suggested by the National Development Council—a clear departure from the idea of the large-sized society as the base, as was enunciated by the Rural Credit Survey Committee. Of course, it also includes the customary assessment of the progress of the movement during the two-year period covered. The emphasis on small-sized societies, according to the Report, has resulted in revitalizing the existing small-sized societies, on the one hand, and checking the further formation of larger societies, on the other. Surely, no one will accept as yet that this is the last word on the subject, in view of the heat that this controversy generated at one time.

A noteworthy feature of the co-operative movement during the two years under review would appear to be the credit structure of the movement. The targets in respect of short-term and long-erm loans to agriculturists to be achieved at the end of the Second Five-Year Plan were fulfilled a year in advance, that is, in 1959-60 itself. Thus, as against the target of Rs. 150 crores to be reached in 1960-61 the short-term loans issued by agricultural credit societies during 1959-60 alone amounted to Rs. 154 crores; in the case of long-term loans, the outstanding loans of the Central Land Mortgage Banks were Rs. 28.05 crores in June, 1960, as against the target of Rs. 25 crores scheduled to be achieved in 1960-61. With regard to medium-term loans, however, the amount advanced during 1959-60 remained at only

Rs. 15 crores, as against the set target of Rs. 50 crores. The phenomenal increase in loan operations thus was due mainly to the liberal loans and advances from the Reserve Bank of India, as the Report claims. For, out of the total short and medium-term advances of the order of Rs. 169 crores, as much as Rs. 104 crores (or 65 per cent) were obtained from the Reserve Bank.

During the period under review, the number of primary agricultural credit societies (including grain banks) rose from 1.76 lakhs to 2.13 lakhs, thus registering an increase of 21 per cent. Their membership also showed an increase of 41 per cent from 10.2 millions to 14.4 millions. In the result, the population covered by all types of primary societies too rose to 30 per cent on June 30, 1960, from 27 per cent on June 30, 1958.

With the process of rationalisation of the Central Co-operative Banks attempted to be achieved by amalgamating the weak units with the stronger ones and strengthening their share capital base, the number of Central Co-operative Banks came down from 418 to 400 during the period under review. Their share capital, on the other hand, amounted to Rs. 31 crores, that is an increase of 80 per cent over the position as on June 30, 1958. The review points out that this was brought about by the steps taken effectively to link borrowings of societies with their shareholdings in Central Banks and also by substantial contributions by the State Governments to the share capital of co-operatives.

Kerala

SPEEDING UP INDUSTRIALISATION

AT THE first annual general meeting of the Kerala State Industrial Development Corporation Limited, Mr. K. R. K. Menon, Chairman, underlined that Kerala State be accorded a special treatment for the promotion and development of industries even if it be for a limited period. The special treatment is asked for the reason that there is lack of indigenous risk capital on the one hand and long-distance from the larger capital markets of the country on the other. A reasonable solution to Kerala's large-scale industrial development problem must therefore, necessarily be looked for, Mr. Menon feels, in the direction of positive intervention by the Central Government. Since an adequate number of applications for locating industries in Kerala has not been forthcoming, it becomes important to ensure that out of large number of licences granted throughout the country, an adequate number is diverted to Kerala till such time as this backward State attains a minimum level of industrialisation suited to the requirements of its large population. There is no doubt that a start has been made in this direction by the allocation made recently to Kerala of one lakh spindles out of the total spindles sanctioned by the Central Government for the country as a whole, this, however, needs to be followed up in many more fields.

Another important suggestion that Mr. Menon made at the annual general meeting relates to the appointment of a suitable Liaison Officer in New Delhi, who will, among other things function as a close and effective link between the Government of Kerala and the Central Government. The importance of appointing a Liaison Officer needs to be highlighted on the score that it would help to process things quickly. The need to have a reliable data relating to our industrial raw materials is also important as that would help the outside business men to assess things in their proper perspective.

So far as providing financial resources by the KIDC is concerned, Mr. Menon was hopeful that it would be possible to tap the general money market successfully. So there would not be any difficulty in raising additional funds.

Foreign Trade

TRADE WITH EAST EUROPEAN COUNTRIES

IN VIEW of the possibility of U.K. joining the European Common Market, the issue of bringing about a change in the direction of trade has again come to the lime-light. While FICCI formerly seemed to be hesitant to bring about an expansion of trade with the East European countries, it seems of late to be giving second thoughts on it. A review of the whole thing is likely to take place shortly. A certain section is of the opinion so lang as the increase in trade offsets the decline in trade with West European countries, it should be welcomed. The main objection in expanding trade with the Eastern European countries has been because of the fact that our traditional exports are being re-exported. It is now encouraging to learn that steps are being taken to offset this tendency. The latest analysis has revealed that the volume of re-exports to West European markets is very little and should be ignored. Now the customs does not give clearance to the goods meant for the Eastern European area unless the destination is clearly mentioned. This has been done because goods sometimes were exported without any specified destination and later diverted from ports like Aden to West European countries. To tighten the measures Indian missions abroad have also been asked to keep a check on the goods imported by East European countries to see that these are not diverted to Western Europe. The State Trading Corporation has advised all firms dealing with East European area to include in their contracts the specific terms that the goods covered under the contract are not re-exportable.

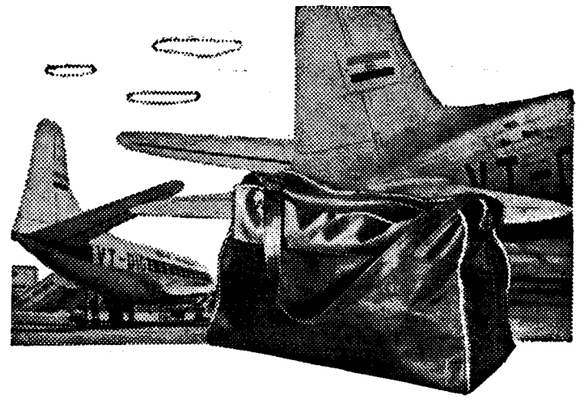
A factor to bear in mind is that traditional goods exported to the East European countries are very nominal. It may for instance be noted that in the case of tea while total exports amounted to 430 million lbs., Exports to East Europe amounted only to 60 million lbs. So far as jute goods are concerned exports to these countries amounted to only 13 per cent of our total exports, iron ore only 30 per cent, cashew kernel 12 per cent, coffee 30 per cent, mica 10 per cent, tobacco 15 per cent, raw wool 25 per cent and vegetable oils 14 per cent. So this should offset the fear that the traditional trade might only get diverted without any real expansion. The heartening factor in the latest developments is that there has been a gradual increase in the export of non-traditional items. The East European countries are also now aware that India is interested in exporting non-traditional goods to their area.

The total trade between India and East European area was to the tune of Rs. 65 crores in 1958. It jumped to Rs. 130 crores in 1961 and this year's total is expected to touch Rs. 160 crores. The State Trading Corporation has plans to increase the trade target with East European countries to Rs. 200 crores by the end of the Third Five-Year Plan. While the expansion in trade with East European countries is to be welcomed, it needs to be recorded that the expansion with East Europe can be beneficial only if the imports contemplated are predominantly of capital goods or essential raw materials with quality and price comparing favourably with goods available from other areas.

Camphor

MANUFACTURE OF SYNTHETIC CAMPHOR

AT THE first annual general meeting of Camphor and Allied Products Ltd., Mr. N. K. Petigara, revealed that the camphor plant would probably go into production



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either in April or May, 1963. Originally, the date fixed was December 1962, but the delay, Mr. Petigara explained, was brought in on account of the delay in the purchase of land and also due to the delay in getting the letter of credit from the World Bank. So far as shifting of the factory to Uttar Pradesh from Udhana near Bombay was concerned, Mr. Petigara explained that the decision had to be taken in favour of Uttar Pradesh because of the consideration of the availability of raw materials which were adequate in the State.

The construction of buildings for the various factory units is proceeding at a satisfactory rate. The power requirement not only for the camphor plant but also for future expansion, rising in stages upto 2,000 KVA has been sanctioned by the authorities and will be drawn from Harduaganj Extension Hydel Scheme. It was also revealed that two tubewells were being sunk and pump and auxiliary equipment were being installed to ensure water supply for the entire project. Arrangements were being made for the construction of suitable sidings between the metre gauge and broad gauge railway tracks adjoining the plant-site to facilitate the receipt of plant equipment, raw materials and the despatch of financial goods.

The plant is expected to produce about 500 to 600 tons of synthetic camphor while annual demand for the camphor in India is about 1,000 tons. At present imports through the STC are to the extent of approximately 300 tons. On the completion of the project Camphor and Allied Products Ltd. would not only be a pioneer in the large scale manufacture of synthetic camphor in the country but would also be an organisation well equipped to exploit gainfully various intermediates and bye-products.

Stainless Steel

FIRST PROJECT APPROVED

WITH THE demand for stainless steel continuously rising in the country, it is something heartening to learn that a new public limited company under the management of Messrs. Lallubhai Amichand Private Limited, with an authorised capital of Rs. 5 crores has been promoted for the first time in the country to manufacture stainless steel sheets for industrial and commercial uses. An industrial licence for the first phase of the proposed project has already been issued. The proposed plant, to be located at Vatva near Ahmedabad in Gujarat, will have capacity progressively rising from 15,000 tons to 20,000 tons per annum in stages, thereby effecting considerable saving in foreign exchange. The sheets will be manufactured according to international standard specifications. The manufacturing programme will be undertaken with foreign technical collaboration in production method. Raw materials like steel ingots, low carbon steel ingots, process rejects and ferro-chrome are all available in the country except nickel which is imported. Since most of the raw materials are obtained locally, the price of the product will be slightly lower than prevailing international rates.

The demand for stainless steel is expected to be 50,000 tons by 1965 and 68,000 tons by 1970. At present, the entire requirement is imported and the present import figures are a mere 4,000 tons. Stainless steel sheets are, therefore, scarce and attempts to manufacture them locally must attract wide support.

Rubber

THE PROBLEM OF REPLANTING

THE PLANTING COMMITTEE of the Rubber Board decided recently to recommend to the Government of India to issue new planting licenses only to holdings using high-yielding planting seedlings. This decision was necessitated as a measure to meet the criticism of the Estimates Committee of the Lok Sabha. The Planting Committee has decided to discourage rubber plantations situated 1500 feet above sea level as plants at this allevation are more vulnerable to disease and as such uneconomical. These decisions are likely to be enforced from 1963. The rubber industry as such is facing the crisis of production. During the last decade countries producing raw rubber have recorded spectacular increases in the yield but in comparison improvement in India has been quite meagre. During the 10 years—1950-60—the area under raw rubber increased from 149,600 acres to 173,600 acres and output increased from 17,148 to 24,795 tons. This represented an increase in the average from 263 lbs. an acre to 320 lbs. an acre. As indicated earlier, yield improvements in other rubber producing countries have been much more. It may be pointed out that the Government of India was not mindful of this fact until 1957 when a proper scheme for the replanting of old areas was evolved. It was provided that 70,000 acres of plantation would be replanted in 10 years and for that a subsidy from Rs. 250 to Rs. 400 per acre was provided. It was observed in 1960 that the progress was not satisfactory and in that year the rate of subsidy was raised to Rs. 1,000 per acre. Now it is estimated that during the next few years—by 1965—the replanted area would be more than 50,000 acres.

One very significant problem of replanting is that large portion of the rubber estates have been planted with ordinary seedlings instead of higher yielding special seedlings. Taking this into consideration the Tariff Commission recommended in 1960 that no licence should be given in future for the planting of rubber with ordinary seedlings and the same was the view held by the Estimates Committee. This decision has to be welcomed. This naturally will lead to higher productivity in the rubber estates. It is only through higher productivity that natural rubber will ultimately be able to compete in terms of prices with synthetic rubber which soon will be produced in the country in large quantities. Unless the quality of output through higher yielding special seedlings is improved, the returns of rubber estates cannot be sufficiently competitive.

CENTRAL REVENUE COLLECTIONS IN JULY

THE REVENUE realised from items on which duties are levied and collected by the Central Government in the first four months of the financial year 1962-63 amounted to Rs. 305.63 crores. Of this, Rs. 75.42 crores were collected during July last. The corresponding figures for the first four months of the financial year 1961-62 and for the month of July, 1961, were Rs. 269.48 crores and Rs. 67.24 crores, respectively.

The following are the details of the revenue realised under various heads :

(In Rs. lakhs)

Revenue Head	July		April to July	
	1962	1961	1962-63	1961-62
1. Customs	17,69	15,52	76,60	61,24
2. Union Excise Duties excluding cesses on Salt, Coal & Iron Ore	46,35	38,50	177,60	152,10
3. Corporation Tax ..	2,75	3,76	21,64	23,56
4. Income Tax	7,91	8,36	26,84	29,09
5. Estate Duty	36	28	82	81
6. Taxes on Wealth ..	23	23	79	82
7. Expenditure Tax ..	1	3	2	8
8. Gift Tax	3	3	14	14
9. Opium	9	53	1,18	1,64
TOTAL	**75,42**	**67,24**	**305,63**	**269,48**

FROM THE CAPITAL'S CORRIDORS

PRICE POLICY

THE difference of opinion between the Union Minister for Economic Co-ordination, Mr. T. T. Krishnamachari, and some of his colleagues in the Union Cabinet on the genesis of the price problem of India threatens to erupt into a full-fledged showdown in another few days, soon after Prime Minister Nehru returns to the capital from his tour abroad. The Union Cabinet which considered the price policy for the Third Plan period at its meeting about a fortnight ago, according a knowledgeable sources, preferred to follow a line of drift on the assertions made by some Ministers concerned with economic matters to the effect that there had been no abnormal rise in the prices of commodities and that some rise in prices was inescapable in a developing economy. Mr. T. T. Krishnamachari is understood to be not subscribing to this view and is reported to have submitted his thesis on this problem to the Prime Minister some time ago. The matter, according to the indications available, would be thrashed out on Prime Minister's return to New Delhi.

Meanwhile, a preliminary statement on the price policy to be followed by the Government was issued last week. It stated:

"The Government have recently considered a preliminary report from the Planning Commission on the subject of price policy. It has been decided that larger quantities of wheat should be released from stocks for fair-price shops so as to bring about a decline in prices to about the level of last year in areas in which there has been a tendency for prices to rise. Action along these lines is being taken by the Ministry of Food and Agriculture. It has also been decided that releases of sugar should be so arranged as to maintain prices at the level of the control prices prior to decontrol and, if possible, a little below this level. With this object, the Ministry of Food and Agriculture have made a special release for areas in which there have been indications of rise in sugar prices. The Ministry are also arranging for releases from stocks on a larger scale to cover the requirements of the next two or three months, during which consumption is likely to rise on account of the Diwali and Puja holidays.

"With a view to working out detailed proposals in respect of rice, millets and oilseeds and of industrial commodities which enter into common consumption, the Planning Commission is constituting two separate study groups including representatives from the Ministries of Food and Agriculture, Commerce and Industry, Finance, Community Development and Co-operation, Labour and Employment and Railways. One study group will consider the prices of food and agricultural products and the second those of other essential consumer goods such as cloth, salt, soap etc. Both groups are expected to submit their first reports early in October.

"Since there has been a marked rise in the prices of fruits, vegetables, eggs and milk, the Ministry of Food and Agriculture are working out proposals for intensifying the present production efforts in respect of these commodities, particularly in the neighbourhood of large towns. The Ministry are also preparing special projects for securing a substantial increase in fish production.

"In implementing various measures, co-operative and other consumer stores have an important part to play, specially in urban areas. The Department of Co-operation has been asked to work out the necessary proposals. It is also proposed that consumer stores should be set up for the benefit of their employees by organisations such as public and private industrial enterprises, representative associations and Departments, Corporations and other offices. Among other measures for maintaining prices of essential commodities at reasonable levels are the display of prices by all dealers, widespread publicity, association of local consumer organisations and steps to harness public support, including voluntary organisations, municipal bodies, Panchayats and Panchayat Samities.

"Government are attaching the utmost importance to measures for ensuring stable and reasonable prices for all commodities which enter into general consumption. In seeking this objective, it is an essential aspect of Government's price policy that the agricultural producer must be assured a reasonable return and his interests fully protected. For the success of any policies that may be adopted, it is important that hoarding, profiteering and speculation should be dealt with as antisocial activities and that the distribution machinery, both wholesale and retail, should be enabled to function in the best interest of the community. For securing the objectives of price policy and active support and participation of trade, industry and labour, of consumer associations and voluntary organisations throughout the country, and of the Press are vital and necessary conditions. Government, therefore, seek their fullest co-operation in working out the details of proposals and solving the practical problems involved and in implementing the measures which are decided upon."

Following this statement, the monthly release of sugar has been stepped up by the Union Ministry of Food and Agriculture from 2.25 lakh tons to 2.50 lakh tons. Greater supplies are also stated to have been effected in the last few days of imported wheat to the fair-price shops. The two working groups mentioned in the above statement have also been constituted and they are understood to be engaged in their fields of study.

RESOLVING FOREIGN EXCHANGE CRISIS

With export trade not picking up to any appreciable degree and the foreign exchange reserves of the country continuing at a critical level, some hard thinking is understood to be going on in the Union Ministry of Commerce and Industry for import substitution and devising of measures to step up exports to the extent possible.

The Union Ministry of Heavy Industries last week had a meeting with the representatives of the automobile industry at which the stepping up of the indigenous component in automobile manufacture came under discussion. The automobile industry is stated to have assured the Govednment that the industry would endeavour to step up the indigenous content in its products to 90 per cent of the components by 1963-64. The automobile manufacturing units, it is learnt, mould be shortly applying for the import of capital goods with a view to undertake the manufacture of various components hitherto imported.

Another important meeting in this connection was held by the Union Ministry of Heavy Industries with the representatives of ancilliary industry to work out details for standardisation of components. Similar talks were held with the cement plant manufacturers. According to the present thinking in the Planning Commission, an analysis of heavy plants into their various components is favoured with a view to standardise



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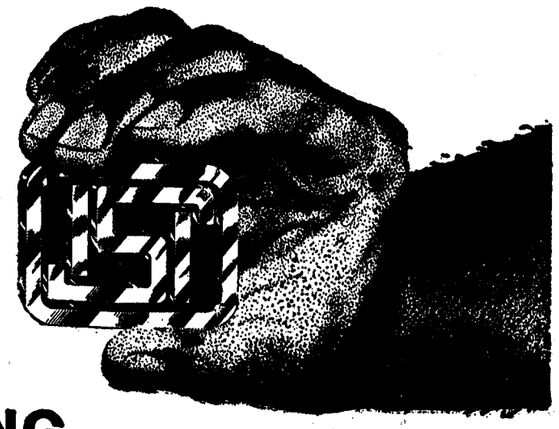
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them. This, it is claimed, would help in mobilising the general engineering capacity in the country to a greater extent. This school of thought does not favour specialisation, that is one unit manufacturing only say sugar plants and another one only cement plants.

In regard to the manufacture of cement plants, it is pointed out that foreign exchange at the flat rate of Rs. 8 lakhs per unit would no longer be allocated "as a matter of course". Allocations of foreign exchange for the manufacture of these plants, as also for the machinery and equipment to be manufactured for various other industries, is envisaged to be progressively reduced.

With a view to step up export earnings, opinion seems to be veering around the fact that to compensate for the shortfall in exports to Western Europe, more and more diversification of trade to the Communist bloc may have to be resorted to. The State Trading Corporation is understood to be negotiating with the Czechoslovak Government opening of an office in Prague which would look after its trade interests in the eastern bloc.

OIL MATTERS

The Nunmati Refinery is understood to have again run into difficulties. Refining of crude here, it is learnt, came to a standstill a few days ago. But this time the difficulties of the refinery have nothing to do with any operational defect in it or crude supplies. In fact, the refinery stopped entertaining crude supplies from Oil India's Nahorkatiya oilfields nearly three weeks ago. Knowledgeable circles reveal that the current difficulties of the refinery are attributable to lack of moving the end-products due to railways not being in a position to supply adequate number of tank-wagons. This has led to piling up of stocks in the refinery storage and until and unless these stocks are moved from there and the storage capacity released, the refinery will not be able to pick up production to its normal level.

The cost of laying the second stage of Oil India's crude pipeline, connecting Nunmati with Barauni, it is learnt, is likely to go up as a result of quite a number of bursts having been located during the hydraulic tests on the sections of the pipeline where pipes supplied by Hindustan Steel Limited were made use of. All the operations, excepting a few discontinuities, on this section of the pipeline are stated to have been completed. Out of the 66 river crossings, as many as 59 have already been finished. In regard to the remaining seven, work is stated to be progressing satisfactorily. Four out of the five pumping stations are stated to be in operational readiness. The mechanical and electrical installations in regard to the fifth one are at an advanced stage. The work of laying the pipeline across the Brahmputra over the rail-bridge is also stated to be at an advanced stage of execution. As many as 124 roller hangers, out of a total of 170 required to take the pipeline across the Brahmputra bridge, have already been fixed. The hydraulic testing of the completed sections of the pipeline is in progress and the project is expected to be completed by the end of February, 1963, unless the number of leaks discovered during hydraulic testing does not go up abnormally. The present rate of discovery of leaks in the pipes is, however, considered to be rather on the high side.

The drilling operations of Oil India in its Naharkatiya-Moran oilfields are stated to be going on well. Upto August-end, 135 wells had been drilled. Out of these, 102 wells were established as commercial producers of oil and gas, 17 wells remained to be tested and only 16 had proved dry. The deliveries of crude to the Nunmati Refinery through the pipeline since May 31, 1962, when the refinery started receiving regular supplies of crude oil through the pipeline, totalled 77,385 tonnes, which gives an average off-take by the refining of 1,450 tonnes of crude a day. Deliveries of crude in August amounted to 26,546 tonnes.

The Board of Directors of Oil India held its 35th meeting at Shillong for the first time where the progress of its drilling and pipe laying operations was reviewed.

NAPHTHA CRACKER UNIT

The Government of India, it is understood, has approved the proposal of ESSO Standard to set up a 2,00,000 tons naphtha cracker unit near its refinery at Trombay, provided it goes into partnership with Union Carbide or the Mafatlal Group of Industries. The Government is stated to be now awaiting ESSO Standard's reactions to this partnership proposal.

ESSO authorities, it is learnt, however, have received no official intimation in this regard so far and as such consider that the question of giving their reactions to the proposal does not arise.

ESSO Standard, then the Standard-Vacuum Oil Company, had applied some two years ago for the grant of a licence to set up a naptha cracker unit of 1,00,000 tons capacity. But after about three or four months' time it submitted a fresh application for the grant of a licence for a 2,00,000 tons units. The increased capacity was asked for by the company for it considered, after taking into consideration the marketability of its products, that the 1,00,000 tons capacity unit would not be an economic proposition. Recently, the Union Government got the requirements of lubricating oils — the end-products of the naphtha cracker unit — in the region where supplies by ESSO Standard were to be effected, estimated by a French oil expert who opined that the anticipated requirements warranted the setting up of a 2,00,000 tons capacity unit. The Government's proposal to ESSO Standard to go into partnership with Union Carbide has its genesis in the fact that Union Carbide holds a licence to set up a 60,000 tons capacity naphtha cracker unit. Details about the proposed partnership with the Mafatlal Group are not yet known.

THE COAL STORY

The triumph of ideology over planning in the case of oil industry was reported in these columns a few days ago. Something similar is happening in the coal industry. It may be recalled that in March 1960, the National Coal Development Corporation had asked for assistance from the French Government to help it with the problem of deeply inclined seams so as to maximise their output during the Third Plan. In July 1960, a top-level French expert, Mr. Signard visited India and submitted his report which outlined that (1) obsolete methods left unexploited greater part of the coal, so that output per man was 1/5th of output in France; (2) mining policy was bureaucratic, overcautious, often guided by rule of thumb and above all as unrealistic; and (3) wage-policy gave no incentive to productivity.

In August 1961, a mission of two French mining engineers, specialists in "depillaring", "stoving" and "sub level caving" visited India. One of their findings was that for Burkunda mine (Karampura basin) the best method was sub-level caving, to be first demonstrated by a large-scale trial carried out by a French team composed of 1 engineer, 3 foremen and 18 skilled workers.

In March 1962, the Ministry of Mines and Fuel and the National Coal Development Corporation are believed to have accepted these recommendations. Consequently, on March 27, 1962, the French Embassy proposed a joint programme, along the following lines: (a) foreign exchange cost to be covered by the French Government, ex-

cept for equipment left over after use by French teams, (b) cost in rupees to be borne by National Coal Development Corporation, allowance and accommodations being provided for engineers, foremen and workers from France; (c) cost of equipment to be paid by National Coal Development Corporation, except for depreciation during use by French teams; due to quick rate of depreciation chosen (2½ years), half of the cost remains with the French. In all this the cost to the French side would have been roughly 4 to 5 lakhs. This was followed by a three-week visit to France of the Chief Inspector of Mines and Mr. Chari to show them actual working of sub-level caving, in similar conditions.

Now it has been indicated that the Chief Inspector of Mines, in his reports, is believed to have refused everything connected with sub-level caving in deeply inclined seams on the ground that the method was too complicated for Indians to operate safely. He has recommended sand stowing, even if sand were not available closeby. As matters stand now, a new expert mission with sand stowing in view may be necessary. It may be added, in this connection that the Charbonnages de France, which is the operator of all coal mines in France and a state-owned undertaking, had pledged its full support to the programme and had committed its success, provided its basic recommendations were followed up.

FERTILIZER MANUFACTURE

The Union Government has approved the collaboration agreement between Andhra Sugar Limited and Allied Chemical Corporation of the U.S.A. for setting up a fertilizer plant at Kothagudum, in Andhra Pradesh. The project will cost Rs. 16 crores, including Rs. 9.5 crores in foreign exchange. Allied Chemicals will be allotted 40 per cent share in the equity capital, 30 per cent will go to Andhra Sugar Limited and its nominees, and the remaining 30 per cent is to offered to the public for subscription.

Allied Chemicals will invest Rs. 2 crores. A World Bank Mission is expected to visit the site by the end of September or early in October in order to appraise the soundness of the project. This study is to be made by the World Bank for an approach has been made to it to provide a loan to finance the gap in the foreign exchange requirements.

If all goes well, production at this factory is expected to start by 1964.

ANOTHER IDA LOAN

The International Development Association (IDA), an affiliate of the World Bank, has extended to India another development credit equivalent to $42 million (Rs. 19.99 crores. The funds will be utilized by the Posts and Telegraphs Department for the purchase abroad, during the next two years, of the equipment to expand and improve telephone and telegraph services.

The allocation for investment in telecommunications during the Third Five-Year Plan has been set at Rs. 134.5 crores. Of this, about $100 million (Rs. 47.6 crores) will be in foreign exchange. The programme will be carried out by the Telecommunication Branch of the Posts and Telegraphs Department. The Branch has substantial earnings. In addition to covering its own operating expenses and depreciation charges, it expects to provide from its own funds the equivalent of $120 million (Rs. 57.12 crores) towards the expansion programme. The remaining funds required, including the proceeds of the $42 million IDA credit, will be made available by the Central Government in accordance with the normal practice as a permanent investment on which the Posts and Telegraphs will pay the Central Exchequer an annual charge of 4½ per cent.

JAPANESE COMPETITION TO AIR-INDIA

Air-India will shortly have another competitor on its Toyko-London route. According to Japanese sources, the Japan Airlines is planning to open on October 4, its Tokyo-London service via Hongkong, Bangkok, Calcutta, Karachi, Kuwait, Cairo, Rome and Frankfurt. In London, the new service will connect Japan Airlines' other Tokyo-London service via North Pole. B.O.A.C. has pooling arrangements with Air-India. With the exception of the Belgian Airline, Sabena, all the international air carriers operate through India. Thanks to the Ministry of Finance, the revenue of Air-India has been seriously affected by the recent curbs on foreign travel. A much more effective weapon to impress the world, knowledgeable circles opine, would have been to ban participation in International Conferences, pending the foreign exchange crisis. This would have saved much more foreign exchange than the ban on foreign travel would.

IMPORT POLICY OF GOA

The import policy in respect of three former Portuguese enclaves on Indian soil—Goa, Daman and Diu—for the period commencing from October 1, 1962, is understood to be under active consideration of the Government. During January - March, 1962, imports into Goa were limited to ⅛th of the imports effected through the Marmagao port during the calendar year 1961. For the six months period to September-end, the policy was revised keeping in view the necessity of bringing the pattern of import trade of Goa in line with that of the rest of the country, but, at the same time, not upsetting the arrangements in regard to certain items of special economic significance to the former Portuguese enclaves so as to allow the established traders there to adjust themselves to the changed conditions. According to this policy, imports into Goa were divided into three categories. Imports of 102 items were banned, imports of 21 items were allowed liberally for actual users and the import of another 23 items was restricted to 10 per cent quota of the imports in 1961.

The following is the list of the items allowed to be imported into Goa on the quota basis by established importers:

(1) Milk (powdered and condensed); (2) Butter; (3) Cutlery, excepting safety razors and blades; (4) Fishing nets and yarn; (5) Perfumery, lotions, powders etc. (toilet); (6) Spices; (7) Watches, and time-pieces (below Rs. 100); (8) Celluloid and gelatine material; (9) Meat (tinned); (10) Whisky; (11) Cognac (Brandy); (12) Wines (common red); (13) Wines (common white); (14) Wines, foaming like Champagne; (15) Wines (port); (16) Liquors; (17) Paper (printing); (18) Paper (wrapping); (19) Textiles such as twill and satein Italians, super mulls, umbrella cloth, fine lawns and muslins, organdies, poplins, fashion prints, namely, prints with permanent synthetic resin finishes designed to give properties like crease resistance, abrasion resistance, permanent glaze voils, lappets, satin drills and jeens, satin drills; (20) Cheese (tins and balls); (21) Foodstuffs (sundry); (22) Tinned foodstuff; and (23) Paper and cigarettes.

TEXTILE EXPORTS TO USSR

The details of the recently announced deal regarding export of 1.8 million metres of printed cotton textiles, valued at Rs. 25 lakhs, are understood to be under discussions with the buying organisation of the Soviet

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Union. The USSR is stated to be interested in placing another order for approximately 7 lakh metres of bleached sheeting, valued at approximately Rs. 10 lakhs, with this country. This new order, it is learnt, is under negotiation at present.

JAYANTI SHIPPING

According to a London report, Court Line is negotiating to sell to the Jayanti Shipping Company half of its fleet. Finalisation of this deal rests on the Government of India's approval which is being sought.

TEA PLANTING RULES

In the context of the production target of 900 million lbs. for the end of the Third Plan period for the tea industry, the Tea Planting Rules, governing grant of permission for extension of tea cultivation, are to be further liberalised so as to bring about an increase in production of tea. The provision under the Rules as obtaining today and as proposed to be amended is as follows:

Permissible acreage of estates at the commencement of each five year period.	Present ceiling for extensions.	Proposed ceiling for extensions.
Upto 10 hectares	40% of the area	10 hectares.
Above 10 but not exceeding 60 hectares	40% of the area	100 per cent.
Above 60 but not exceeding 200 hectares	25% upto 120 hectares 15% of the area above 120 but not exceeding 200 hectares.	60 hectares
Above 200 hectares	15 per cent	30% of the permissible.

CENTRAL SHEEP AND WOOL RESEARCH INSTITUTE

Two Australian experts are arriving in India shortly to help establish the Central Sheep and Wool Research Institute at Malpura, near Jaipur, in Rajasthan, it is learnt here. One is an expert in sheep husbandry and the other in shearing and grading of wool. Their services have been secured by the Government of India under the Colombo Plan. Later, some experts will also be supplied by the U.N. Special Fund, which has agreed to meet a part of the expenditure on the Institute by providing equipment and technical personnel.

The Institute will have two sub-stations, one in Kulu Valley in Punjab and the other near Kodaikanal in Madras State. The total outlay on the project is estimated at about Rs. 75 lakhs during the Third Plan period.

These research institutions will, among other things, help develop improved sheep breeding and sheep husbandry techniques. Trials in acclimatisation of imported breeds and supply of high-grade rams for breeding purposes will also be one of their main functions. Besides, they will undertake special studies on wool technology in relation to sheep production and on basic aspects of sheep health.

IN BRIEF....

According to an Import Trade Control public notice issued here, applications for import licences under the Export Promotion Scheme will be entertained even during the month in which the exports are effected and payments received, provided the necessary documents regarding the export of goods and earnings of foreign exchange are produced by the applicants. Hitherto, the applications for import licences under this scheme were being entertained on quarterly on monthly basis.

•

The Indian delegation to the seventh session of the Metal Trade Committee of the ILO, currently being held in Geneva, is being led by Mr. S. W. Zaman, Economic Counsellor in the Indian Consulate-General in Geneva. The other members of the delegation are Mr. Madhu Sudan S. Cashish, of Jagadhari Metal Mazdoor Sabha, Mr. Trilochan Karmarkar, of Tata Workers' Union (Workers' Representatives), Mr. D. P. Mukherjee, of Philips India Ltd., and Mr. Brij Krishna Gupta, of Victor Cable Corporation (Employers' Representatives). "Acceleration of technological progress and its influence on the effective utilisation of manpower and the improvement of workers' income" and "the working conditions and safety in ship building and ship repairing" are among the items to be discussed at this meeting.

•

Applications from established importers, who have imported exposed cinematograph films in the basic period up to and including 1956-57, for importing from Pakistan exposed films (in Indian and Pakistani languages) during the current financial year will be considered on an ad hoc basis by the Deputy Chief Controller of Imports (CLA), New Delhi. Import of such films will be permitted only on the basis of outright sale and subject to the condition that payment for imports will be made in non-convertible Indian rupees through Account "A" maintained by the National Bank of Pakistan with the State Bank of India as provided for in Protocol No. I to the Trade Agreement between the Government of India and Pakistan signed on March 21, 1960.

•

The National Coal Development Corporation recently signed a contract with Messrs. Tjazhpromexport, Soviet Trade Organisation, for the supply of equipment for the Central Workshop to be set up at Korba, in Madhya Pradesh. The supplies are to be financed out of the first credit of 500 million roubles made available by the Soviet Union to the Government of India in November, 1957. In addition to equipment, the U.S.S.R. will depute two specialists in mechanical and electrical engineering each to assist in the erection and commissioning of the workshop.

•

The Government of India has decided to purchase the Alnavar-Dandeli metre gauge railway line, (length 19.12 miles) from the Mysore Government. This line is already being worked by the Southern Railways. The purchase deal will be effected on October 1, 1962.

•

The All-India Handicrafts Board is convening a marketing conference here from September 20 to 22, 1962, which will be attended by the Marketing Officers from States and representatives of various emporia all over the country. The conference is being convened with a view to analyse and study the raw materials and the marketing problems of handicrafts in India and to take suitable steps to promote and increase the sales of handicrafts.

NEWS IN BRIEF

INDIA

General Tyres Ltd., Calcutta, is setting up a tyre manufacturing factory near Calcutta, with Czech co-operation. The factory is expected to go into production this December and will provide employment to about 1,000 persons.

*

The National Coal Development Corporation will build its second Central Workshop at Korba, Madhya Pradesh, with Soviet financial and technical collaboration. The workshops will be equipped to manufacture spare parts, carry out major repairs to mining machinery, and construct steel structurals for mining projects. The project is expected to cost about Rs. 2 crores.

*

The Indian Council of Agricultural Research will hold an All-India Banana Show in Calcutta on September 29 and 30, 1962.

*

Vummidiars (Mfrs.) Private Ltd., Madras, has been granted a licence to set up a factory to produce 7,000 tons of stainless steel per annum at an estimated cost of Rs. 5 crores. The machinery will be imported from Japan under the Yen Credit Agreement. Arrangements are being made for technical co-operation with two British firms.

*

Plans are afoot to set up stock exchanges in Bangalore and Patna.

*

The Union Government intends to double the railway lines between Calcutta and Madras during the Fourth Plan period in an effort to solve the chronic transport difficulties on this system. This project would involve the construction of additional bridges and rail lines.

*

The Union Minister for Food and Agriculture, Mr. S. K. Patil, laid the foundation stone of the Vizhinjam fishing harbour, near Trivandrum, Kerala State, on September 12. This Rs. 4 crore project is expected to be completed within five years, and would contribute substantially to the fish output of the State.

*

The State Trading Corporation has concluded arrangements for the export of 1,80,000 metres of woollen textiles to the Soviet Union and Hungary this year.

*

Preliminary work on the Rs. 200 crore Beas Dam project is expected to be started shortly.

*

Meters and Instruments Private Ltd., has obtained a licence to manufacture 48,000 polyphase meters and 18,000 current transformers per annum in its factory at Chandigarh.

*

The Federation of Insurance Institutes plans to establish a training college in Bombay for General Insurance executives.

*

The World Trade Department of the Indian Chamber of Commerce is organising a Foreign Trade Seminar at Calcutta in October 1962.

FOREIGN

The International Development Association has provided a credit of $3 million to Nicaragua to finance the expansion and improvement of the water supply system in the capital city of Managua.

*

The Government of Cyprus and the International Monetary Fund have agreed to establish an initial par value for the Cyprus pound at 0.357143 Cyprus pound per US dollar.

*

The plastics division of the ICI has developed a new type of glass-filled nylon, coded "Maranyl A 190", which is claimed to be suitable for the replacement of metal parts and has mechanical and thermal properties much superior to those of existing nylons.

*

The Singapore Government is floating a $ M60 million loan to finance its 4-Year Development Plan projects.

*

A Soviet IL-18 airliner has begun the first weekly service on the new international line Moscow-Belgrade-Rabat-Conakry-Accra.

*

The Japanese Economic Planning Agency's report claims that the Japanese economy is growing at a nominal growth rate of 18.9 per cent, and in real terms at about 13 per cent.

*

The Egyptian Five-Year Plan Organisation has signed a contract with a British firm for the supply of a worsted combing mill valued at £1 million.

*

A Unesco-sponsored conference on the development of public libraries in Africa will be held in Enugu, capital of Eastern Nigeria, from September 10 to 22.

*

The first off-shore oil test of the Kuwait Oil Company was recently started at a location in Kuwait Bay, half a mile north of Kuwait City.

*

The "flying bike"—the pedal aircraft built by a group of de Havilland employees will shortly attempt a mile-long experimental flight.

*

The United Nations Economic Commission for Africa has decided to undertake a thorough study of African trade, in the light of the perspectives of the European Common Market.

*

The 20 million dollar mile-long high level bridge over the Panama canal on the authorised portion of the Inter-American highway, between the Texas border and the canal, will be opened to traffic on October 12.

*

Soviet Union's foreign trade has risen in value from $1,400 million in 1946 to $11,200 million in 1960, according to a recent estimate of the United States Commerce Department.

*

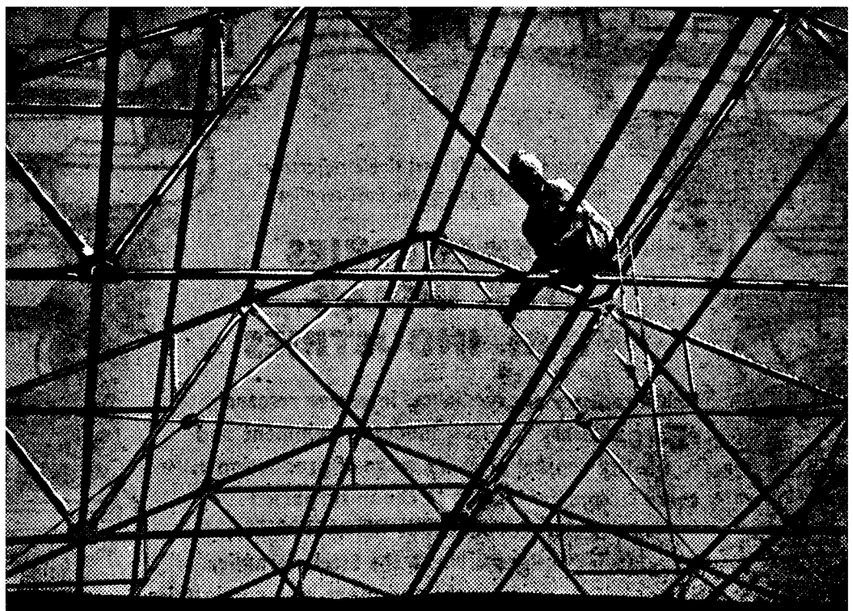
The Singapore Government plans to start a shipbuilding and repairing yard at an estimated cost of £2.6 million with Japanese collaboration. The yard will build mostly small vessels for coastal trade in South-East Asia.

*

Czechoslovakia, with one television set per 11.8 inhabitants, has surpassed such European countries as Austria, France and Italy in the matter of television.

*

A new cargo ship with remote and automatic control devices designed to reduce running costs, will leave Britain on September 17 on her maiden voyage to India and Pakistan.



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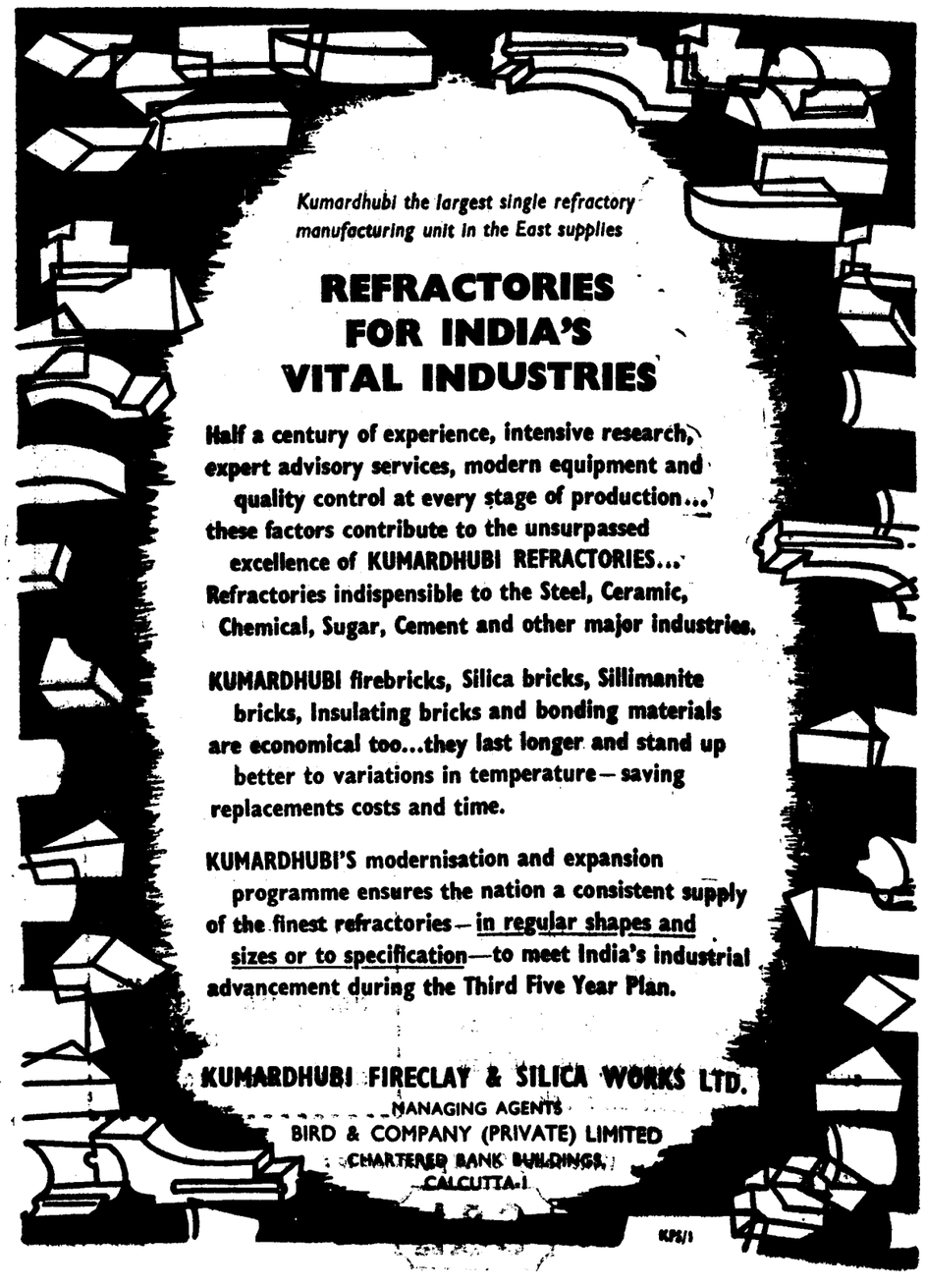
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SLS/30	30 ft.	10 ft and 13 ft. 4 in.
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COMPANY AFFAIRS

JAY ENGINEERING

The Directors of Jay Engineering Limited in their annual report reveal that the sales of the Company kept pace with production which has been increasing gradually during the year 1961-62. The overall sales were recorded at Rs. 9.43 crores against Rs. 8.89 crores in the previous year. The break-up of the sales from sewing machines and electric fans was as under :

(Rs. lakhs)

	1960-61	1961-62
Sewing Machines	384.03	386.38
Electric Fans	501.71	552.25
Miscellaneous	3.61	4.60
TOTAL	889.34	943.23

The Company has stepped up the number of Usha Training Schools to nearly 900 against 800 a year before. The profit during the year was higher at Rs. 30.79 lakhs against Rs. 26.14 lakhs a year before. This profit was after providing for taxes and depreciation etc. The Directors proposed the distribution of a dividend at the rate of 15 per cent on equity shares of Rs. 10 each, which will absorb Rs. 22.77 lakhs. After the payment of Rs. 5 lakhs towards preference shares, the Directors proposed that a sum of Rs. 2 lakhs be separated out towards Development Rebate Reserve and another sum of Rs. 3 lakhs be put towards general reserve.

The Company continued its intensive efforts towards exports. The value of exports during the year under review was Rs. 91 lakhs as compared to Rs. 113 lakhs a year before. The fall was due to import restrictions imposed by the Government authorities in Yugoslavia, Burma, Ceylon and Egypt, where products of the Company were exported to the extent of Rs. 52 lakhs as compared to Rs. 19 lakhs this year. The Company has made arrangements to produce new designs of 16" and 12" table fans suitable for export market. During the year building construction work of Hyderabad factory progressed well according to the report. Production of parts for zig-zag machines has been started from April this year. The Directors also indicate that a new company under the name of Usha Industries Limited has been formed in Ceylon in which the Company will be holdiny 51 per cent shares. The assembly with the components sent from Calcutta factory has already started there from the month of April. It is expected that this factory would help the Company to increase its exports as well as add to the profits of the Company. The Company is progressing with expansion schemes and, therefore, an application has been made to the ICICI for a loan of Rs. 60 lakhs.

INDIAN CABLE COMPANY

During the year to March 31, 1962, the Indian Cable Company Limited recorded a sale of Rs. 10.04 crores, which is a figure nearly 5 per cent more than that recorded last year. The profits of the Company, however, declined to Rs. 68.26 lakhs against Rs. 85.22 lakhs a year before. The Directors have pointed out that this decline in the profits was due to increased costs resulting from combination of factors, including increased manufacturing expenses and substantial increases in distribution expenses, specially freight costs necessitated by the large-scale use of road transport. The Company, however, did not increase its selling prices.

The annual report indicates that capital expenditure during the year amounted to Rs. 15.37 lakhs. Of this figure Rs. 13 lakhs were mainly accounted for modifications and renewals and Rs. 2.37 lakhs in connection with the expansion and modernisation plans. The Company plans to go in for substantial expansion of paper insulated power cables, thermoplastic insulated cables and flexibles, copper wires and cotton and paper covered wires and strips. These plans have been finalised and negotiations have been completed to secure loans to cover the foreign exchange element. Import licences for the necessary plant have also been received and the project is likely to be completed in a period of two years.

The profit for the year after making provision for taxation and depreciation comes to Rs. 68.26 lakhs. After taking into account a balance of Rs. 48.73 lakhs brought forward from the previous year, and other adjustments, there is an amount of Rs. 124.78 lakhs at the disposal of the Directors. A sum of Rs. 3.18 lakhs is transferred to Development Redemption Sinking Fund, Rs. 5 lakhs to reserve for replacement of fixed assets and Rs. 10 lakhs towards general reserve. The Directors have recommended the payment of a dividend at a rate of Rs. 2.25 per share of Rs. 10 each subject to deduction of tax which will absorb Rs. 55.45 lakhs. A sum of Rs. 50.15 lakhs is carried forward.

ASHOKA CEMENT

The output and despatches of cement produced by Ashoka Cement Limited during the year to March 31, 1962, was lower as compared to the previous year. Output of cement was recorded at 1.37 lakh tonnes against 1.74 lakh tonnes a year before. This decline was due to stoppage of Kiln in the installation of electro-static precipitator by about a month and on account of inadequate and interrupted supply of power. The Chairman, Mr. S. P. Jain, has indicated that the power supply from D.V.C. was interrupted frequently due to tripping of their equipment. Production of steel foundry was also effected due to power difficulty. This naturally had an impact on the year's working results. The net profit for the year, after providing for depreciation and taxes was recorded at Rs. 7.17 lakhs against Rs. 7.70 lakhs a year before. A sum of Rs. 1.52 lakhs was separated out towards Development Rebate Reserve, Rs. 1.12 lakhs towards reserve for rehabilitation, development and research. The Directors recommended the payment of a dividend at the rate of 7 per cent (same as last year) which will absorb Rs. 4.20 lakhs.

Installation of electro-static precipitator involving an expenditure of nearly 28 lakhs was completed in November, 1961. Its operation has eliminated the dust problem. During the year the Company received a long awaited announcement of cement prices by the Government of India on the recommendations of the Tariff Commission. The Chairman regrets, however, that increase in prices was given effect from November 1, 1961, instead of July 1, 1961 as recommended by the Tariff Commission. Then the Government put a price of Rs. 69.50 per tonne inclusive of Rs. 2 per tonne earmarked as special reserve for rehabilitation, development, research etc. against Rs. 72.75 per tonne recommended by the Tariff Commission. Against an average increase of Rs. 10 per tonne for the industry as a whole, the increase in respect of the company's cement worked out to only Rs. 2 per tonne. The Chairman, expressed his dissatisfaction that this price fixation by the Government was unsatisfactory.

Company Meeting

KERALA STATE INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

Speech delivered by Shri K. R. K. Menon, Chairman, at the First Annual General Meeting on 18th September, 1962.

Gentlemen,

I have great pleasure in placing before you the accounts of the Kerala State Industrial Development Corporation Ltd., for the year ending 31st March, 1962 and the report of the Board of Directors of the Corporation on the working of the Corporation during that period. With your permission I shall take the report as read.

2. As stated in the report, the Kerala State Government was one of the pioneers in setting up Government-sponsored Industrial Development Corporations for assisting in the promotion and development of large-scale industries in the private sector. Despite whatever differences of opinion may exist on the political front on many subjects it is fortunately common ground between all political parties and all schools of economic thought in Kerala that by far the most emergent need of the State at present is industrial expansion at a very rapid pace. Unanimity of opinion on this objective has indeed been an encouraging factor.

3. So far as large-scale industries are concerned, the main obstacle in the path of expansion at even a moderate pace has been, and continues to be, the non-availability, within the State, of an adequate amount of risk capital. This is attributable in my opinion, partly to a deficiency in total savings, but more than all, to the lack of a spirit of venturesomeness among those who have the capital. Entrepreneurs of the right type who are prepared to risk their capital in putting up large-scale industrial units and to shoulder the responsibility of running them efficiently are unfortunately very scarce in Kerala. That this should be so in spite of the undoubted advantages that our State has in the matter of raw material, power, transport facilities and above all, labour supply, is certainly most deplorable, and perhaps even un-understandable. Whatever be the reason for this, the result is that Kerala is obliged to turn to parties outside the State for bringing in risk capital and managerial skill on the requisite scale in order that large-scale industrial units could be set up within the State in large enough numbers. It is indeed fortunate that parties outside the State are beginning to realise that our State is in a position to offer them special attractions such as plenty of raw material, cheap electric power and excellent rail, road and sea transport facilities, all relatively superior to those obtaining in many other States, combined with the inestimable advantage of an almost inexhaustible supply of intelligent and skilled labour. Even so, the task of attracting outside risk capital in sufficient volume to the State has been found to be an extremely difficult one, largely because of what I surmise is essentially a psychological factor, namely, the doubts and uncertainties that assail the minds of outside businessmen on account of the distance that separates their place of business from our State. Distance is a factor which definitely does 'not' lend very much enchantment to the view of the prospective investor in Kerala.

4. I trust it is not necessary that I should dilate on this occasion on the importance of establishing 'large-scale' industrial units in Kerala, as distinct from small-scale and cottage industries. Kerala's case in this regard is not exceptional at all, and the pattern of industrialisation in our State need be no different from the one adopted for India as a whole, namely, the one based on a rational and equitable distribution of industrial units among all these three categories, viz. cottage, small-scale and large-scale industries. Each category has its own place in our economy and, however tempting the thought is, we must not succumb to the facile but defeatist assumption that the salvation of Kerala alone lies in concentrating on small-scale and cottage industries, to the exclusion of large scale ones. On the contrary, I believe it will be more correct to assume that once a sufficiently large number of large-scale industrial units are set up in Kerala small-scale and cottage industrial units will follow almost automatically in the role of feeders and subsidiaries. If, therefore, more emphasis is laid in the present initial stages, as I feel it must be, on large-scale industrial units, it will only be in accordance with the well-known maxim that first things must come first.

5. What then is the solution to this large-scale industries problem faced by a backward State like Kerala which labours under the double disadvantage of lack of indigenous risk capital on the one hand and long distance from the larger capital markets of the country on the other? I do not think I can offer a simple solution to this problem today, but before I even attempt it I feel I must point out that this is a problem which obviously cannot be left to be solved by the normal operation of economic forces. To do so, particularly in this socialistic-pattern welfare-state of India, would be as illogical as it would be unfair, and, may I add in all humility, it would also be suicidal to the body politic of the country as a whole. It is not only that we are a welfare-State, but we also function under a highly controlled economy; and, to let the principle of the survival of the fittest guide the economic destiny of even the smallest State in India would do grave violence to our socialistic objective. A solution to Kerala's large-scale industrial development problem must therefore necessarily be looked for in the direction of positive intervention by the one all-powerful authority in our controlled economy of today, namely the Central Government. The Central Government's duty in this regard is, to my mind, as clear as any layman's understanding of the manner in which the human body marshalls all its fighting strength to despatch its forces to even the most distant diseased organ, be it ever so small, in order to save it from the onset of gangrene. As in the human body, so in the body politic, the safety and well-being of the smallest and most distant entity must be the subject of the most anxious concern and solicitude to the seat of power at the Centre. This duty may be ignored only at the peril of fatal consequences to the entire body politic.

6. Effective assistance from the Central Government in the matter of industrial expansion in Kerala must in the very nature of things, relate closely to the pattern of the grant by the Centre of industrial and import licences. But in the matter of industrial licences and import permits it will 'not' suffice if the special assistance that will be rendered by the Central Government is confined to those applicants who themselves voluntarily apply for locating their industrial units in Kerala. As I have already said, the crux of the Kerala problem is that, for various reasons, an adequate number of applications from the right parties for locating industries in Kerala has not been coming forward, and there seems no prospect of any appreciable improvement in the position in the near future. Therefore, the urgent need today is to ensure that out of the large number of licences granted throughout the country an adequate number is diverted to Kerala till such time as this backward State attains a minimum level of industrialisation suited to the requirements of its large population. This is by no means a revolutionary proposition, being quite consisteant with the well-known principle of co-operative endeavour, namely, one for all and all for one, and needs no special pleading on my part for its justification. In fact, the Central Government have made a start already in implementing this principle by the allocation they made recently to Kerala of one lakh spindles out of the total spindlage santioned by them for the country as a whole. Kerala, which cannot claim to be a cotton-growing area, and has therefore had very few spinning mills till now, has reason to be grateful to the Centre for this gesture, and we may well hope that this will soon be followed by many more examples of this kind in other industries besides textiles.

7. Any preferential treatment of this kind must of course be treated as an altogether special one, and must obviously be of limited duration only. It will be for the entrepreneurs who set up industrial units in Kerala to ensure that the maximum production targets are achieved as speedily as possible; the State Government has also an important role to play in assisting the industrial units to achieve this. For example they could help considerably by speeding up land acquisition proceedings, supply of electric power, and the institution of civic amenities in industrial areas. The State Government must also take steps to provide technical training institutes for ensuring a regular supply of trained personnel to fill supervisory posts in the factories, particularly in the lower and middle grades. Kerala has no doubt the highest percentage of literacy, but literacy alone, as is well known, will not suffice to produce the necessary number of trained supervisory staff to man the posts in the factories once we get going briskly with our industrialisation programme.

8. An economic survey of the State, with special reference to the availability of raw material of various kinds, is another matter of great importance and urgency which must claim the attention of the Kerala State Government. The K.I.D.C. has had, on many occasion during the last few months, to cut a sorry figure in their conversations with outside businessmen due to the lack of adequate and reliable data relating to our industrial raw material. This is therefore a matter which I would commend for immediate attention by the State Government.

9. Another important suggestion which I have already made to the State Government, and which I take the liberty of repeating again, in order to enable more industrial licences being procured for the setting up of industries in Kerala, is the appointment of a suitable Liaison Officer in New Delhi who will, among other things, function as a close and effective link between the Government of Kerala and the Central Government. I understand this suggestion is currently under considera-

tion of Government; I hope that a decision will be taken without further delay.

10. As and when the pace at which industrial licences and import permits are issued for the setting up of industrial units in Kerala is accelerated, institutions like the K.I.D.C. would be called upon to take adequate steps to ensure that the necessary finances are forthcoming for the use of these units, in the shape of share capital, long-term loans and working capital. The financial resources of the K.I.D.C. will then have to be considerably augmented in order to enable it to cope with the demand, and it is my hope that, when the time comes for raising additional funds for the K.I.D.C., we shall be able to tap the general money market also, besides relying on Governmental finances. The success of our direct approach to the money market for augmenting our funds will naturally depend on the reputation that we shall have built up as a dynamic and virile institution. I should like to assure the Government of Kerala that we shall dedicate ourselves to this task with all the earnestness and enthusiasm at our command.

11. In closing, I take this opportunity to express my grateful thanks to all my colleagues on the Board of Directors, and particularly to the Managing Director. Shri Abdussalam, for their very cordial and enthusiastic co-operation, and to our two honorary Public Relations Officers and to all the members of the staff for their loyal and devoted application to their work during the period under report.

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

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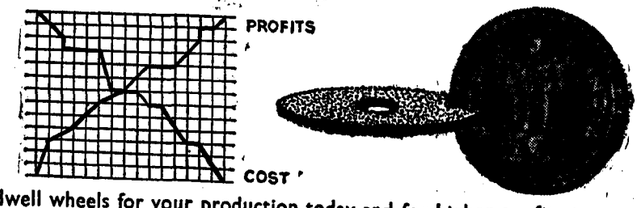
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Current Statistics

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
June 1961 ..	120.6	100.1	123.3	148.8	139.7	123.9	126.2	126.2
July „ ..	124.2	98.6	122.1	151.4	141.9	125.3	127.6	128.8
August „ ..	124.3	99.9	122.3	144.6	140.9	123.9	126.3	127.5
June 1962 ..	125.4	99.7	123.4	136.1	139.5	127.1	128.8	127.4
July „ ..	128.4	98.5	124.5	138.8	142.6	127.2	129.4	129.6
August „ ..	131.5	99.2	124.5	139.6	143.1	126.7	129.0	131.1
July 21. 1962 ..	128.7	97.9	124.6	139.3	142.5	126.8	129.0	129.7
July 28, 1962 ..	129.9	97.9	124.7	139.9	143.5	126.9	129.3	130.4
August 4, 1962 ..	133.0	98.5	124.5	139.5	143.6	126.7	129.1	131.9
August 11, 1962 ..	132.9	99.2	124.5	139.5	143.4	126.8	129.1	131.9
August 18, 1962 ..	132.5	99.6	124.5	139.9	143.0	126.5	128.9	131.7
August 25, 1962 ..	131.5	99.5	124.4	139.6	142.5	126.7	129.0	131.1
Sept. 1, 1962	130.6	99.5	124.4	140.2	142.3	127.2	129.4	130.9

* 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†
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 December	416	435	302	171	410	499	493	175	481	178	177	177
1962 January	415	436	295	170	399	513	495	178	482	177	174	175
February	417	438	295	170	399	513	492	—	480	177	177*	175
March	418	439	300	170	403	503	493	—	480	179	175*	175*
April	418	439	300	170	410	491	492	—	480*	182	175*	177
May	422	443	—	167	417	491	496	—	480*	180	177*	178
June	426	447	—	171	—	505	497	—	484	182	177*	179*
July	427	448	—	175	—	515	501	—	487	—	—	—
August	—	—	—	—	—	—	—	—	488	—	—	—

† Base 1944 = 100. * Provisional.

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

	14-9-1962 High	14-9-1962 Low	14-9-1962 Average	7-9-1962 High	7-9-1962 Low	7-9-1962 Average	31-8-1962 High	31-8-1962 Low	31-8-1962 Average	24-8-1962 High	24-8-1962 Low	24-8-1962 Average
Gold (per 10 gram)	127.00	122.50	124.57	129.10	122.95	127.10	129.90	127.80	128.97	128.05	127.05	127.60
Silver (per kilogram)	219.90	216.50	218.57	220.80	216.75	219.74	219.70	216.85	218.20	216.35	215.05	216.00

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										
June 1961 ..	1,958,79	30,43	1,989,22	117,76	108,01	225,77	11.35	118,54	1,644,92	1,989,22
July „ ..	1,922,49	24,13	1,946,62	117,76	93,01	210,77	11.83	121.30	1,614,54	1,946,62
August „ ..	1,898,63	13,31	1,911,93	117,76	116,86	234,62	12.27	123,85	1,553,46	1,911,93
June 1962 ..	2,111,73	33,72	2,145,45	117,76	92,48	210,24	9.80	113,75	1,821,43	2,145,45
July „ ..	2,070,65	20,54	2,091,18	117,76	92,14	209,90	10.04	117,27	1,764,01	2,091.18
August „ ..	2,040,68	23,91	2,064,59	117,76	89,74	207,50	10.05	121,45	1,735,59	2,064,59
Week-Ending										
3-8-1962 ..	2,045,20	18,72	2,063,92	117,76	92,84	210,60	10.20	119,83	1,733,49	2,063,92
10-8-1962 ..	2,063,71	20,03	2,083,74	117,76	89,34	207,10	9.94	119.64	1,757,00	2,083.74
17-8-1962 ..	2,054,07	15,81	2,069,88	117,76	89,34	207.10	10.01	120,78	1,742,00	2,069,88
24-8-1962 ..	2,029,06	22,85	2,051,91	117,76	88,84	206,60	10.07	122,81	1,722,50	2,051,91
31-8-1962 ..	2,011,38	42,15	2,053,53	117,76	88,34	206,10	10.04	124,43	1,723,00	2,053,83
7-9-1962 ..	2,044,06	12,31	2,056,37	117,76	88,34	206,10	10.02	122,27	1,728,00	2,056,37

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														
June 1961 ..	64,96	13,55	84,67	123,86	287,04	134,21	506,25	30,47	39,78	14,49	68,97	121,34	208,22	22,97
July „ ..	58,61	18,56	93,24	111,63	282,04	94 38	461,41	24,17	26,26	9,98	40,10	117.43	221,75	21.72
August „ ..	65,39	16,45	88,09	180,22	350,16	89,86	525,02	13,35	15,21	30,97	47,71	116,37	284,51	16,89
June 1962 ..	56,84	11,35	91,78	149,74	309,71	168,06	562,78	33,77	52,34	8,62	98,64	126,68	203,05	39.67
July „ ..	51,34	20,63	102,86	196,73	371,57	121,12	577,67	20,59	63,99	5,86	37,96	130,85	280,80	37,71
August „ ..	65,16	24,57	94,63	181,32	365,69	115,38	566,08	23,97	69,23	5,45	31,00	136,99	265,68	33,76
Week-Ending														
3-8-1962 ..	49,08	36,07	94,88	203,80	383,83	117,22	586,06	18,80	60,16	6,22	27,77	131,33	308,19	33.59
10-8-1962 ..	58,23	23,15	91,48	204,64	377,50	109.13	571,63	20,11	70,08	5,16	30,62	134.17	277,81	33,68
17-8-1962 ..	67,31	16,90	97,45	160,15	341,81	112,30	539,11	15,86	75,12	5,08	35,45	133,32	240,56	33,73
24-8-1962 ..	59,07	11,92	108,23	173,84	353,06	118,28	556,34	22,89	67,03	5,06	34,91	132,92	259.82	33,72
31-8-1962 ..	92,12	34,85	81,13	164,19	372,29	120,00	577,29	42,20	73,74	5,75	26,27	156,07	239,17	34,08
7-9-1962 ..	114,74	21,64	89,97	162,25	388,60	119,31	592,91	12,36	105,67	5,44	27,12	184,24	223,87	34,21

* Average of Fridays. **Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. †Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1956, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 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										
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
April „	927,18	1,240,90	2,132,08	51,77	83,78	6.36	1,198,27	229,73	66.96	592,07
May „	920,22	1,230,84	2,151,06	52,43	83,85	6.34	1,216,77	220,89	66.83	580,32
June „	911,54	1,266,78	2,178,32	53.30	84,92	6.35	1,235,93	197,66	65.81	584,76
July „	909,70	1,288,13	2,197,83	51,28	99,24	6.85	1,240,45	169,86	64.17	613,11
August „	915,52	1,305,73	2,221,21	50,04	90,22	6.30	1,213,47	180,08	62.74	678,24
Week Ending										
3-8-1962 ..	916,67	1,305,23	2,221,90	48.45	92,96	6.36	1,218,07	177,47†	62.81	672,12
10-8-1962 ..	903,37	1313,04	2,216,41	47,52	91,37	6.27	1,218,09	176,11†	62.90	670,25
17-8-1962 ..	912,72	1,311,26	2,223,98	53,43	90,93	6.49	1,215,63	177,03†	62.62	668,63
24-8-1962 ..	920,72	1,311,54	2,232,26	52,21	98,78	6.76	1,202,28	179,13†	61.88	680,84
31-8-1962 ..	923,92	1,287,56	2,211,48	48,57	77,06	5.61	1,213,31	190,68†	63.48	699.35
7-9-1962 ..	904,95	1,280,11	2,185,06	49,04	87,28	6.24	1,219,46	199,98†	64.96	678,63

† 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
Nov.* 1961 ..	2,828,54	1,946,11	882,42	861,80	20,62	+ 21,20
Dec.* „ ..	2,876,63	1,983,35	893,29	874,37	18,92	+ 48,09
Jan.* 1962 ..	2,925,49	2,028,19	897,30	877,21	20,10	+48,86
Feb.* „ ..	2,979,64	2,077.17	902.47	883,45	19,02	+ 54,15
March* „ ..	3,081,18	2,122,84	958,34	934,94	23,41	+101,54
April* „ ..	3,141,27	2,174,67	966,60	942,51	24,09	+ 60,09
May* „ ..	3,129,50	2,177,58	951,92	930,65	21,27	— 11,77
June „ ..	3,085,84	2,124,22	961,62	941,36	20,26	— 43,66

* Provisional.

† Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

THE OCCUPATIONAL PATTERN OF WORKING POPULATION

(In thousands)

State/Union Territory		Total Population	WORKERS: Total Workers (I to IX)	Cultivators I	Agricultural labourers II	In Mining, Quarrying, Livestock, Forestry & other Allied Activities** III	At Household Industry IV	In Manufacturing (other than household industry) V	In Construction VI	In Trade & Commerce VII	In Transport, Storage & Communications VIII	In other services IX	Non-Workers X
State													
Andhra Pradesh	1961 ..	35,983	18,663	7,487	5,336	561	1,815	476	220	798	238	1,732	17,320
	1951 ..	31,260	11,534	4,049	3,850	314	—	1,142	171	569	149	1,292	19,726
Assam	1961 ..	11,873	5,137	3,324	187	518	280	104	40	185	76	424	6,735
	1951 ..	9,044	3,846	2,360	127	785	—	102	13	152	46	262	5,197
Bihar	1961 ..	46,456	19,235	10,362	4,418	652	1,058	426	108	523	231	1,456	27,221
	1951 ..	38,784	13,559	8,148	3,238	292	—	422	72	510	133	744	25,224
Jammu & Kashmir	1961 ..	3,561	1,524	1,153	18	25	96	33	9	34	13	142	2,037
Kerala	1961 ..	16,904	5,630	1,178	978	487	489	529	71	322	153	1,423	11,273
	1951 ..	13,549	4,373	1,012	1,115	325	—	823	66	289	139	604	9,176
Madhya Pradesh	1961 ..	32,372	16,920	10,612	2,815	492	841	337	172	404	158	1,098	15,443
	1951 ..	26,102	12,870	5,849	4,329	316	—	846	125	438	113	860	13,232
Madras	1961 ..	33,687	15,352	6,458	2,828	435	1,207	848	205	758	254	2,358	18,335
	1951 ..	29,975	8,746	3,320	1,950	291	—	1,112	152	633	170	1,118	21,229
Bombay	1961 ..	60,187	27,423	13,256	5,762	514	1,388	1,840	326	1,267	606	2,464	32,764
	1951 ..	48,265	21,086	8,280	5,752	413	—	2,368	213	1,224	373	2,462	27,180
Mysore	1961 ..	23,587	10,726	5,807	1,761	336	709	422	190	391	106	1,005	12,860
	1951 ..	19,401	6,612	3,220	1,341	188	—	620	150	341	76	669	12,789
Orissa	1961 ..	17,549	7,662	4,353	1,304	132	531	86	31	147	52	1,026	9,887
	1951 ..	14,646	5,473	2,840	1,010	136	—	420	51	241	37	741	9,173
Punjab	1961 ..	20,307	7,101	3,997	544	66	541	354	140	385	142	931	13,206
	1951 ..	16,135	6,131	3,374	702	47	—	495	63	450	112	887	10,004
Rajasthan	1961 ..	20,156	9,584	7,055	394	171	598	172	109	288	118	679	10,572
	1951 ..	15,940	7,867	5,170	596	197	—	647	62	355	63	777	8,073
Uttar Pradesh	1961 ..	73,746	28,850	18,428	3,261	172	1,802	801	214	1,063	399	2,710	44,896
	1951 ..	63,216	26,397	17,946	2,018	233	—	1,973	162	1,069	310	2,685	36,819
West Bengal	1961 ..	34,926	11,580	4,459	1,772	578	487	1,319	151	872	392	1,550	23,346
	1951 ..	26,302	9,068	3,218	1,389	538	—	1,350	116	869	372	1,216	17,234
Union Territories and other areas													
Andaman & Nicobar Islands	1961 ..	63.5	31.2	6.5	0.3	7.3	4.7	1.2	5.4	1.1	0.4	4.3	32.4
	1951 ..	31.0	18.4	4.4	0.1	10.0	—	2.0	0.07	0.8	0.6	3.4	12.6
Delhi	1961 ..	2,659	854	55	7	9	17	170	35	147	50	364	1,804
	1951 ..	1,744	632	47	14	2	—	110	50	125	36	248	1,112
Himachal Pradesh	1961 ..	1,351	805	671	11	9	45	7	14	7	3	39	546
	1951 ..	1,109	653	572	16	7	—	31	1	9	4	14	456
Laccadive, Minicoy & Admindivi Islands	1961 ..	24.1	12.4	0.1	—	0.6	10.3	0.4	0.2	0.1	0.1	0.6	11.7
	1951 ..	21.0	11.3	0.8	—	5.0	—	4.3	—	0.1	0 2	1.0	9.7
Manipur	1961 ..	780	358	234	2	0.8	79	1	2	2	3	23	422
	1951 ..	578	298	185	0.8	7.1	—	75	0.6	17	2	10	280
Tripura	1961 ..	1,142	437	281	33	12	25	11	4	19	5	48	705
	1951 ..	639	267	168	24	17	—	11	0.2	17	2	28	372
Dadra & Nagar Haveli	1961 ..	58	35	26	5	2	0.6	0.09	0.3	0.2	0.1	0 7	23
N.E.F.A.	1961 ..	39	26	0.2	0.01	0.3	0.5	0.02	1.7	0.4	0.9	22.2	13
Nagaland	1961 ..	369	219	193	3	0.5	0.1	0.6	0.4	1.2	0.7	19.8	150
Pondicherry	1961 ..	369	138	22	39	8	8	17	4	13	3	25	231
Sikkim	1961 ..	162	104	93	2	0.2	0.4	0.07	1.8	1.6	0.2	4.6	58.2
	1951 ..	138	79	33	38	0.2	—	0.4	0.2	0.7	1.9	4.4	58.4
All-India	**1961***	**438,310**	**188,417**	**99,510**	**31,482**	**5,190**	**12,031**	**7,957**	**2,055**	**7,640**	**3,003**	**19,548**	**249,893**
	1951	**356,879**	**139,521**	**69,792**	**27,511**	**4,122**	**—**	**12,554**	**1,468**	**7,310**	**2,136**	**14,628**	**217,358**

* Excluding Goa, Daman and Diu and some portions of N.E.F.A.

** Including fishing, hunting, plantations, and orchards.

Note: In 1951, persons working in "Household Industry" are included in industrial categories III and V.

Source: Registrar General of India, Ministry of Home Affairs.

GROWTH OF POPULATION AND LABOUR FORCE: 1901 — 1961

(Index Numbers)

(Base: 1901 = 100)

Year		Total Population	Population in Labour Force Age Group (15-59)*	Workers: Total	Primary Sector	Secondary Sector	Tertiary Sector	Non-Workers
1911	Total ..	105.62	107.75	108.94	113.67	96.12	97.57	102.72
	Males ..	106.06	108.61	107.44	112.46	95.78	95.32	103.90
	Females ..	105.17	106.89	111.94	115.95	96.74	103.87	102.04
1921	Total ..	105.14	106.22	105.82	112.09	87.29	92.05	104.55
	Males ..	106.06	107.69	105.04	111.27	89.71	90.63	107.66
	Females ..	104.20	104.73	107.37	113.62	82.83	96.03	102.73
1931	Total ..	116.57	118.84	108.30	112.84	87.64	104.17	123.78
	Males ..	117.59	120.90	112.13	118.05	95.00	100.30	126.16
	Females ..	115.52	116.75	100.69	103.08	74.07	114.98	122.40
1951**	Total ..	150.70	144.37	126.50	127.28	106.35	139.20	171.82
	Males ..	152.71	147.74	135.16	132.81	126.88	150.57	180.29
	Females ..	148.63	140.91	109.34	116.91	68.54	107.41	166.86
1961	Total ..	183.40	169.00	169.15	170.40	156.85	173.33	195.86
	Males ..	186.36	173.30	174.22	168.33	179.46	194.46	205.42
	Females ..	180.37	164.70	159.08	174.28	115.19	114.26	190.26

** Including Jammu and Kashmir.

* Age group for 1951 census is (15 - 64).

"Tertiary Sector" includes Trade and Commerce, Transport, Storage and Communications and "other services".

"Secondary Sector" includes Household industry, mining and quarrying, manufacturing, and construction.

"Primary Sector" includes cultivation, agricultural labour, Liverstock, forestry, fishing, hunting, plantations, orchards and other allied activities.

PERCENTAGE DISTRIBUTION OF POPULATION

Year		Total Population	Workers: Primary Sector	Secondary Sector	Tertiary Sector	Non-Workers
1901	Total ..	100.00	33.44	5.88	7.29	53.39
	Males ..	100.00	43.00	7.52	10.59	38.89
	Females ..	100.00	23.59	4.20	3.91	68.30
1911	Total ..	100.00	35.98	5.35	6.74	51.93
	Males ..	100.00	45.60	6.78	9.52	38.10
	Females ..	100.00	26.02	3.86	3.85	66.27
1921	Total ..	100.00	35.65	4.89	6.38	53.08
	Males ..	100.00	45.12	6.36	9.04	39.48
	Females ..	100.00	25.74	3.35	3.58	67.33
1931	Total ..	100.00	32.37	4.42	6.51	56.70
	Males ..	100.00	43.17	6.08	9.02	41.73
	Females ..	100.00	21.06	2.69	3.88	72.37
1951	Total ..	100.00	28.20	4.15	6.75	60.90
	Males ..	100.00	37.34	6.26	10.45	45.95
	Females ..	100.00	18.54	1.93	2.83	76.70
1961	Total ..	100.00	31.06	5.03	6.89	57.02
	Males ..	100.00	38.85	7.23	11.04	42.88
	Females ..	100.00	22.82	2.68	2.46	72.04

Source: Registrar General of India, Ministry of Home Affairs.

URBAN AND RURAL POPULATION OF INDIA

(In millions)

State/Union Territory	1961			1951			Proportion of Urban to Total Population		Percentage increase of Urban Population
	Total	Rural	Urban	Total	Rural	Urban	1961	1951	1951-61
India ..	439.24	359.77*	78.84*	361.13	295.00**	61.92**	17.97*	19.35**	26.22**
Andhra Pradesh ..	35.98	29.21	6.27	31.12	25.69	5.42	17.44	17.42	15.76
Assam ..	11.87	10.96	0.91	8.83	8.42	0.41	7.69	4.65	122.53
Bihar ..	46.46	42.54	3.91	38.78	36.16	2.63	8.43	6.77	49.03
Gujarat ..	20.63	15.32	5.32	16.26	11.83	4.43	25.77	27.23	20.07
Jammu and Kashmir ..	3.56	2.97	0.59	3.25	N.A.	N.A.	16.66	N.A.	N.A.
Kerala ..	16.90	14.35	2.55	13.55	11.72	1.83	15.11	13.48	39.89
Madhya Pradesh ..	32.37	27.75	4.63	26.07	22.94	3.13	14.29	12.02	47.70
Madras ..	33.69	24.70	8.99	30.12	22.79	7.33	26.69	24.35	22.59
Maharashtra ..	39.55	28.39	11.16	32.00	22.78	9.22	28.22	28.82	21.04
Mysore ..	23.59	18.32	5.27	19.40	14.95	4.46	22.33	22.97	18.19
Orissa ..	17.55	16.44	1.11	14.65	14.05	0.59	6.32	4.06	86.79
Punjab ..	20.31	16.22	4.09	16.13	13.07	3.07	20.13	19.01	33.33
Rajasthan ..	20.16	16.87	3.28	15.97	13.02	2.96	16.28	18.50	11.04
Uttar Pradesh ..	73.75	64.27	9.48	63.22	54.59	8.63	12.85	13.64	9.90
West Bengal ..	34.93	26.39	8.54	26.30	20.02	6.28	24.45	23.88	35.97
Union Territories									
Andaman and Nicobar Islands ..	0.063	0.049	0.014	0.031	0.023	0.008	22.15	25.88	75.63
Delhi ..	2.66	0.30	2.36	1.74	0.31	1.44	88.75	82.40	64.17
Himachal Pradesh ..	1.35	1.29	0.064	1.11	1.06	0.05	4.73	4.07	41.60
Laccadive, Minicoy and Amindivi Islands ..	0.024	0.024	Nil	0.021	0.021	Nil	Nil	Nil	Nil
Tripura ..	1.14	1.04	0.10	0.64	0.60	0.04	9.02	6.67	141.81
Manipur ..	0.78	0.71	0.07	0.58	0.57	0.003	8.68	0.50	2,266.07
Dadra and Nagar Haveli ..	0.058	0.058	..	0.04	0.04	..	..	..	..
Goa, Daman & Diu ..	0.63	N.A.	N.A.	0.64	N.A.	N.A.	N.A.	N.A.	N.A.
N.E.F.A. ..	0.34	0.34	..	N.A.	N.A.	N.A.	..	..	..
Nagaland ..	0.37	0.35	0.02	0.21	0.208	0.004	5.19	1.94	364.41
Pondicherry ..	0.37	0.28	0.09	0.32†	N.A.	N.A.	24.11	N.A.	N.A.
Sikkim ..	0.16	0.155	0.007	0.14	0.135	0.003	4.22	1.99	149.56

Note: Owing to the adoption of different definitions in the 1961 census for urban areas, the number of urban areas in the census is different from that in force in the 1951 census. The figures for 1951 and 1961, therefore, are not strictly comparable.

* Excludes Goa, Daman and Diu.

** Excludes Jammu and Kashmir, Goa, Daman and Diu and Pondicherry.

† The population of Pondicherry for 1951 has been assumed to be the same in 1948 when a census was taken by the French Government.

Source: Registrar General of India, Ministry of Home Affairs

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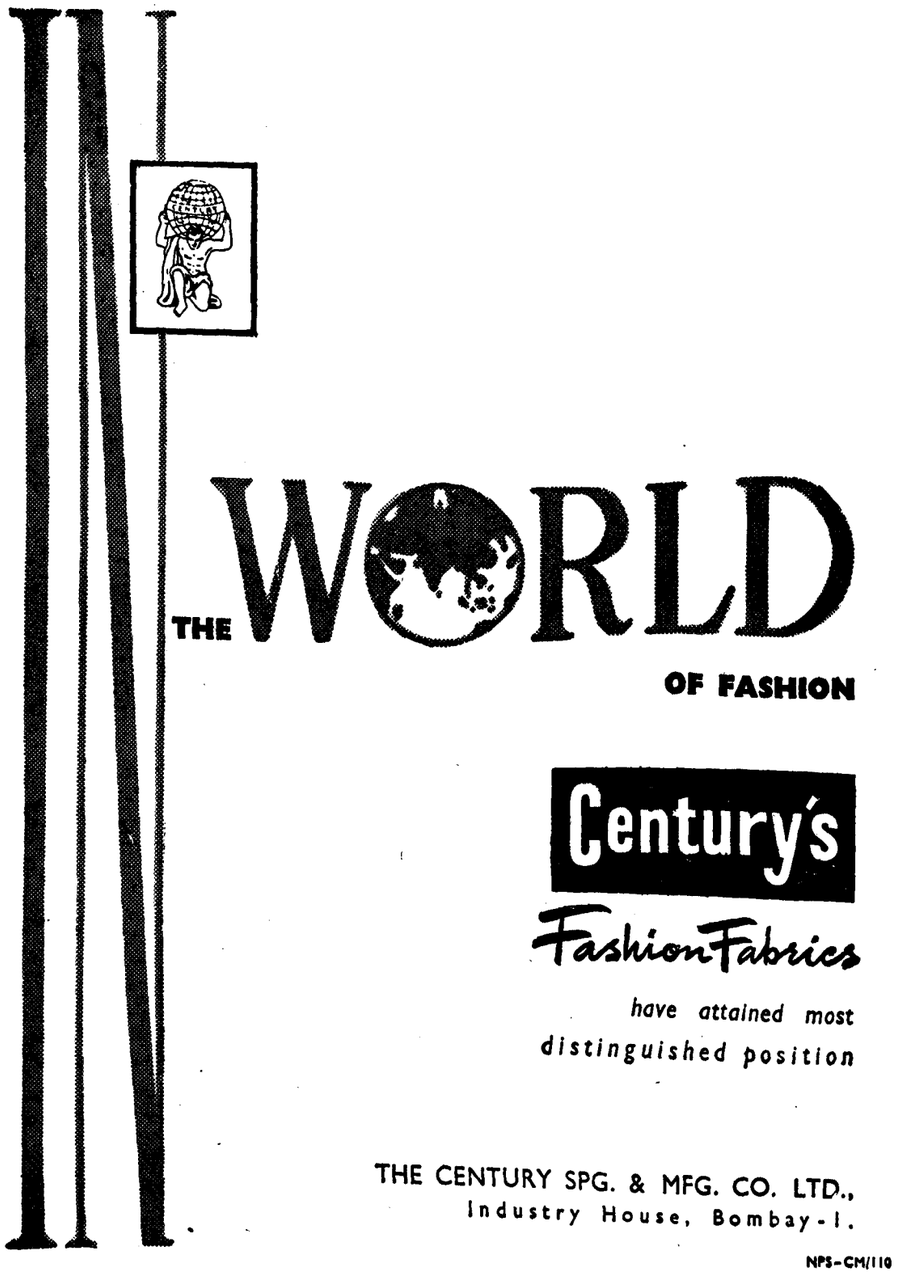
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With a Supplement
on
THE DEVELOPMENT DECADE

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THE EASTERN ECONOMIST

SEPTEMBER 28, 1962.

The Crisis in NEFA

AFTER Ladakh, NEFA. Only NEFA, from existing reports, appears to be more serious in military terms than Ladakh. For one thing Ladakh is closed by acts of Providence for half the year; NEFA is likely to be open for a good deal of the winter as well as over the rest of the year, except when the rains happily intervene. Secondly, the NEFA action, by diverting India's attention and disturbing the disposition of her forces, places greater strain on our transport as well as on our economy than do the limited Ladakh operations. India is, therefore, now faced with an exacting strain on her economy as well as a threat to her national integrity. It is right that the Prime Minister is abroad, all the Ministers at home should make it quite clear that this time at least the invaders are to be repelled at once. In this decision the country will be wholeheartedly behind the Government.

It is right that democratic comment should proceed and one particular comment, namely, that somehow or another the Government of India is much more determined in NEFA than in Ladakh is probably true as a question of fact. But this must also be seen in perspective. It has taken some time for the Government of India to take a true measure of the Chinese and, unfortunately, Ladakh was invaded under cover of a continuous shadow of doubt as to real Chinese intentions. They have now been unmasked, not least in the Prime Minister's mind, and thus the hesitation in the External Affairs Ministry, often overshadowed with the cast of doubt, has been, it seems, finally abandoned. It is hoped ambiguity has gone for ever. Indian soldiers whose bravery on our outposts needs no description require that behind the fighting lines the country should with one voice support their arduous and dangerous labours. They have already inflicted casualties on the enemy which have been numbered at over a dozen, although the figures are by no means firm. Our own losses have not been disclosed. Meanwhile, there have been reports of fresh concentration of Chinese troops near Longju, though this lacks official confirmation, and Chinese troops have been sighted at other fronts of the border. There is certainly worse to come.

The time has, therefore, come for the Indian people, taking their place somewhat ahead of the Government, to make their position clear in respect of relations with the People's Republic of China. A state of war currently exists at the very moment that a meeting is proposed to be held for lessening tensions. As though to sound the knell of these negotiations, the Chinese have discharged their guns as well as their aggressive intentions across our border, at distances well within the McMahon Line.

The Government of India must refuse absolutely to discuss any matters with the People's Republic of China while they are in our territory in NEFA. Whatever doubts there might be on the demarcation of the Ladakh border there are none in NEFA. The McMahon Line here has been clearly demarcated. The Indian outposts are well within Indian territory. Therefore, an attack on our outposts is clearly an act of aggression amounting to invasion. The country will demand on the Prime Minister's return not merely an unambiguous statement, such as he has made in his Press Conferences both in Europe and in Nigeria, but also firm action to throw the invaders out. This was not the time for the Defence Minister also to have been absent from the scene. The country should demand that, if Mr. Krishna Menon continues to be the Defence Minister, somebody else should lead our delegation to the United Nations.

No one need deny that, against the strains engendered by the Plan, this new and disturbing event will add fresh pressures to the economy and distract attention from the making of policy on the economic front. This is a serious blow at a time when economic problems continue to build up. In particular, this is likely to lead to a rise in prices in the areas most intimately concerned with supplying forward areas in NEFA. One must take these reverses with a philosophy not of resignation, but of renewed dedication to the national effort.

If the Chinese feel that the Indian people, long wedded with traditions of non-violence are crumbling before their assault, they have already had through the warm reception they have received from our soldiers an illuminating lesson. But it is the will of the Indian people alone which can sustain us over the period of hostilities on our border as well as on the domestic front, striving against enormous obstacles to raise standards of living of the poorest in the country. This is the time for a new determination in the country to stand behind the Government in every measure that it might take to discipline this nation in the face of crisis. It is believed that India will emerge stronger as a result of these measures for, in the last analysis, the strength of a nation is the determination of the minds of its people to face with courage, hard work and imagination these problems which are cast before it both as a challenge and a glorious opportunity.

Transport and Power

TRANSPORT and power loomed large in the public discussion once again last week. But this time the debate was maintained at the appropriate level of objective and constructive criticism. The conference convened for this purpose by the Federation of Indian Chambers of Commerce and Industry has undoubtedly produced substantial results, particularly in the sphere of exhaustive discussions on technical papers specially produced for the occasion. It is the work done at this level which is expected to produce at least some impact on the inevitable modifications of the plans for transport and power. This alone and no other can be the import of the Planning Minister's assurance that the deliberations at the conference would receive the due consideration they would undoubtedly merit. But an immediate assessment of the responsiveness of the Government to some at least of the proposals put forth is certainly possible, from the reactions of the Minister to certain definite claims and demands made by the Federation's President during the inauguration of the confe-

rence. The significance of these reactions lies in the fact that they pertain to qeustions of broad-policy.

It is not for the first time that the public is reminded that the acute shortages of transport and power, which were felt in first eighteen months of the current Plan, were the legacy of the ruthless and drastic cuts made in 1958 in these two sectors —particularly in power—when the Second Plan was pruned to the core under the stress of the dearth of foreign exchange. The question remains to be answered why power generation and distribution in particular were not put on a footing of top urgency right from the beginning of the current Plan, if the wide gap was too obvious to escape notice.

It is here that Mr. Shriyans Prasad Jain, the Federation's Presidest, made specific suggestions to ensure that expanding power generating capacity was quickly done. His earnest plea for granting licences to private investors to set up thermal power generating capacity met with the cold response that power expansion fell within the jurisdiction of the public sector in pursuance of the Industrial Policy Resolution. It is true that a modest amount of Rs. 50 crores has been earmarked for power development in the private sector and recently a fractional addition has been made to it; but the overriding necessity of expediting generation of power cannot brook any ideological considerations. Thermal power has assumed particular importance in the light of this year's failure of hydel power due to the shortage of rainfall, making industry dependent on the vagaries of the monsoons, like agriculture, though on nothing like the latter's stupendous scale. The plea for a fair return on investment in electricity comes as a corollary to the demand for expansion of private capacity. But this plea was turned down by Mr. Nanda on the specious plea that no such major policy change can be envisaged to promote power generation.

Still another strategic direction in which the private sector's participation in accelerating the development of power made by Mr. Jain related specifically to the manufacture of power equipment and machinery in private plants. Mr. Nanda could not overcome his ideological proclivities and he elaborated how the programmes of manufacture of generators and electrical quipment were planned in the three public sector projects at Bhopal, Hardwar and Hyderabad. The plain truth is that the last two projects are not relevant to the crying needs of the Third Plan period. Nothing could be lost by welcoming the collaboration of private enterprise in this badly needed sphere and any likely emergence of excess capacity could be avoided by readjusting the expansion plans which are inevitable in the Fourth Plan period.

The impediments in surmounting the present hardships caused by the shortages of transport capacity can be hardly removed in the short run inasmuch as a fundamental blunder was committed in the Third Plan in equating transport development almost wholly with railway development, resulting in a very raw deal being meted out to roads and shipping. Even in the railway sector, the planned expansion of capacity has been found to be acutely short of the requirements in the movement of strategic traffic like coal. Amends are now being made for this error and Rs. 120 crores out of the additional allocation of Rs. 145 crores for the railways are being earmarked for the movement of coal. But it is worth recalling that the three-fold division of consumers of coal from the Bengal-Bihar fields into the washeries, steel and other consumers has brought all the inconveniences and hardships of low priority to the last residuary class. The target of additional supply of 242 wagons per day in the first year of the present Plan will not be achieved even by the end of the second year and the general consumers of coal are asked to rest content with the assurance that the backlog would be cleared during the remaining Plan period.

Road transport is now recognised, at least in theory, as the emerging and dominant mode of transport of the future. Its immediate potential to minimise the shortages of transport capacity disclosed by the railways is indisputably quite substantial. If only the restrictive regulations on inter-State truck transport are removed, a good deal of relief would be offered to the hard-pressed railways. Mr. Jain specifically pointed out the artificial barriers, created against inter-State truck movements, by the short periods and mileage lengths for which permits were granted, as well as by the awkward situations created by variations in the permissible loads from State to State. The utmost that Mr. Nanda chose to do was to take the conference into confidence by making the "disclosure" that the Neogy Committee was applying its mind to all these problems. Certainly there is no need to wait for the Committee's final report; the crisis is with us already. Some immediate decisions are required. When are they to be taken?

Guest Editorial

Reactions to Commonwealth Conference

COMMON Market reactions to the proceedings at the Commonwealth premiers' conference will no doubt influence the course of the negotiations between Britain and the Six when they resume next month. The Six have not yet put their heads together about this, and they do not know whether Mr. Heath will come over to Brussels with a request to re-open dossiers regarded as closed, or with the intention to secure large concessions on subjects that remain to be tackled. Nevertheless, general Continental reactions are already evident. The first is certainly astonishment at the passionate tone (from the outsiders' point of view, the frankly irrational tone) the discussions at Marlborough House took this week and last. More exactly, competent people here privately expressed surprise at the dearth of economic arguments presented by Mr. Macmillan's compeers and, in some cases, their unwillingness to listen to economic argument that came not only from the British Government but from economists in their own, Commonwealth, countries. Brushing aside, as it seemed to the Continentals, the economic facts of the case, the Commonwealth premiers situated the debate on the political level. Unwilling or unable to follow them (because the political elements in question were often almost parochial and related to forthcoming elections at home), Continentals feel that nothing useful emerged in London that will have any practical relevance to the Brussels negotiations.

In meeting this barrage of politico-sentimental criticism, Mr. Macmillan earned some admiration in Europe, and suspicions that he is playing a double game in seeking entry to the Common Market have been abated. In the pathetic note

he struck when he told Commonwealth premiers that there was nothing else for Britain to do but join the Six, many Continentals recognised the mood in which they themselves accepted economic unification five years ago. For the feeling of optimism and self-confidence about the Common Market is in reality a very recent thing in Europe, and dates from the initial success of the venture, notably after the French economic reform of 1958. Before that, most Europeans felt that they were being pushed into economic union by inexorable necessity; there was just no other way to make their economies viable. The pomp with which the reconciliation of the Continental nations has lately been celebrated should not lead us to forget that the Six did not fall into each other's arms lovingly, nor did they tally up the commercial profits their association would bring; they piled rather sadly into the same boat, the way unfriendly shipwrecked passengers would do when there was no other hope of salvation. The fraternity and the economic rewards came later.

The British Government, on the contrary, first announced its intention to join Europe as though this were a brilliant commercial stratagem, a way of having the best of both worlds, something that Britain did not necessarily have to do but which it would be profitable and politic for her to do. This was definitely not the mood in which the Common Market was founded, and this discrepancy of sentiment was the reason that British and Continental negotiators were often on different wave-lengths. That British attitude was dropped in London this months, and is interpreted retrospectively here as creditable pride, putting a brave face on the inevitable. A Britain that admits forlornly, as Mr. Macmillan did to the Commonwealth premiers, that there is no alternative but union with Europe, to which economic necessity obliges her regardless of sentiment, is a different negotiating partner, one who has, as it were, consented to come down to the level of her Continental neighbours. As a confession of weakness, one might think that this saps Britain's bargaining position, and certainly there is nothing here to encourage Paris to make concessions hitherto refused. But it is perhaps more important that it means that British suggestions are no longer seen as sinister and hypocritical stratagems. There is some distance from the arrogance of Lord Attlee decrying union with "our defeated enemies and the people we saved" (sic), to the confession of Mr. Macmillan under attack that Britain is in the European boat, like it or not.

Thus, for being largely politico-sentimental the Marlborough House encounter was not uninstructive. Still, the vigour of Commonwealth criticism caused surprise. It would be too easy to take the case of certain African states rejecting as neo-colonialism advantages that it would cost Europe dear to offer and which the West Germans, for one, are only too glad not to have to extend to more "associates". This unreasonableness seemed simply comical to those who assisted as the Brussels negotiations and know how hard Mr. Heath had to fight to secure Commonwealth Africa these concessions; for him to be accused of having "given" Africa to the Six in payment for Britain's admission was so accurately the reverse of the truth that it was concluded here that not everybody in Marlborough House knew what he was talking about. A more suitable case is that of Mr. Menzies who without apparently giving way to passionate nonsense of that order, was nevertheless oblivious of economic realities that seem obvious from here.

Due note had been taken in Brussels of reports that reached Europe on the eve of the conference that the weight of informed Australian opinion was coming round to a cooler estimate of the results of British entry into the Common Market. Mr. Leslie Bury had indeed been sacked from the Menzies Cabinet for deploring the excessive pessimism of his premier, but his voice had not been smothered and his arguments had made an impression. This was reinforced by Sir John Crawford, a former Secretary of Trade and now a director of research at the Canberra University, who had declared, "I do not know—nor can anyone else know — whether we will lose £10 million or £100 million of our trade. Some loss sems inevitable. It will not be immediate... A loss of £100 million would be very large but by expressing it as 10 per cent of our total exports it may sound easier to swallow". Stressing that no one could know, either, the shape the Common Market would take after Britain's integration and that therefore the apocalyptic tone of Mr. Menzies was misplaced, Sir John added, "We will need to make the running more for ourselves than we have been accustomed. I do not regard this as a bad thing at all". Just as the conference in London opened, the 'Australian Financial Times' was quoted here writing, "Sir Crawford, likewise Mr. Leslie Bury, have not spoken in vain... Our own representatives are now adopting a more moderate and less admonitory tone. The overexcited period of oratory and wholly partisan advocacy has led into a sharp and close examination of detailed issues, as Mr. Bury maintained it must". Judge, then, the shock provoked by the emotional onslaught of Mr. Menzies against Britain's entry into Europe.

The shock was no doubt as great in London, and possibly in Australia. The realities were more brutally recalled here: negotiators at Brussels said publicly what had been murmured during the talks with Mr. Heath, that Australia's famous wheat exports, which were giving so much trouble, went to Britain only as to 18 per cent, and as much more went (and would continue to go, whether or not Britain joined the Six) to Communist China and elsewhere outside the Western world. Canberra was seeking export outlets for her wheat, wool and other produce wherever she could find them, and was offering to secure those new markets by reducing tariffs against the exports of the countries concerned, i.e. to mitigate the effects of imperial preference. Continentals, too, were franker about the economic implications of ANZUS, which means that Australia will look more to the USA whatever Britain does in Europe.

Australia's economic actions, however much at variance with Mr. Menzies' London proclamations, accorded with necessity so well that Britain before long would be doing the same, said Common Market experts. Given the state of her balance of trade, Britain would be seeking export markets outside the Commonwealth and she would secure them by accepting cheap farm produce from the countries concerned: French wheat, Polish eggs, Irish butter would all be admitted to open the way to British exports. The famous "alternative solution" promised but never exhibited by Mr. Diefenbaker would amount, said Common Market observers, to just that: Britain would suppress the imperial preference for Commonwealth foodstuffs, in favour of fresh markets for British manufactures, in an attempt to encourage competitive

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A DELHI DIARY

TO BE OR NOT TO BE

TO be or not to be, that has been, for a long time, the question! Only, unlike Hamlet, I was able to make up my mind some years ago. Not, indeed, that I had his great dilemma which was either to face the 'slings and arrows of outrageous fortune' to end them in with a "bare bodkin"! My problem was whether or not to continue working week by week as an observer in the economic field instead of plunging into the hurly-burly and becoming a portion of what I wrote about! I have already, I felt, been an observer for too long and the time is ripe (before I take my final departure!) for an active role in economic affairs. Quite simply, I am reducing the element of journalism in my constitution by the addition of a noted poison or opiate in the form of economic research in the field! No doubt, there will emerge, in the fullness of time, an article here or there and, finally, in the greater fullness of time, a book. But the future is not to be prescribed for individuals in five-year plans. I intend to enjoy the lovely uncertainty which arises only when one has made up one's mind to go where the spirit listeth. Quite simply, while the hurly-burly beckons below, the ivory tower beckons from above, and, in the eternal conflict between the world of intellect and that (far from intellectual) world of the market-place, one's intentions get strangely diverted and plans not a little revised. I shall, therefore, promise nothing except to announce that from next week I shall not appear regularly in the columns of 'The Eastern Economist'. This is thus merely a bow and a withdrawal.

AFTER FOURTEEN YEARS

After fourteen years (when I have appeared with various large absences due to the fickleness of my nature and the exigencies of [illegible], not to say the ravages of old age) I naturally have [illegible] regrets as well as personal attachments. My larg[illegible] debt, during this period, has been to my readers w[illegible] have extended to me almost incredible generosity, often asking repeatedly when I am to reappear after long lapses of unexplained silence. No one who has received this generosity can fail to be touched by the kindness of people who have borne stoically the wicked fickleness of a columnist who has never promised responsibility of any kind. Basically, I was a cork pushed up and down on the crest of a tremendous wave. That wave is nothing less than the passionate current of India's new history thrown against what might be described as the shores of Delhi. From time to time things look different elsewhere and, indeed, from this very shore, one can get other views. I believe I have presented, as honestly as I have been able, the view of one who is no respecter of persons. Much of the generosity of my readers is connected with the fact that they have often been subjects of attack if not personally, through the familiar journalistic devise of setting up their types and knocking them down unceremoniously like ninepins. For one so naughty I can say no journalist in the Indian Union could possibly have received such generous appreciation from those whom he has so inadequately served. Therefore, after fourteen years I offer to them impersonally, but nonetheless individually, my deepest thanks for a hospitality which, in the Indian journalistic world, I am arrogant enough to say, has never been surpassed.

There is always a personal equation about generosity, and I cannot feel that generosity such as I have enjoyed can be summarily ended by the mere fact that I shall, while working on three or four other pressing assignments, not be engaged on a hard journalistic routine. I am, therefore, giving to those readers who might wish to know my whereabouts my address for correspondence. It is Post Box 288, New Delhi. I promise, wherever possible, to keep in touch with any reader who feels that a comment here or there might be helpful in the absence of a direct printed page. Thus it seems the tenuous bonds which a journalist creates over the years with that fickle, but substantial, universe of readers can be maintained. It is wholly wrong that journalism should be a profession involving only the sale of services. For those of us, who have lived in its inside world, it is a world opening out on another, much larger world. The inner world will cease in some sense when the printed word ceases to be the vehicle of communication connecting the journalist with the outer world, but the bonds of that communication can endure. I hope that I shall be able to repay in some small measure by individual correspondence what I have been unable to fulfil by way of a printed reply to the numerous comments one receives in the course of what — again arrogantly — I have chosen to describe as my 'fan mail'.

FREEDOM OF SPEECH

There is no greater satisfaction for a journalist in the Indian Union than the use of a column in which he enjoys complete and absolute freedom of speech. The "absolute" is, indeed, unattainable, but the freedom that Argus has enjoyed over fourteen years to say what he likes (notwithstanding contrary Editorial opinion elsewhere!) is as great a demonstration of the fundamental character of the freedom of speech clause in the Indian Constitution as anywhere else. The great have come under criticism which is stronger (and more unbalanced) than anything which has appeared in the Editorial pages and I would be doing less than justice to a valued association if I do not mention that I have employed cartoons which are as near slander as the difficult law of libel permits. In spite of all these extreme angularities and, indeed, acromonies, Argus has emerged unscathed and can remember only two occasions on which he received a legal notice to withdraw. In both cases, he reflects happily, he refused to withdraw and nothing happened! all of which seems to show that in this journalistic world one should have the courage to stick to one's guns, however old and foolish they are!

Attractive as freedom is, and important as freedom of speech is as a fundamental right in a democratic society, it carries a converse which is not nearly so good. This sounds like tautology, but I shall say it. One cannot exercise one's freedom of speech or of writing unless one at the same time does the speech or the writing wherewith one exercises that freedom. It is the constant routine of speaking and writing which in itself destroys some of the individual freedom which we prize above all. And thus—paradoxical as it may sound—I am seeking freedom from freedom of speech largely because I recognise that the freedom not to be so confined is the greatest freedom of all. How long this freedom from freedom is to be enjoyed is a nice, but unanswerable, question!

If it cannot be endured, as some of my generous readers have hinted to me, then obviously I must return, but for the moment, I am seeking freedom from the time-table which for fourteen years has been too rigid a pattern for a mind not disciplined enough to recognise that we have in our bad, bad world our appointed times as we have our appointed places. Thus, at least for the present, I say Goodbye. Again, with the feelings of one who has known through these pages both friendship and understanding, my heart wells up because of thousands of kindnesses which have come upon me quite undeserved. One day I trust we shall all meet face to face; I'll try to stammer some of the thanks I have now been so feeble in putting into words!

ARGUS.

THE WEEK'S NOTES

Nepal

THE WIDENING GULF

IN REMOVING Mr. Rishikesh Shah from the office of Foreign Minister and reinstating Dr. Tulsi Giri in that post, King Mahendra has left not a shadow of doubt about his dissatisfaction with the outcome of Mr. Shah's mission of reconciliation and better understanding with India. The official communique announcing the reshuffle in the Cabinet came close on the heels — in a matter of only two days — of the Cabinet discussion on Mr. Shah's report on his mission to India. The main, rather sole, purpose of the mission was to resolve the differences between the two countries arising from Nepal's grievance against the asylum given by India to the rebel leaders and their use of this facility to direct subversive activity against the King's authority. The communique repeats the charge when it states in open words that rebel armed raids are organised with help from inside India. Mr. Shah, known for his foresight and equilibrium was scheduled to visit India again in a few days to resume discussion on the border raids at the high official level. But the reshuffle was made, as the communique points out, in the interest of preserving the uniformity and solidarity of the Cabinet. Dr. Tulsi Giri, now takes over the foreign affairs portfolio, presumably to consummate the solidarity. His avowed attitudes to India and China cannot be without due relevance and significance to this solidarity.

Whatever India's stand on the correctness of extending asylum to the Nepalese leaders in exile and her sincere demand for at least prima facie proof that arms are provided to the leaders and their followers in India and whatever the merit of her contention that the joint investigations into the rebel activities to arrive at the factual situation (and Nepal's hesitation to issue joint reports with agreed findings as well as clarifications of dissent), India as a big neighbour ought to be more appreciative of the suspicion complex of her neighbour and remove any impression that she is taking a legalistic view of the root of the trouble. The larger stake of maintaining cordial relations with strategically situated Nepal requires that India would lose little in making understandable concessions to her. The propriety of extending asylum to the leaders who have chosen the path of exile may have its own justification as an issue of principle. But a pragmatic approach is sorely needed in this delicate issue. The change in the complexion of the Nepalese Cabinet, with the pronounced sympathy of Dr. Giri for China, comes ill at a time when China has started her aggressive intrusion in Indian territory, in the vicinity of the trijunction between India, Nepal and Tibet. The initial difficulty now posed is about the initiative to be taken to resume the talks. In the first instance, the Government should prevail upon Mr. Subrana Shumshere to refrain from indulging in any propaganda against King Mahendra.

U.P. Land Tax

THE COMPROMISE BILL

THERE WAS no iota of doubt that the UP Land Holdings Tax Bill could not be carried through the legislature in its original form in view of the storm of opposition which it raised not only from the opposition parties but even from inside the Congress Legislature Party and particularly when two of the influential Ministers did not endorse it fully. The principle of levying an additional tax on land to enable the State Government to raise tax resources to finance the five-year plans remains vindicated. But the Bill has been modified much beyond ordinary expectations and this is the measure of the pressure before which Mr. C. B. Gupta had to bow. One fundamental defect in the Bill was that the limit for exemption of holdings from the tax was placed too low — one acre throughout the State — thereby entailing undoubted hardship on the owners of uneconomic holdings. The size of uneconomic holdings naturally depends upon varied factors, but broadly speaking, it ought to be fixed high in the sterile eastern districts and comparatively low in the fertile western districts. The limit of exemption is now raised to 8 acres, but a higher limit will have to be allowed in the case of poorer grades of land. This makes a substantial difference to the revenue expected to be earned from the tax. There is no readily available basis to make any accurate estimate in the case of such a complex levy as this, but it is surmised that the revenue would be reduced from Rs. 8.5 crores to a little above Rs. 4 crores.

A major target of attack was the very principle of taxing the peasant. Substantial sections inside the Congress Legislature Party itself advocated the policy of no additional taxation of the peasant ostensibly with an eye on the ballot box. For the time being at least this clamour has been resisted. The passage of the Bill is now assured. But if by an implied understanding it is assumed that this will be the only dose of taxation of land, it would amount to nullifying the principle courageously accepted by the Congress Party. A good deal of outspoken and convincing propaganda will need to be carried out to bring home the the reasonableness of the principle of levying this tax to the peasants as well as to those who profess this new-found solicitude for them.

Education Medium

RIGHT TO EXCLUDE

THE SUPREME COURT'S judgment dismissing the appeals of the Gujarat University and the State of Gujarat in the matter of prescribing specified languages as the exclusive media of instruction settles an issue of fundamental importance. The facts of the case are simple, but typically representative of an attitude which threatens to inject intolerance and severity in the system of education at the higher level. The Gujarat University framed certain statutes in pursuance of the powers conferred on it by the provisions of the Gujarat University Act, whereby it prescribed Gujarati or Hindi as the compulsory media of instruction at all the levels, to the exclusion of English. The exclusion of Enylish as a medium of instruction was challenged in the Gujarat High Court on two grounds — that the power of exclusion was not vested in the University and that such exclusion offended against the fundamental right of the minorities to safeguard their language and culture and to establish educational institutions of their choice as guaranteed by Articles 29 and 30 of the Constitution. The Gujarat High Court upheld the contentions of the aggrieved party on both the counts and gave the ruling in favour of the petitioner, rendering the statutes on the exclusion of a particular language void.

In the appeals preferred separately by the University and the State Government against the High Court's decision, the Supreme Court gave its ruling on the issue of exclusion of a particular language as a permissible medium of instruction, but not on the question whether the fundamental right raised was infringed. This does not, however, amount to a decision that the right is not violated. The Supreme Court's action

was based on a technical ground. This particular plea was not raised by the aggrieved party in his pleadings and, unlike criminal proceedings, where any plea not specifically raised can be taken up even at the final stage of argument, in civil suits, appeals etc., if a plea is not taken up, the party's case on that score goes by default. In the reference on the Kerala Education Bill, introduced by the Communist regime, the Supreme Court gave its advisory opinion that the minorities were vested with the fundamental right to be educated in their language and to order their educational institutions to that end. A regular and formal judgment in the Gujarat case by the Supreme Court would have given finality to this view. In the result, the position on this basic question remains that there is no judicial ruling of the Suprm Court, but an advisory opinion.

It is on the issue of the right to exclude a particular language as a medium of instruction that the Supreme Court's decision is of great value to determine the educational policy on this controversial point. The statutes whose validity was challenged by the party were impugned by the Gujarat High Court (and this ruling was upheld by the Supreme Court) on the ground that the provisions of the Gujarat University Act, under which the statutes were made, conferred the right on the University to promote the use of Gujarati or Hindi, but by no stretch of reasoning could they be construed to include the right to exclude and demote English. An immediate issue was raised whether the State legislature is competent to legislate for such exclusion, in which case the disability of the University could be removed by an amendment of the University Act. The Supreme Court expressed itself very strongly — and here lies the great merit of the decision — that, while the State legislature can legislate on matters pertaining to education in general, this power is not unrestricted.. The State legislature may indicate in certain cases the medium of instruction, but this power, like some other powers, is subordinate to the power of the Union Parliament. Ultimately it vests in the Union Government as part of its responsibility to maintain educational standards on a basis of co-ordination. Parliament, of course, will show supreme good sense to uphold quality standards in education, of which the medium of instruction is an integral part. But the State Governments on their part ought to abide by the Supreme Court's ruling in its genuine spirit and resist the temptation to circumvent it by erecting administrative barriers against the maintenance of English as a medium.

Consulates in China

DESPARATE MOOD

IN THROWING to the winds all diplomatic courtesies, especially in the case of a mighty neighbour, which, in the final analysis is her inseparable ally, China has given the latest ugly proof of her capacity for desparate action. She has peremptorily called upon Russia to close down all her consulates in China. The reason may be not plausible but sound. As it is, the number of Russians resident in Chinese towns is now (after the summary elimination of the technicians) too nominal to warrant the continuance of these consulates. Probably no answer can be given to the straight poser: What are these consulates supposed to do? But the least that is expected of the host country, which welcomed their establishment, is to observe the minimum decorum in asking for their disestablishment. To issue what smacks of an ultimatum is bad enough to make muddy relations more so. It could not have been done by accident or sheer inadvertence. And China certainly cannot be accused of ignorance in these matters.

That this was a calculated thrust at the Big Brother cannot be doubted. The trouble with touchy China is that she is not prepared to admit such an existing fact as the bigness of the brother, whatever her own ambition to snatch bigness in the ideological realm may be. There are, however, some standing grievances against the Big Brother and some new ones. Russia's veering towards competitive co-existence and her overtures of disarmament to America — the imperialist aggressor militatarily propping up the Kuomintang bandits in Taiwan—is an unpardonable sin. This is now an old grouse. China resents Russia's intrusion in her zone of influence in S-E Asia. And she has advanced new claims in Africa from which Russia cannot be expected to stay aloof. The offer of the MIG's to India, the intransigent contender against China's border claims, (in contradistinction to Russia's neutrality so far in tne India-China dispute) is a stab in the back. But tne timing of this peremptory order for closure of the Russian consulates to follow the shooting of U-2 and with the claim that China has perfected her atom bomb mastery gives a sinister import to this exhibition of the desparate mood. This is something which India needs to ponder over in tightening her defence in the North.

Congress Reform

AN UNFRUCTUOUS CONFERENCE

THE CONFERENCE of the Pradesh Congress Presidents and Secretaries which was convened at Trivandrum to consider the problems of the organisation's reform dispersed without achieving hardly anything. Two questions which figured prominently in the conference discussions ought to be mentioned. The more important of them related to a radical suggestion that the Prime Minister and the Chief Ministers of the States should be elected jointly by the Parliamentary or Legislature parties as well as by the members of the A-ICC and the Pradesh Congress Committees respectively. The precedent of the Conservative Party in Britain was quoted in support. But it was totally overlooked that the precedent was quoted only half way. The Conservative Prime Minister has a complete control over the organisational wing in the sense that he nominates the incumbents of the key posts. How many of the Pradesh Congress Committees would countenance this super-imposition, as it were? The leader of the British Labour Party in Parliament, like the leader of the Congress Party in the legislatures, is chosen by the Parliamentary Party and there the spectacle of friction in important matters between the parliamentary and organisational components of this party is witnessed. But it is not of the same variety as in India. In India, the strife between the legislative wing and the organisational wing has assumed ugly dimensions in some of the States. The correct remedy to bring harmony and a reasonable degree of consultation between the two wings lies in the hands of the leaders of the party and they can apply it successfully if only they shed the lust for power.

The question of bogus membership was debated at some length and it seemed as if raising the membership subscription for the primary membership of the Congress organisation above 25 nP. would do most of the trick. Bluntly speaking, few at the conference would have taken this proposition at face value. Bogus members are enrolled not for their own sake but to strengthen the electoral prospects of the aspirants to positions of power in the organisation. Even if the subscription is raised from 25 nP. to Rs. 5, funds for the enrollment of bogus members will continue so long as corrupt practices are freely indulged in. The figure of 25 nP. was symbolic of the fact that the doors of the Congress were open even to the poorest. But much more than 25 nP., what lay at the root of the membership was the moral allegiance of the members to this august organisation. It is this moral allegiance which needs to be resuscitated.

The World Abroad

"PROFITS" OR "THE NATIONAL INTEREST"?

By ODYSSEUS

THE GREAT PROBLEMS in the industrialised West are inflation and over full employment, which impede growth. Up to the present, efforts to solve them have largely concentrated on raising bank rates and imposing purchase taxes or other fiscal controls, which halt growth, and so we have had the constant alterations of Stop and Go. Britain, Germany and the USA are but three outstanding countries which at the moment are in one or other, or in between, these phases.

The repercussions of this Stop and Go are not confined to the industrialised West but affect the developing countries' ability both to sell their exports and to borrow capital. So East and West each have motives for trying to find the way out.

In the past few years, British economists have successfully devoted much time and energy to clarifying the issues and have advanced a long way towards a solution. The difficulty, as Keynes said, "lies not in new ideas but in escaping from old ones." And it is ironical that the consensus of opinion is that some of the old ideas which are forcing us into the rut of Stop and Go are those of Keynes himself. As Colin Clark says in his "Growthmanship" (Institute of Economic Affairs. 66A Eaton Sq., London. SW-1. 2nd ed:. May 1962. Price 6sh.), nearly all economic theory of the last twenty years has been influenced by Keynes, but what was overlooked was that Keynes was pre-occupied with unemployment and depression — the exact opposite of our present ills. The world has sought to expiate the fault of not having listened to Keynes in the 1930's by applying his cures, with the deepest respect, to wholly different ills.

All this is a preliminary to investigating a problem of current importance which, to judge from Mr. G. L. Mehta's interesting article, "The Managerial Revolution in India" ("The Eastern Economist," July 20, 1962), is beginning to pre-occupy India as much as it does the West. How do you promote more rapid growth, mobilise savings, ensure that they are channelled into the most productive uses, and that management is efficient and on its toes? Is growth secured better by private enterprise or state action? The quarrel between private and state enterprise is the alleged contradiction between private profit and the "the national interest" — the shareholder versus the public.

PROFITS — SOCIAL AND ANTI-SOCIAL

Profits are respectable if they are "reasonable" and if they are ploughed back. To go all out to make the highest possible profits is "anti-social", and to pay them out in dividends is, indefensibly, to distribute "unearned" income.

The connection between these views and the U.K.'s showing in the international "growth league" is direct. The U.K. trails behind Germany, France, and even Italy, (a) in technological advance and (b) in the percentage of gross national product invested at market prices (cf. 25 per cent in Germany; 17 per cent in the U.K.). Growth is linked to technological advance, because real explosive growth, like that of mid-19th century Britain, or of Germany, France, and Italy in the 1950's, does not spring from increasing investment in established industries, but from investment in new products, and new techniques, which boost productivity, particularly in exportable goods and services.

To plough profits back slows growth from innovation because it normally expands the capacity of existing plants or equipment. Thus, plus restrictive practices by trade unions, may divert investment away from technological innovation and new labour saving devices into surplus capacity. This, in turn intensifies labour shortages and wasteful use of labour.

Although the U.K. has the lowest rate of capital formation in Europe, (2.6 per cent per annum compared with 7.7 in Germany), capital per worker has risen since 1937 by 70 per cent (30 per cent in Germany), which means that it has been wastefully allocated between alternative uses. That output per man hour (1935 = 100) is 110 in the U.K. compared with 133 in Germany suggests that the capital allocated is also less efficiently used. The U.K. depends more than any other country on exports, so the U.K. ought to be ahead of her competitors in scrapping old plants, investing in labour-saving devices, and, above all, in encouraging the development of new technologies.

It follows that tax policies should encourage companies to pay out maximum dividends, compatible with the maintenance of normal business reserves. Shareholders and their advisers, stock brokers, investment analysts, the financial press, and others, take a more objective view of the comparative merits of alternative allocations of savings than directors, understandably biased in favour of their own company and industry. Obviously proposals to raise money by a new issue, which will be subject to expert vetting by outsiders,

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will be more carefully thought out than proposals to use retained profits.

To pay out maximum dividends should appeal to egalitarians because:

(1) They dislike the growth of monopoly, take-overs, and amalgamations at the expense of small or medium sized enterprises. Ploughing back reduces the availability of capital to small and new firms, which might otherwise become competitors.

(2) They seek the widest possible distribution of wealth. Ploughing back concentrates wealth in fewer hands. Paying out diffuses it.

Note, too, that a firm which, as a matter of policy, finances itself from its profits, tends to keep its selling prices up accordingly.

Historically, specialisation of persons, plants, and firms has speeded progress. Proposals for "diversification", to expand into an entirely new field should therefore be examined to ensure that they are economically justified, and not a device to secure a more comfortable life for an individual firm. Proposals to "diversify", to launch out in unrelated fields often arise when an established firm finds its existing business contracting. But it is, in principle, preferable that capital withdrawn from a failing line of business should be repaid to shareholders, since this enables them to re-invest it in growing rather than contracting enterprises. In his "Structure of Industry in Britain", Professor G. C. Allen asks pertinently whether a cotton firm, which closes following the industry's contraction, should invest compensation received in new enterprises which require expertise of a different kind? Should estate companies, after selling out to Malayans, start anew in, say, plastics? The answer depends on the technical and commercial equipment of the individual firm, but it is certain that some boards have, by ploughing back, retained control of capital that they could not have obtained from the market.

512 LARGEST FIRMS IN THE U.K.

The U.K. Labour party's pamphlet "Industry and Society", discussing the 512 large U.K. companies which (it is said) account for half the total profits earned by private industry, and which plough back a high level of these profits, observes that they "are the main centres of growth in the economy." This suggests that the Labour party, so allergic to the social "establishment", is unaware that these 512 large firms, together with organisations like the F.B.I. and the T.U.C., constitute a formidable economic "establishment". Historically, the giants of industry have not been the main centres of that technological advance which constitutes true growth: on the contrary, they tend to delay rather than to advance it. This is natural, because governments, the press, business, and trade union leaders, associate national prosperity with established industries. If one of these is declining, the economic "establishment", far from hailing its elimination as evidence of progress, is deeply concerned; and whereas pressure groups against change were comparatively feeble in the 19th century, today they are powerful in press and parliament. Who, in 1900, when cotton textiles towered over all other U.K. exports, could predict that a then embryonic product — road vehicles — would, fifty years later, be selling abroad five times the value of cotton textiles? Who, in 1900, could prophesy that the net output of two wholly unknown industries — radio and telecommunications — would today be substantially greater than that of the U.K.'s historic shipbuilding industry, or aircraft worth more than wool textiles? The transformation is obvious as one looks back, but at the time when new products first appeared, innovators needed vision, and capital, to struggle against disbelief. The transformation was initiated not by the economic "establishment", but by the enterprise of innumerable small or medium entrepreneurs, like Rolls, Morris, Marconi, Ferranti, de Havilland, or Mullard — men whose criterion for investment was a matter of fact: "How much profit is there in it?"

Next week, we will look more closely at the role of the shareholder.

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Economic Report from the U.S.

MANPOWER TRAINING

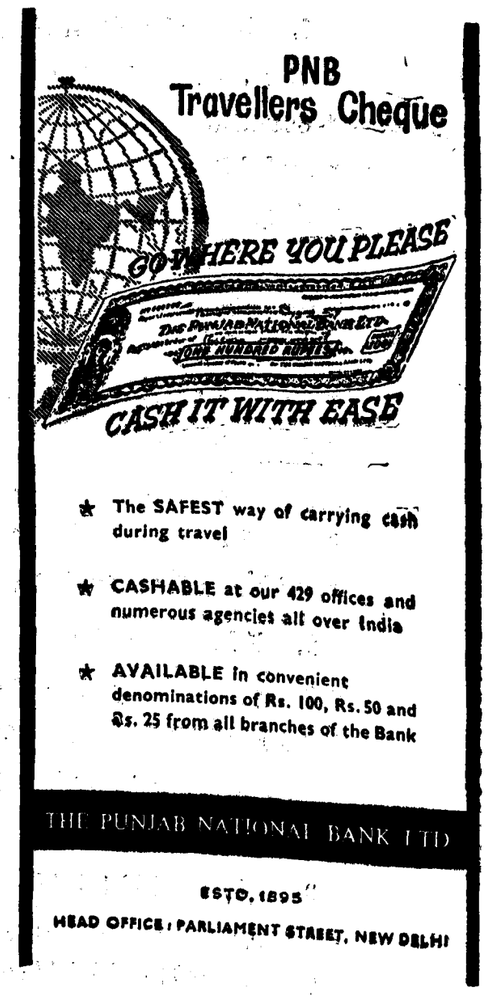
By GUY SIMS FITCH

WASHINGTON, September 18.

THE growing awareness of the major role manpower training plays in national development will be reflected in Puerto Rico next month when representatives of 40 nations gather for a conference on "Human Skills in the Decade of Development." The conference was proposed by the United States, which recommended that it be at the cabinet level. Responding nations, which now number 36, agreed. To show the importance the United States attaches to the matter, it has designated Vice-President Lyndon Johnson to head its delegation, which will include Cabinet members, Congressmen and heads of major Government agencies.

In a sense, the conference is the result of a change in the direction of developmental thinking in the past few years. For some time, all the emphasis was on the provision and creation of capital. But actual post-war experience has shown that capital accounts for less than half the actual development — about 40 per cent in fact. Furthermore, it has been determined that maintenance of a given growth rate requires a manpower training rate from three to six times larger. What this means is that, if a developing nation plans a growth rate of 10 per cent annually, it must plan simultaneously to increase its manpower training rate by 30 to 60 per cent annually. If it does not, all the capital development it can muster will do it little good, because it will not have the human skills needed to put the capital to work.

The sub-heading of the conference title, "The Middle Manpower Level Approach," accurately describes the direction it will take. There is usually no shortage of unskilled labour in countries embarking on development programme, and it has been found, to the surprise, of many, that there usually is a fairly good corps of highly skilled persons. It is in the broad area in between that the crippling shortages occur. Such countries usually do not, for example, have the laboratory technicians that the skilled research scientist needs to support his work, the nurses to back up the doctors, and the construction foremen to translate the plans of the engineers into reality. Where such manpower exists, as in Japan, for instance, with its ratio of 230 skilled workers to each 1,000 population, the rate of sustained economic development is high. The general principle involved in this relationship between capital manpower as factors in development was stated a year ago by Amb. Adlai Stevenson, the U.S. delegate to the U.N. Addressing an audience of Latin American Journalists, he said the U.S. learned, in its post-war history of assisting in development projects, that "it was impossible to build a modern economy on the foundations of massive poverty, illiteracy, feudalism, tax avoidance and social injustice. The middle level manpower approach is designed to strike directly at some of those age-old evils. It has three general purposes; to increase awareness of the importance of the manpower training approach; to arrange ways by which individual nations can assess their manpower training needs; to provide them information on the techniques of training within the country. The third point is the working culmination of the factors of awareness and assessment. Specially, it involves application of relatively new methods of adapting existing educational systems to training needs, and creating specialized training programmes outside the normal educational process. The U.S. regards this conference as one of the most important to be held in the post-war period — particularly in that it is a co-operative effort by both the highly developed and the newly developing nations to solve some of the major problems of the latter.



THE BUSINESS WORLD

Stock Exchanges and Speculation

By CROESUS

STOCK exchanges have been in the news throughout this month. They have been both condemned and given a good chit. The condemnation came from our ebullient Union Minister for Steel and Heavy Industries, Mr. C. Subramaniam, when he was in Bombay early this month. In an understandable effort to defend the Government of India's decision to fix the average steel retention prices at a level lower than that recommended by the Tariff Commission, he told the Indian Merchants' Chamber that the Government's decision should not be judged by any stock exchange reactions, because those were the outcome of speculative deals. This, one hopes, is his individual opinion. In any case, the Minister need not have questioned the wisdom of those people who are concerned with the reactions of stock exchanges. For not all stock exchange reactions are the outcome of undiluted speculation, and certainly not always. Even in the worst speculative market, there is present another important constituent called the investor, and when the stock exchanges reflect the reactions of the genuine investor, as happens at least at times, no one can afford not to take note of them.

Let us take, for example, the reactions over a period of, say, the Madras Stock Exchange, which has just completed its Silver Jubilee. It is well known that this body is a relatively conservative institution. It has on its lists still only 268 companies; in fact, the official list quotes only 262 companies, the total paid-up value of the shares of which is Rs. 118.78 crores (their market value, of course, is much higher at Rs. 203.53 crores). It is a revealing commentary on the cautious attitude of the operators of this exchange that, out of the 262 companies quoted, only 17 companies happen to be those that have not paid dividends for the past three years. Until 1958, there was no Clearing House for the Madras Stock Exchange and even today the total number of scrips included in the Clearing List has not gone above 15, although the volume of business is stated to have increased substantially. And there are no jobbers to speak of yet. Against this background, it is a matter for calm consideration whether, one could brand the Madras Stock Exchange as a speculators' market and belittle the importance of its reactions. Be that as it may, it is indicative of the robust realism of the stock-broking community that it has not been demoralised by the deliberate debunking of stock market operations even by some highly placed persons. On the other hand, as though to demonstrate that the stock exchanges are a really useful institution and that stock-broking is a respectable enough occupation, the Madras Stock Exchange has moved the University authorities to creat a special chair and to institute university courses to train persons for a career in stock-broking.

I do not know why the bearish reactions of the stock markets to the announcement of seel retention prices has been made the occasion to damn stock exchanges, unless the thesis is accepted that "there is a political component in steel prices which has taken them outside the routine processes like that of the stock exchange". But then, if this thesis is accepted, it cannot lie in the mouth of the Union Finance Minister, as has happened in the past, to justify his budget propo.als, in particular the increases in the incidence of tax burdens, with reference to price movements on the stock exchanges in the country. True, these movements are at times inexplicable, which has perhaps provoked the expression "a somewhat mercurial behaviour" of the stock exchanges, but, since it is not impossible to indentify such behaviour and seperate the chaff from the grain, as it were, it should not be difficult correctly to gauge the right type of reaction. This is not to say, however, that the bearishness or the bullishness of the stock exchanges at a given time should always be taken as a decisive factor for the formulation of public policy. But it may be helpful, even as it would be useful, in effecting some suitable modifications.

All may not agree that the stock exchanges are a barometer of the economic health of a country, but there are quite a few who even dispute the usefulness of the role of stock exchanges in canalising savings, especially in an era of inflation. It is now more or less universally acknowledged that equities provide an excellent hedge against inflation and the erosion in the real value of the currency of a country. One would have thought that, when the trend of thinking in international banking circles is definitely veering round to the view that gold holdings should be owned only by governments and not by individuals, the growing importance of equities as a hedge against inflation would be unquestionably accepted. One is also at a loss to find the persistence of an impression about the stock exchanges that prevailed a decade ago, even after the enactment of the Securities Contracts (Regulation) Act. All the stock exchanges in India today are governed by this Act and, in the past two or three years, there have also been a number of voluntary moves on the part of several stock exchange authorities in the country to place their business on a really sound basis. Evidently, this explains the recent complimentary remark of the former Governor of the Reserve Bank, Mr. H. V. R. Iengar, when he inaugurated the Silver Jubilee Celebrations of the Madras Stock Exchange, that the performance of the Indian stock exchanges had been good, compared with the performance of the stock exchanges in other countries. He, of course, claimed that this record would not have been achieved by the Indian stock exchanges but for the considerable degree of Government regulation. He also added that, if they (Indian stock exchanges) had been allowed to have their own way, there would have been violent fluctuations and oscillations with very deleterious consequences to the psychology of the investor. In other words, if one may draw an inference from this, the Indian stock exchanges, as they are constituted today, are sound and sober enough. And, if this is so, it would be a pity if the stock exchange reactions to any given policy announcement or decision are not taken seriously. It is no use merely paying tributes to the stock exchanges on the role played by them in the industrial and economic development of the country on occasions like a silver jubilee and ignore them altogeth-

er at other times. Merely because there is an element of speculation in the stock market, it should not be condemned, as was the habit in the past when any stock exchange business was equated with gambling. Speculation is undoubtedly an element of the stock markets even today—as it must needs be—but it has ceased to be the only or even the predominant element. Also it has come to be fairly well recognised that, in order to ensure liquidity, there must perforce be a degree of speculation. Speculation is like a shot in the arm to an unwarrantedly hesitant market, a phenomenon not known to us.

Those who complain about our stock exchanges today are apparently unaware of not only the healthy regulatory aspect, as already outlined, but also the refreshingly welcome change that has come in the wake of the entry of fresh blood—the young and educated men who have taken the place of their fathers or other seniors — into the profession. With the advent of this new class of stock-brokers, I make bold to say, the profession has assumed both respectability and responsibility. Stock market prices are no longer determined solely by speculative considerations but by a thorough understanding of the working of a given company in particular and the concerned industry in general and this, be it noted, against the setting of the entire economy. More interest is being evinced today than at any time before in the operations of the Reserve Bank, the Life Insurance Corporation, the Industrial Credit and Investment Corporation of India and other financial institutions, as also in the progress of our five-year economic development plans, with particular reference to foreign aid. Quite often, the "mercurial behaviour" of our stock markets is determined by what happens in the US Senate or at the meetings of the World Bank or the International Monetary Fund or their affiliates. In short, inasmuch as it is possible today sensibly to correlate the behaviour of the stock exchanges to some important economic development or other, either within the country or outside, the degree of importance that one need attach to the speculative factor in the functioning of our stock exchanges has necessarily narrowed down.

Business Notes

Scrap

TRADE CIRCLES DISAPPOINTED

SCRAP TRADE interests have been thoroughly disappointed with the Report of the Scrap Committee, submitted recently to the Government. Stating this, Mr. S. A. Nathani, President, Scrap Traders' and Exporters' Association (S.T.E.A.), declared at a press conference, the other day, that the Committee, as also its recommendations, proved to be precisely what was apprehended by the scrap interests. What was worse, Mr. Nathani said, the Committee had served rather as a committee of secondary steel producers than as a Scrap Committee as such.

Highlighting these reactions of the scrap trade, the S.T.E.A. President expressed the view that the Committee had erred at the very outset by expressing itself about the impossibility of ascertaining the arisings of different grades of scrap in the various regions of the country. The scrap estimate made by such a committee could not be expected to project realities, he added. As he pointed out, the Committee has estimated the process scrap consumption at 10 per cent of finished steel consumption in the country and capital scrap at 66.6 per cent of steel consumed some 30 years ago! Even this very low estimate, the S.T.E.A. President said, was found to be much more than what was being collected at present. Not content with underestimating the position thus, the Commitee had reduced it still further by 20 per cent on the score that the availability should be placed at 80 per cent of the arisings. Thus, for the year 1961-62, the Committee has placed the arisings at 7,62,000 tons (internal demand 3,71,000 tons and available for export 3,91,000 tons, which is less than the actual export of approximately 4 lakh tons.) In this connection, Mr. Nathani referred to the scrap arisings in the UK and the United States which, he said, represented 20 per cent and 15 per cent, respectively, of the finished steel consumption in those countries. The National Council of Applied Economic Research had earlier placed the process scrap arising at 20 per cent, while the scrap interests had placed it at only 15 per cent. On the other hand, the Steel Furnace Owners' Association had placed it still lower at 12½ per cent; earlier still, the Kapur Committee had placed this estimate even lower at 11.5 per cent. But, to the great consternation of the scrap interests, the latest (official) Committee has arrived at the inconceivably lowest of the low estimate of 10 per cent! Actually the estimated arisings, according to the S.T.E.A. Chief, were over 2 million tons in 1961, whereas the Scrap Furnace Owners' Association has placed it at 14 million. The Scrap Committee estimates, however, place the figure at no more than 7,62,000. The contention of the S.T.E.A. President is that the Committee has neither taken the trouble of sufficiently examining scrap arisings, nor has it taken the trade into confidence, but has arrived at its own untenable conclusions for reasons best known to itself.

In estimating domestic consumption, on the other hand, Mr. Nathani complained, the Committee had taken a very optimistic view, in that the consumption had been placed by it at 3,71,000 tons in 1961-62, gradually rising to 12,562,000 tons in 1965-66! For the current year, it has placed the consumption at 4,50,000 tons, including the demand of 2,75,000 tons of main producers. According to Mr. Nathani, these figures are highly exaggerated. Instancing the arisings of scrap of nearly 1,50,000 tons out of the total annual sheet consumption, he pointed out, there was only one solitary consumer in the country, namely the Mysore Iron and Steel Works, which consumed not more than 2,000 tons during the last five-year period; the rest of the arisings had no market whatsoever in the country. The S.T.E.A. President, accordingly, regretted that the net result of the recommendations of the Committee would be further limiting of the outlets for scrap from this country. If the facts are as Mr. Nathani has indicated, the least that the authorities can do, especially when they need to muster everything exportable to augment our exports, is promptly to appoint a wider and more representative committee to determine the exportable surplus and release it without much ado.

Food

WHY THESE HIGH PRICES?

THE PERCEPTIBLE rise in the wholesale prices of foodgrains in the country, witnessed lately, has once again brought to the fore the controversial question of introduction of controls. More than the known divergent views on the subject among some Union Ministers, what has caused concern among the wholesale foodgrain traders is the persistent rumours about the proposed introduction of strategic controls by the Planning Commission. According to these interests, the so-called strategic controls would affect only the wholesale trade (which constitutes hardly three per cent of the entire foodgrain trade in the country), while leaving out the primary producers and the retail traders untouched.

Besides, they argue, any hasty introduction of controls would not serve the purpose the authorities have in view. As such, they suggest that a thorough investigation be made into the inherent causes that have contributed to the recent upward trend.

The President of the Federation of the All-India Foodgrains Dealers' Association (FAIFDA), Mr. M. H. Hasham Premji, declared, at a press conference in Bombay last week, that the present price spiral was due to reasons other than any shortcoming on the part of the foodgrain dealers. Substantiating this, he said that the rise of over eight per cent in the price index of food articles during the first six months of the current year had been brought about more by other sub-groups in the price index than by wheat and pulses. During this period, the price increases under different heads were: fruit and vegetables, nine points; milk, 22 points; ghee, 7 points; gur, 21 points; and sugar, 9 points. The price of wheat had actually declined by ten points, but a corresponding rise had been witnessed in rice, and, even so, on the whole, the prices of agricultural commodities had risen by only 1.7 per cent during the said period.

Yet another contributory factor to the present upward trend, according to Mr. Premji, was the considerable rise in the cost of production brought about by the extensive use, made by the farmers, of better seeds and fertilisers, as also the execution of several farm-improvement schemes, the introduction of better farming methods, etc. Further, the FAIFDA President also alluded to the increased incidence of various new taxes, such as the water cess, the development cess, especially in case of the vast area of newly irrigated lands, and so on. In addition, notice had to be taken too of the important shift that has taken place in the commodities of consumption by the people in the country, due to urbanisation and rise in living standards of the people, Mr. Premji added. It seemed to him, therefore, that there was a very strong case, in the changed circumstances, for granting the farmer some compensation, by way of a slight increase in the prices of foodgrains, to cover a part of these higher costs, as also to provide him with some incentive to make use of better and more effective farm production practices and to keep his interest alive in higher and higher production. However, as he pointed out, though this policy is supposed to have been followed by the Government, it has only been put into selective use as in the case of the prices of jute, cotton, sugarcane, tea and oilseeds, all of which, by the way, have been allowed to be raised.

Recalling the doubts raised by the Parliamentary Congress Committee for prices at its meeting during the first week of this month (September, 1962) whether all the items included in the Index Numbers reflected the correct rise in the wholesale foodgrain prices, Mr. Premji said that a change in the group had to be brought about and that the sooner it was done, the better it would be.

Sugar

EAST U.P. SUGAR MILLS' TRAVAILS

THE EAST U.P. mills are indeed the Achilles' tendon of the Indian sugar industry, for the working of most of them is uneconomic. But at the same time this is the only industry worth the name in this poverty-stricken and backward area of the country. In the recent past, with a view to help them to bring down their cost of production, some of the East U.P. mills have been allowed to be shifted to places where there are better facilities available in respect of essential raw material (i.e. sugarcane) supplies and marketability of the end-product. Shutting down of the whole of this industry in this region, however, is obviously neither necessary nor desirable. Efforts, therefore, need to be made to make their working more economic to the extent possible.

The travails of the East U.P. sugar industry emanate primarily from two factors, namely, the uneconomic size of majority of them and the poor quality of their cane supplies. According to Mr. V. D. Jhunjhunwala, President of the Indian Sugar Mills' Association, East U.P. Branch, there exist in this region a number of factories having a capacity of only 700/800 tons, as against an economical capacity, in the opinion of the Planning Commission, of 2,000 tons. The quality of cane in this area, which at one time was considered to be the sugarcane belt of the country, has also not shown much improvement over the past decade or so—in some places it has not shown any improvement at all or has even gone down. The causes for this are not far to seek. Lack of adequate irrigation facilities, frequent recurrence of drought and the poverty of the peasantry in general have tired the soil over the ages with the result that the fertility of the soil has reached a stage from where it can recover only through concerted measures over a long period.

To rectify the position and to restore the health of the East U.P. sugar mills, the eminent pleas made by Mr. Jhunjhunwala, while delivering his presidential address to the East U.P. branch of the ISMA at Gorakhpur, last week, need to be acted upon. The number of sugar factories in the area has to be reduced gradually from 33 working factories at present to say 10/15 units, through merger of the small capacity units either amongst themselves or with the bigger ones to make them viable and economic. Their modernisation is also urgently called for. With a view to improve the quality of cane, the State Government has to bestow more attention on matters pertaining to cane research so that improved varieties suitable for cultivation in this area are evolved. With this end in view, the State Government obviously will have to earmark a greater portion of the cane purchase tax (cane cess which it was called before its levy in that form was nullified by the Supreme Court recently) for development of cane instead of its diversion towards the general revenue.

Some relief to the East U.P. sugar industry can also be afforded by undertaking construction of new roads and improving the existing ones so as to enable the movemet of stores, particularly coal, and the end-products less costly and expeditious. Provision of irrigation facilities through undertaking of minor irrgation projects would also be a step in the right direction to increase the yield of cane in the area. To minimise the havoc played by floods to the cane crop in years of heavy monsoons in the catchment area of the rivers flowing through this region, which is a fairly recurring phenomenon, the State Government would do well to act upon Mr. Jhunjhunwala's advice in respect of dredging of river beds. This, incidentally, would result in an other benefit to the area, namely easing of the transport bottlenecks.

New Issues

GAJRAJ PANNALAL LIMITED

MESSRS. GAJRAJ PANNALAL LIMITED, who own Shree Mahalaxmi Cotton Mills, have plans to raise Rs. 12.5 lakhs capital, all in equity shares of Rs. 100 each. Of this, 1,450 shares are reserved for allotment to the directors, their relatives, friends and the existing shareholders. The remaining 11,050 shares were offered for public subscription, at par, on September 21, 1962. The list closes on October 1, 1962, or later at the discretion

of the directors. The issue, if fully subscribed, will raise the issued and subscribed capital of the company to Rs. 22.5 lakhs, out of an authorised capital of Rs. 25 lakhs.

The proceeds are to be utilised for financing the modernisation and the expansion scheme of Shree Mahalaxmi Cotton Mills. The expansion plan envisages an addition of 6,676 spindles, 129 looms and some more equipment for dyeing, bleaching, printing and processing of yarn and cloth. After the expansion programme is completed, the mills will be having a total of 12,800 spindles and 390 looms with their complete back and front processes.

The expansion programme is estimated to cost Rs. 37.5 lakhs. As the present issue will be making available only Rs. 12.5 lakhs, the company has entered into an arrangement for a loan of Rs. 25 lakhs from the Industrial Finance Corporation of India.

HIND AUTO INDUSTRIES

HIND AUTO INDUSTRIES LTD., Lucknow, a new company sponsored recently by Premier Motors Private Ltd., with a view to undertake the manufacture of automobile components, is expected to enter the capital, market some time later this year. The authorised capital, all in equity shares of Rs. 10 each, is proposed to be issued in the first instance. Part of it will be subscribed by the directors, their friends and associates, and the remainder will be offered for public subscription. The exact details of this, however, are yet to be disclosed.

The plant of the company will be located at Lucknow. The components which are envisaged to be produced are tie rod ends, spring shackle boards and pins and king bolts. The manufacturing licence for these is at present owned by Messrs. Premier Motors Private Ltd. The Government of India has been approached for the transfer of this licence to the new company. At a later stage, the manufacture of universal joint couplings, water pumping repairing kits, tail crown wheels and tail pinions is also proposed to be undertaken.

Technical collaboration has been arranged with the West German firm Alfred Sell Autoteilefabrik. The necessary foreign exchange required for the import of machinery and equipment is reported to have already been sanctioned by the Government.

Shipping

UNSATISFACTORY RESULTS

AT THE annual general meeting of the shareholders of India Steamship Company Ltd., Sir A. Ramaswamy Mudaliar, Chairman, referred to the financial results of the company as an unsatisfactory development in the year 1961. Although the freight earnings during the year was Rs. 8,97,26,920 as against Rs. 8,63,00,835 in the previous year, Sir Mudaliar regretted that the year ended in a loss. The loss may be lower than the previous year, but it does not make the position satisfactory in any way. Two factors seem to be responsible for this state of affairs. The first one being the lower rate of freight which continued for goods carried from East to West throughout the year and for goods from West to East during most of the year. The second factor was that he volume of high freigh cargo had fallen to some extent and the vessels had to carry low freight cargo like oil cakes, ore and fertilisers which swelled the volume of freight tons carried without substantial benefit to the companies concerned. The increase in items of expenditure was mostly due to incrmental increases of salary, revision of scales in some cases, and repair and maintenance charges.

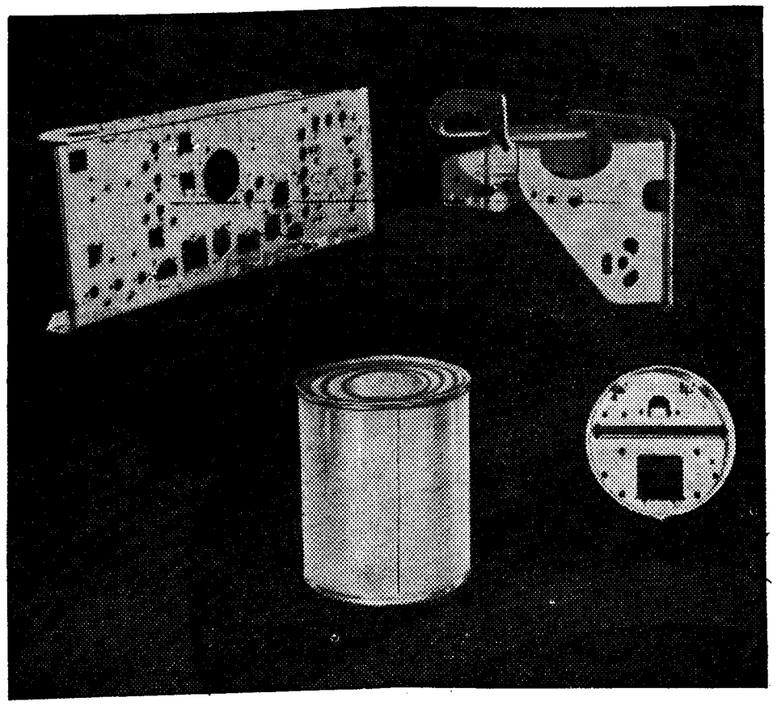
It may be noticed that the depreciation charges have also gone up and the insurance charges has also gone up on account of unfortunate loss sustained by the company last years. The costs on the whole have been increasing. The strikes at ports and delays both in official and non-official circles in no way can be justified and sooner an end is put to all this the better it will be. Under this state of affairs, Sir Ramaswamy Mudaliar, pointed out that the increased rate of dock levies cannot at all be thoroughly justified. In February of this year, the levy amounted to 90 per cent over the normal rate and from 1st April, it is 100 per cent. The remedy, Sir Ramaswamy Mudaliar feels lies in either providing adequate freight rates or by decreasing the costs. The situation as described by, Sir Ramaswamy Mudaliar, appears to be quite convincing and one would agree with the Chairman of the Company that the cost must be brought down or adequate freight rates be provided otherwise the shipping industry which is so vital for the economy of the country will not be able to make the necessary headway.

Efficient management could also reduce the financial gulf between receipts and expenditure and the manage-met must see to it that this is brought about. At the same time it needs to be reiterated that the essential economic factors affecting all interesss must be carefully viewed and freight policies evolved then as a result of these considerations. Attention must at the same time be devoted to replacement of old ships and new ships must be built in our shipyards and in foreign yards where necessary. So far as repayment of the loan is concerned, the National Shipping Board has suggested that the same principle may be applied, that is, payment over a longer period for those instalments on the previous loans which have yet to be paid by shipping companies. It is to be hoped that this principle would be accepted.

Finances

STATE OF THE U.S. DOLLAR

PRESIDENT KENNEDY, while addressing the annual meeting of the International Monetary Fund and the World Bank, revealed confidence of his Government that is pledged to keep the dollar fully convertible into gold and to honour that pledge with all the resources of gold and credit. The U.S., he added, had not impaired the value of the dollar by imposing restrictions on its use nor had it restricted the amount of dollar an American might wish to take or send abroad. It had followed a liberal policy on trade and it continued to supply its friends and allies with dollars and gold to rebuild their economies and to defend their freedom. He rightly was of the opinion that other countries did not expect the U.S. to bear indefinitely both the responsibilities of maintaining an international currency and in addition a disproportionate cost of defending the Free World and fostering social and economic progress in the less developed parts of the world. This has to be read in the context of the last decade when the World War II in Europe had crushed various advanced economies. Naturally America had to come forward with considerable assistance to European countries to help them regain their economic health. Moreover newly gained freedom in the underdeveloped countries made it necessary for the advanced nations, especially the United



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States, to lend them a helping hand in their economic progress.

President Kennedy also referred to the deficit of the order of $1,500 million this year which is likely to appear in the U.S. foreign trade balances. This deficit, he said, was a considerable improvement over the last year when it was $2,500 million which was even higher in the preceding years. Against this deficit, it may be observed that the total gross military expenditure of the U.S. abroad is around $3,000 million and other aid expenditure comes to nearly $1,300 million. Thus if America were to look after its narrow self-interest, it could easily do without this huge expenditure and bring about a proper balance of trade. President Kennedy, therefore, was quite reasonable when he pointed out that the problem of the U.S. imbalance of payments was not their concern alone. The security of the dollar was and ought to be of major concern to every nation. This is so true because balance of payment deficit is not the result of any monetary or economic mismanagement in the U.S. Instead it is the result of expenditure in whole of Free World. This President Kennedy in a way confirmed that the basic strength of the dollar was unchanged and there would be no reversal of the present U.S. policy of assistance to underdeveloped countries.

Pig Iron

A PLANT FOR GOA

IF NOT in the public sector, at least in the private sector a pig iron plant is likely to be set up in Goa shortly. The reasons for going slow by the Government in regard to this matter appear to be that no proper survey has so far been made of the iron ore resources in the territory. The N.C. Srivastava Committee of the Planning Commission which visited Goa recently gave an overall suggestion for industrialisation and economic development of the area and the specific issue of setting up of pig iron plants to utilise, the locally available iron ore was not gone through by it. Besides, the Ministry of Steel and Heavy Industries does not seem to be in a clear mind whether large-scale production unit will be a profitable ore proposition. In other words, it implies whether the iron ore would be sufficient and of the right quality for running a pig iron plant. The other reasons appear to be that mine owners have entered already into contracts with Japan and Germany for supply of ores. This obviously restricts the scope for establishment of several plants to produce pig iron immediately. So if pig iron plant is set up, it would obviously have to depend on increased production of ore beyond the committed limit for exports to foreign countries. It is estimated that Germany was importing 2.2 million tons of iron ore from Goa every year, approximating to 39 per cent of the total iron ore output of the territory. Japan was taking 2.6 million tons per year, approximating to 46 per cent of the total iron ore output. Other overseas countries together imported the rest.

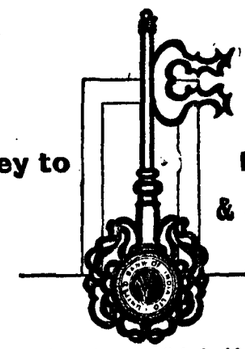
There is another difficulty and that is in regard to operating the iron ore mines as the mines are not mechanized. So under the circumstances, availability of iron ore is likely to be limited. The mines which are mechanized seem to be only three such as those of Messrs. Dempo & Co., Chowgule & Co., Salgoankar & Co. While on the face of it all this may seem reasonable for not setting up a big pig iron plant in the territory till a proper survey is carried out of the iron ore resources, it is heartening indication that the plant may be set up in the private sector. The private sector in every field has delivered the goods well and there is no reason why it should not be able to deliver the goods in future. So it should not only be given a chance in setting up the pig iron plant, but it should be encouraged to establish many more vital industries the need for which is greater at the moment to develop the territory.

(Continued from page 577)

dumping of farm produce by all the surplus countries. Thus, European taxpayers would all be subsidising the British housewife, while the British Government passed on a part of the gains in subsidies to British farmers. This is just the state of affairs the Six want to avoid, and they are astonished that Australia and Canada cannot see that they must avoid it too. Precisely similar prospects exist, it is claimed here, for many tropical products such as India exports. Britain would be forced before long to buy them where they were cheapest (which is not necessarily in India) or where such purchases opened the way for more British exports. The Commonwealth preference that the overseas premiers were defending was a luxury that Britain could no longer afford if she were to live next to a renascent Europe.

Mr. Nehru's criticism was no more favourably judged on the Continent. The success of India's Five-Year Plan depends, it was pointed out, on the USA and West Europe; much less on Britain if she remains isolated and a stagnant economy. The arguments of the Six and of Mr. Heath to the effect that India will make gains in trade with the enlarged Common Market are perhaps disputable, but Mr. Nehru did not dispute them. He merely passed on to political points that were shrugged off here; the Six did not lead Britain into the anti-Communist alliance, so reflections on the danger of power blocs were irrelevant. In sum, the case put forward by the visiting premiers in London was assessed on the Continent as weak or beside the point, and commentators were in agreement in concluding that the Commonwealth was a sentimental reality but an economic non-entity. (Australia, one Parisian paper claimed to calculate, exports to neighbouring New Zealand only one-tenth of what she exports to Britain, while she exports to India only half what she exports to New Zealand.) That was why the Commonwealth conference produced no useful economic discussion and will have no influence on the course of the Brussels negotiations, except to the extent that it gave Mr. Macmillan the opportunity to affirm his European faith under trying circumstances.

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FROM THE CAPITAL'S CORRIDORS

OIL MATTERS

THE finalisation of the petroleum products demand estimate for 1966 has again been postponed at least by three months. The Oil Advisory Committee, which met here this Monday to consider the recommendation of the Steering Committee to the effect that total demand for petroleum products in India by the end of the current Plan period would go up to slightly over 17 million tons, decided to set up a Sub-committee to report within a period of three months on the likely pattern of demand for furnace oil. The increase in the 1966 requirements estimate from 14 million tons to slightly over 17 million tons, envisaged by the Steering Committee, as indicated in a leading article in this journal a fortnight ago, had mainly resulted from an upward revision in demand for kerosene by 7 lakh tons and for furnace oil by 1.8 million tons.

The Union Minister for Oil, Mr. K. D, Malaviya, who presided over the Oil Advisory Committee's meeting, is understood to have expressed the belief that the 17 million tons demand estimate was an unrealistic one; the expansion in the demand for furnace oil envisaged by the Steering Committee, according to Mr. Malaviya, did not take into consideration a number of facts such as expansion in coal output and availability of natural gas as a source of energy in the Gujarat State. The estimated increase in the demand for kerosene also, the Minister is understood to have stated, could be met to some extent by converting coal into gas. The Sub-committee that is being set up would be asked to examine the issues raised by the Minister for Oil so as to reach a more realistic estimate for demand for petroleum products by the end of the Third Plan. It would not be out of place to mention here that ENI has estimated India's demand for petroleum products in 1966 at 18 million tons and has visualised a rapid growth in this demand thereafter. According to some usually reliable sources, the Oil Minister is prepared to accept the 1966 demand estimate somewhere in the neighbourhood of 16 million tons.

The question of further expansion of the private sector oil refineries is also believed to have come up before the Oil Advisory Committee. But in view of setting up of the Sub-committee to report on the likely pattern of future demand for furnace oil, it was naturally put off. Mr. Malaviya, however, is stated to have indicated that the question of expansion of the private sector refineries had nothing to do with the revision of the existing refinery agreements. Any expansion of the private sector refineries, he asserted, could only be considered after first deciding on the expansion of the existing/proposed State-owned refineries and setting up of new refineries in the public sector and after assessing the progress of finding other economic substitutes for oil. Further, Mr. Malaviya is reported to have stated that the three private sector refineries now functioning in India could be allowed to expand their capacities only if they were willing to import crude oil at much cheaper rates than they are doing at present and accept payment for it in non-convertible rupees. The three western oil companies, it may be recalled, had offered to voluntarily relinquish their special privileges under their existing refinery agreements on understanding being reached on some points included in which was the role that they would be envisaged to play in the future development of the oil industry in India. This obviously made their offer to abrogate the refinery agreements and their substitution by industrial licences to be drawn under the Industries (Regulation and Development) Act, 1952, conditional on allowing them to expand their capacity without incurring much foreign exchange expenditure and that too without drawing upon the foreign exchange resources of this country.

Mr. K. D. Malaviya is leaving New Delhi next month on a tour of the Soviet Union, Rumania, Poland and Italy to enlist fresh assistance from these countries for the public sector oil and coal enterprises. With the foreign exchange situation of the country becoming increasingly critical, Mr. Malaviya is stated to be anxious to obtain larger supplies of deficit petroleum products from the East European countries which accept payment for their exports in non-convertible Indian rupees. How far the Oil Minister would be able to ensure adequate and regular supplies of petroleum products in India this way, however, depends on how rapidly the State-owned Indian Oil Company can spread its network of distribution.

In Italy, it is learnt, Mr. Malaviya would discuss with the ENI authorities the question of setting up the fourth public sector refinery in South India. ENI is now reported to be willing to participate in the construction of this refinery on the basis of participation in its share capital rather than on the basis of a long-term loan to it.

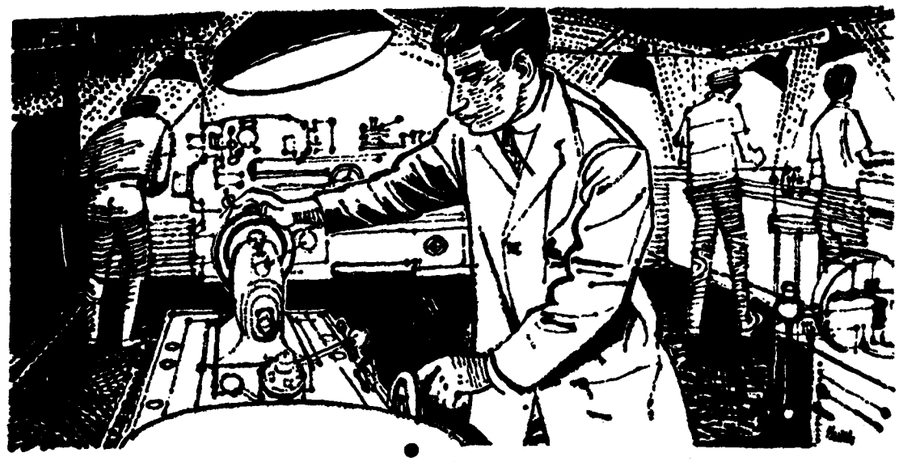
In Poland, Mr. Malaviya's concern would be coal. Efforts are being made to secure some additional Polish assistance for the development of coal industry in this country. The Polish Government also is reported to be inclined to provide some more aid.

Meanwhile, the Government of India is understood to have started negotiations with ENI for the supply of 1,00,000 tons of furnace oil and 40,000 tons of HSD in exchange for motor spirit. India has also signed another agreement recently with the Soviet Union for larger imports of petroleum products from that country.

MANUFACTURE OF AUTOMOBILES

The Union Ministry of Heavy Industries is understood to have done some plain-speaking with the representatives of Premier Motors, manufacturers of Fiat cars in India, who, following the recent cut in the foreign exchange allotment to them, had sought the permission of the Government to raise prices of their cars, which they pointed out was a necessary follow-up of a reduction in their output. The reduced foreign exchange allotment, the Fiat manufacturers intimated to the Government, would compel them to curtail their production due to difficulties of importing some essential components. This, they stressed, would naturally result in a certain amount of retrenchment of labour. The Government officials who discussed the matter with the Premier Motors' representatives, however, are understood to have plainly told them that any curtailment in their motor cars' output would call for further reduction in their allotment of foreign exchange, reiterating that the Government shall not increase foreign exchange allotment even in the face of threats of retrenchment of labour. They have advised Premier Motors that they should make larger use of indigenous components in the manufacture of their cars and also increase their production of trucks. In reply to the plea by Premier Motors that their trucks were not popular, the Government is reported to have suggested to the company that it should reduce the prices of its trucks.

Coming close on the heels of Mr. T. T. Krishnamachari's threat to scooter manufacturers that if they did not bring down their cost of production and conse-



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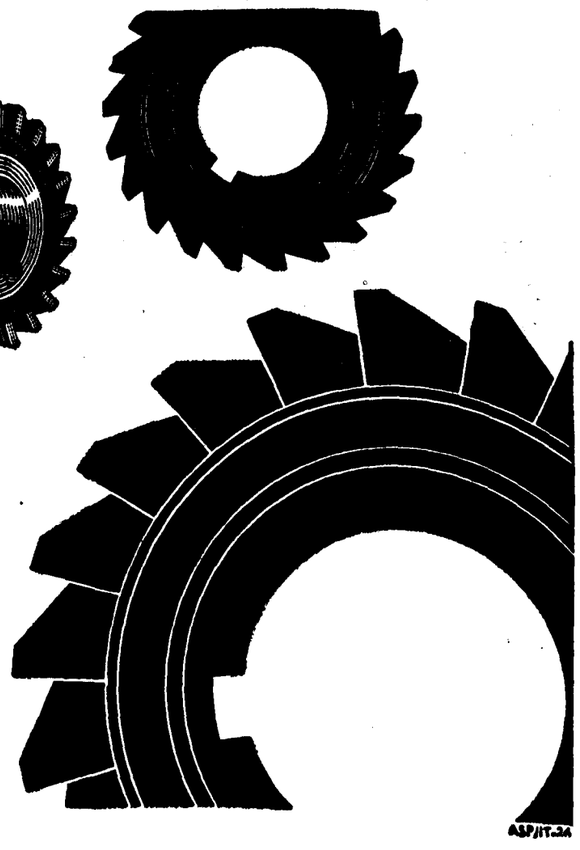
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quently their sale prices, they would face nationalisation, the meeting of the Premier Motors' representatives with the Government officials in the Ministry of Heavy Industries should show that the Government has said good-bye to its policy of appeasement to the automobile industry and is going to insist on greater use of indigenous components in their manufactures. To step up the output of indigenous components for the automobile industry, as already reported in this column, the Government has agreed to grant the necessary foreign exchange for import of capital goods required for the manufacture of components.

Failure of the automobile industry to come up to Government's expectations, knowledgeable circles opine, may lead to the revival of the proposal to manufacture people's car in the near future.

MANUFACTURE OF ALUMINIUM

The trouble about Mr. Murarji Vaidya's aluminium project, to be set up in Mysore, has already been referred to in this column. Similar is stated to be the story of the 20,000 tons Koyna aluminium plant for the setting up of which licence has been granted to Tendulkar Industries, first in collaboration with an American firm and then with a German firm, the United Aluminium Works Collaboration. The unsatisfactory progress registered by these two aluminium projects so far, especially by the latter in view of the fact that the Maharashra Government has earmarked power supply for it from the Koyna project which is now nearing completion, has created an unhappy position for the Union Government and has also disturbed the programme of aluminium manufacture during the Third Plan period. Although Mr. Tendulkar has not yet disclosed his mind, Mr. Murarji Vaidya is stated to be looking for a new foreign collaborator. If the unsatisfactory progress of Mr. Tendulkar's Koyna plant also is an outcome of a similar reason, the Union Government has reasons to be very much perturbed, for the breaking off of collaboration arrangements by the private sector, especially with two of the leading industrial houses of the United States and West Germany, may have adverse effect on economic assistance which these two friendly countries are offering for India's development plans. The Government, it is believed, is satisfied that both the foreign collaborators in question are competent and willing to carry out their undertakings. The Government is also anxious, and even determined, that these two aluminium projects should be successfully carried through.

These two instances and the surrender of their licence to set up a fertilizer plant in Madhya Pradesh by Khandelwals is feared in knowledgeable circles to be creating unnecessary prejudice in the mind of the Government against the private sector in this country.

STEEL RETENTION PRICES

Speaking to pressmen last week, the Union Minister for Steel, Mr. C. Subramaniam, made a stout defence of the Government's decision in regard to fixation of steel retention prices. The Government, he pointed out, had accepted all the basic recommendations of the Tariff Commission and stressed that the deviation was only in regard to the basis for the computation of the capital block and working capital.

The only suggestion which was not accepted was the allowance in the price of Rs. 8 per ton recommended by the Tariff Commission to enable the two steel companies, TISCO and IISCO, to return the principal and interest on the Rs. 10 crore loans taken by them from the Government. Although the Tariff Commission had recommended payment of an interest of 5 per cent by the two companies from July, 1958, on these loans, the Government had not so far demanded any payment. The understanding with the companies was that they could issue equity capital after April, 1963, and discharge their loan obligations to the Government.

Mr. Subramaniam said the Government had accepted the Tariff Commission's figure of Rs. 357 per ton as the average works cost for 1960-62. He claimed that this had taken into account the quality of raw materials, the increase in coal prices and the upward revision of railway freight.

The Government, he further said, had also accepted the recommendation of the Tariff Commission for a return of 8 per cent on capital and 5 per cent depreciation.

Explaining the calculation of the capital block, the Minister said that on the basis of the full-rated capacity, the capital block worked out at Rs. 1,241 per ton in the case of TISCO and Rs. 942 per ton for IISCO. At 90 per cent capacity, it worked out at Rs. 1,379 per ton for TISCO and Rs. 1,047 for IISCO. Whereas the Tariff Commission had suggested an average capital block of Rs. 1,300 per ton, the Government arrived at a figure of Rs. 1,176 per ton.

Mr. Subramaniam also pointed out that the proportion of the equity capital in the total block of the private sector steel plants had considerably declined in recent years. In 1955-56, he stressed, the equity capital of TISCO amounted to Rs. 17 crores out of total block of Rs. 69 crores. In the case of the IISCO, it amounted to Rs. 3 crores in a total block of Rs. 22 crores. As against this, TISCO's equity capital was only Rs. 39 crores in a total block of Rs. 189 crores at the end of March, 1962, which was less than 20 per cent. Similarly, it was about Rs. 16 crores, out of a total of Rs. 85 crores, in the case of IISCO. This, the Minister opined, went in favour of equity shareholders and provided justification for calculating block capital per ton at the full-rated capacity.

Mr. Subramaniam conceded that the Government's calculation of the working capital was at variance with the recommendation of the Tariff Commission. While accepting the Commission's suggestion of a return of 5 per cent, the Government assumed a working capital equivalent to the value of four months' production, whereas the Commission had recommended a figure equivalent to six months' production. In justification of this lower working capital, the Minister said that the companies would not in any way be affected by it because they were collecting from every purchaser of their products a deposit of 25 per cent of the sale value which they retained for an average period of one year without paying any interest. Further they utilised for some duration of time large amounts of money they owed to the Government.

PLANNING AND DISTRIBUTION OF IRON AND STEEL

The Government of India has decided to constitute a Committee to examine the entire system of planning and distribution of iron and steel. The Committee will consist of: Dr. K. N. Raj, Director, Delhi School of Economics, Delhi University (Chairman); Dr. Raj Krishna, Institute of Economic Growth, Delhi (Member); Dr. K. S. Krishnaswamy, Chief (Economic Growth), Planning Commission (Member); and Mr. C. A. Nair, Union Department of Iron and Steel (Secretary).

The terms of reference of the Committee are: (i) to examine the existing system of planning of production and control over distribution of iron and steel materials exercised by the Iron and Steel Control Organisation; (ii) to recommend measures to streamline and revise the procedure for ensuring equitable and speedy distribution; (iii) to examine the functions of stockists, both controlled and registered, and to make recommendations about their future role; and (iv) to examine the system of control and distribution for pig iron.

COTTON PIECEGOODS EXPORTS

Some more light is now available on the tough competition that Indian cotton piecegoods exports are meeting in the world markets. Spain, without any preferential tariff, is reported to have been able to push up its cotton textile exports to Britain by about 40 per cent in the last one year and Japan is emerging as the biggest competitor to India in South-East Asia, Europe and the United States. A trade protocol was signed between Japan and West Germany in Tokyo last week, under which Japan's export quotas in regard to cloth have been fixed by West Germany at DM. 20 million for cotton textiles and DM 22 million for other piece goods. The Japanese trade circles are reported to hold the belief that the signing of this protocol will bring about 20 per cent increase in their exports of cottongoods to West Germany. The Germans, it is stated, would be increasing their imports of cotton goods from Japan by about 60 per cent. As against this, the performance of India in the West German market is obviously deplorable. West Germany had allocated to India in 1960 a quota of DM 2.6 million, but against this goods worth only DM 9.4 lakhs were exported. During the current year, India has been given by West Germany a quota of DM 4.1 million worth of cotton piecegoods, but goods worth only DM 3.31 lakhs were exported during the three months ending March 31, 1962.

The acuteness of the Japanese competition in the United States is already well-known owing to the preferential position Japan enjoys in that market; it need not be elaborated here. But apart from Japan, India's cotton textiles today are also facing a keen competition in both the traditional and the non-traditional markets from new suppliers like France, West Germany, East European countries, Turkey and Egypt.

As against exports of cotton piecegoods to the tune of Rs. 49 crores a year, the maintenance imports on account of the Indian textile industry are stated to be of the order of Rs. 102 crores—cotton imports Rs. 70 crores, art silk yarn imports Rs. 12 crores, dyes imports Rs. 15 crores and machinery imports Rs. 5 crores. This should show that the performance of the Indian textile industry as a foreign exchange earner is on the debit side.

IMPORT OF CARDING ENGINES AND RING FRAMES

The position in respect of import of carding engines and ring frames by the Indian textile industry, allowed recently after a period of about four years, has been clarified by the Government in the statement issued last week. The statement says: "For the last four years or so import of carding engines and ring frames (spindles) was not allowed. Urgent and heavy requirements of these machines to attain the Third Plan targets of cloth production, however, have necessitated a change in this policy. Since indigenous production was not likely to be adequate to meet these requirements, it was found necessary to meet a part of the requirements by import. Thus a Public Notice No. 87|ITC|(PN)|62 dated 16-7-1962 was issued by the Chief Controller of Imports and Exports says that licences for the import of carding engines and ring frames will be granted to actual users in consultation with the Textile Commissioner.

"It has been brought to the notice of the Government of India that this has created an erroneous impression that import would be allowed freely. This is reported to have led to a decline in orders on the indigenous manufacturers for carding engines and ring frames or even cancellation of such orders already placed. It is clarified that it is not the intention to allow import of these two items freely. Import will be considered on a restricted scale only in special cases having due regard to the indigenous availability and the requirements of units which have undertaken special export obligations. Actual users should, therefore, make the maximum use of the indigenous production of carding engines and ring frames."

MANUFACTURE OF FERTILIZERS

The Union Ministry of Heavy Industries is understood to have examined last week the applications of the Governments of Uttar Pradesh and Kerala for setting up two fertilizer plants. According to authoritative sources, the two State Governments are understood to have been explained that since the Third Plan target capacity for fertilizer manufacture had already been fully licensed, their applications could be considered only in the context of the Fourth Plan programme. Both the Governments, it is learnt, have been advised to bring up their applications with greater details in 1963. More details have been asked for in view of the fact that the off-take of fertilizers, especially in the State of Uttar Pradesh which has already been allotted a fertilizer plant (to be set up at Gorakhpur) during the current Plan period, is not so very encouraging.

INDUSTRIAL LICENSING: PRIORITY LIST

The Union Government is according the following priority to capital goods imports:

1. Alloy and special tool steels.
2. Steel castings.
3. Steel forgings.
4. Heavy structurals including cranes.
5. Railway wagons and other railway equipment.
6. Industrial machinery for textiles, jute, tea, mining, washeries, cement making and paper making.
7. Machine tools, on a selective basis.
8. Pig iron.
9. Shovels and earth-moving equipment.
10. Fertilizers.
11. Rayon grade pulp.
12. Special refractories.
13. Industrial explosives.
14. Ferro-chrome, ferro-molybdenum and ferro-silicon.
15. Modernizing steel re-rolling plants to enable them to manufacture wires rods and special steel sections.
16. Cotton textile machinery particularly for use of short and medium staple cotton.
17. Trucks and ancillaries.
18. Ball Bearings.
19. Cast iron spun pipes from domestic pig iron and scrap.

MARKETING OF HANDICRAFTS

The fifth Handicrafts Marketing Conference, organised by the All-India Handicrafts Board, which concluded its session here last week, has recommended that steps should be taken to introduce measures like the compulsory quality control and preshipment inspection of handicrafts. Till the time the preshipment inspection was made compulsory, the Conference felt that goods carrying quality mark of various States alone should be encouraged for export purposes. In the absence of quality marked goods, the goods meant for export should at least carry a preshipment inspection certificate from some recognised agency. Certain State Governments, like U.P., West Bengal, Maharashtra, Kerala and Punjab, the Conference noted, already operated the ISI certification marking scheme in conjuction with their own quality marking schemes for some of the handicrafts. The Conference suggested that the remaining State Governments should be approached to evolve similar arrangements in consultation with the Indian Standards Institution.

Regarding the difficulties experienced by the handicrafts industry in the availability of raw materials, the Conference recommended that the Handicrafts Board should organise a system of allocating quotas of raw materials to the State Governments for utilisation only by the handicrafts sector. The Conference requested the Handicrafts Board to organise technical training for carrying out inspection and testing of goods and also to conduct regular training programmes for salesmen and impart training in display art.

The meeting also urged that in Delhi and other important export centres, training should be given in the packing techniques.

The Conference recommended that the design centres of the Handicrafts Board should conduct research and give proper help to crafts where necessary. Assistance should be given to craftsmen in improving their own designs.

It was recommended that an institute for training of designers and craftsmen should be started immediately. National awards, the meeting suggested, should be given to Master Craftsmen in recognition of their merits and scholarships instituted for the children of these craftsmen, so as to encourage the continuation of the craft tradition in the families.

In regard to the supply of raw materials for the craftsmen, the Conference felt that for the exporters who earned foreign exchange and were desirous of importing zinc and copper direct, the Indian Handicrafts and Handlooms Export Corporation should make arrangements for converting the metals into brass billets or sheets at a reasonable charge. The State Governments should also earmark some quantities of zinc and copper or brass and make them available to the craftsmen directly.

The meeting suggested that the Handicrafts Board should start depots in areas where there was a large concentration of workmen for storing raw materials, so that these could be supplied to craftsmen conveniently. The National Small Industries Corporation, the Conference urged, should give maximum help in procurring essential tools from foreign countries.

INCREASING MILK SUPPLY TO CITIES

By the end of 1962-63, 10 more dairies are expected to be commissioned in the country under projects to increase milk supply in cities. The new dairies will be in Aarey (Bombay), Calcutta, Madras, Patna, Cuttack, Lucknow, Jaipur, Srinagar, Nellore and Visakhapatnam. Together, they will have a daily handling capacity of about 400,000 litres (11,000 maunds) of milk. During 1961-62, the first year of the Third Plan, seven dairies were started with a total handling capacity of about 315,000 litres (8,500 maunds) of milk per day. New pilot schemes were also started at seven centres in Maharashtra.

Under the Third Plan, there is provision for 55 new milk schemes in cities and growing industrial townships. Thirty-five of these will be Government dairy plants, associated with village co-operatives for supply of milk, while the others will be run by producers' co-operative milk unions. These schemes will be supported by rural dairy extension services, plants for cattle feeds and dairy training. The entire programme is estimated to cost about Rs. 36 crores.

During the current financial year, the milk powder factories at Amritsar and Rajkot are also expected to go into operation. These plants are designed to produce about 2,500 metric tons of skimmed milk powder a year, besides marketing about 20,000 litres (over 500 maunds) of milk a day.

Rapid progress is also being made in the manufacture of dairy products in the private sector. Thirteen firms have so far been licensed in this field and their capital outlay is estimated at Rs. 4 crores. The annual production capacities licensed are (a) 8,500 tons of condensed milk, (b) 3,000 tons of malted milk, (c) 5,500 tons of infant milk foods, (d) 250 tons of processed cheese and (e) 7,500 tons of milk powder.

POULTRY DEVELOPMENT

A "Package Programme" for poultry development is among the main projects now under way to increase the annual output of eggs in the country to about 6,000 million at the end of the Third Plan period, it is learnt here. The level of egg production at the end of the Second Plan period was 2,880 million per annum.

Under the "Package Programme", there will be 50 intensive poultry development blocks spread all over the country, where all the facilities necessary for rapid increase of poultry and egg production will be provided simultaneously. These cover requirements of breeding stock, balanced poultry feeds and better poultry houses; technical guidance in rearing the birds and control of diseases. Besides, there will be a proper set-up for the collection, grading and marketing of the produce.

The total poultry population in the country increased by 60 per cent in the decade 1951 to 1961 — from 73 million to 117 million. During the Second Plan, five Regional Poultry Farms were set up in Bombay, Delhi Mysore, Orissa and Simla for the production of superior birds for breeding purposes and 269 extension centres were started in the rural areas to demonstrate modern methods of poultry-keeping.

During the current Plan period, three of the five Regional Poultry Farms are being expanded, for the production of over 7 lakh superior chicks per annum for supply to State farms and private breeders as foundation stock.

The hatching capacity is also to be increased to four million eggs per month against the present availability of only half a million. Foreign exchange worth Rs. 7 lakhs has recently been released for the import of 167 incubators.

Another project provides for streamlining the organisation for the collection, grading and distribution of eggs and poultry to consumers in 10 large cities. This has the twin object of supplying quality products to people in major urban areas at reasonable prices and providing an incentive to producers in the shape of a big and ready market.

A pilot egg powder factory is also being set up in Kerala to utilise the surplus egg production in the

State. Initially, 30,000 eggs per day will be utilised for powder making.

SHIPPING FREIGHTS

The India-Pakistan|U.K.-Continent Conference Lines used to charge, prior to unification, freight rates on shrimps and prawns from various Indian ports to U.K.-Continent as under: (i) From Bombay — sh. 198-6 per cubic metre. (ii) From Malabar and Tuticorin — sh. 158 per cubic metre.

The Conference Lines have fixed the unified freight rate effective from March 1, 1962, at sh. 172-6 per cubic metre. This has resulted in an increase in the freight rate from ports of Malabar, which is the major exporting area for this commodity, by sh. 14-6 per cubic metre.

On receipt of a representation from the Marine Products Export Promotion Council to the effect that this increase of sh. 14-6 per cubic metre would adversely affect the potential export possibilities of this new industry, the Freight Investigation Bureau took up the matter with the Conference. The latter, however, have not agreed to restore the rate to its original level.

The freight rates on rice bran prior to the introduction of unified tariff from various Indian ports were as under:

(i) From Calcutta — sh. 184-6 per 100 Kilos.
(ii) From Visakhapatnam and Madras Coast — sh. 168-6 per 1,000 Kilos.

The Conference have unified the freight rate at sh. 172-6 per 1,000 Kilos. The freight rate for this commodity was already high as compared to the freight rate on the same commodity from Burma to U.K.-Continent which is about sh. 115 per 1,000 Kilos. The matter was taken up with the Conference concerned pointing out that this commodity moved in considerable quantities from Visakhapatnam, Kakinada and Madras and comparatively small quantities moved from Calcutta and that it is, therefore, more appropriate and reasonable to fix the unified freight rate at the level of the rate prevailing from the major exporting area, namely, at sh. 168-6 per 1,000 Kilos.

The shippers are already findinp the rate of sh. 168-6 as quite high and prohibitive taking into account the rate on this commodity from Burma to U.K.

PROVIDENT FUND EXTENSION

The Union Government has extended the Employees' Provident Funds Act, 1952, to some more establishments employing twenty or more persons.

The Act will apply to saw mills, wood seasoning kilns, wood preservation plants, wood workshops and to establishments engaged in the processing or treatment of wood with effect from October 31, 1962. The latter would include establishments manufacturing hard-board or chip board, jute or textile, wooden accessories, cork products, wooden furniture, wooden sports goods, cane or bamboo products and wooden battery separators.

IN BRIEF ....

According to an Import Trade Control Public Notice issued here last week, the Union Government has decided that exporters of cut and polished diamonds, precious stones, diamond manufactures and jewellery set with diamonds and precious stones, will be permitted to utilise their import entitlements up to 5 per cent of the f.o.b. value of exports for import of machinery, tools and implements required for their respective industries.

*

Sale to tourists of jewellery (manufactures of diamonds, cut and polished, precious stones, jewellery set with precious stones, imitation jewellery, pearls and synthetic stones) against payments in foreign exchange will henceforth be treated as export for the purposes of incentives under the Export Promotion Scheme. Evidence, however, will have to be produced that the articles sold had actually been taken out of India and not disposed of in the country itself.

*

With a view to safeguard the health of the domestic consumers from use of aluminium utensils manufactured out of sub-standard material, the Union Government has assumed the requisite powers under the provisions of the Essential Commodities Act to control the quality of aluminium utensils produced for internal consumption. As a preliminary step, the Government issued an order on September 18, 1962, under Section 2 of the Essential Commodities Act, declaring inter-alia aluminium utensils an Essential Commodity. The order which prima facie declares manufactures and semi-manufactures of non-ferrous metals to be Essential Commodities is intended to cover aluminium utensils only at this stage.

*

A revised scheme for making available imported raw materials such as sisal yarn and dyes to manufacturer-exporters and merchant-exporters of coir yarn and coir mats will come into force from October 1, 1962. Under it sisal yarn and sisal fibre and permissible varieties of dyes and chemicals, actually needed by the coir industry, will be allowed to be imported up to 2 per cent of the f.o.b. value of coir mats and mattings actually exported. Up to one per cent of the f.o.b. value of these products exported can be used for importing essential items of machinery like ledger blades and shearing blades. Against the export of coir yarn, permissible types of dyes and chemicals which are actually needed by the coir industry will be allowed to be imported up to ½ per cent of the f.o.b. value of exports. Essential items of machinery such as ledger and shearing blades can be imported up to one per cent of the f.o.b. value of exports. All import entitlements under the scheme will be worked out by the Chairman of the Coir Board for each quarter.

*

In order to maintain the traditional pattern of trade between India and Afghanistan, and in terms of the arrangements recently agreed to between the two countries, it has been decided to permit for the Trade Agreement period, October 1, 1962, to November 30, 1963, imports of fruits (dried and fresh), asafoetida cumin seeds, and medicinal herbs from Afghanistan, on an ad hoc basis through approved importers. Those who had participated in the Indo-Afghan trade in these commodities during the four years ending June 30, 1956, and who had already been registered as "approved importers" can apply for licences. Those approved importers whose names have been de-registered will not be eligible for any permits. Imports will be allowed within a limited monetary ceiling and, in no case imports in excess of the ceiling will be allowed.

*

The Minister of State for Shipping, Mr. Raj Bahadur, is visiting Japan in the first week of October to explore the possibility of securing Japanese collaboration for setting up of the second shipyard at Cochin. Mr. Raj Bahadur will reach Tokyo on October 1. Besides conducting negotiations about the shipyard, he will also visit some ports and shipyards in Japan to study their working and also visit some tourist resorts.

*

Ad hoc licences for the import of seven items from Iran during the period, August 1962 — January 1963, will be granted to established Importers who had imported those items from Iran within the basic period, according to an Import Trade Control public notice issued here. The items are: dry fruits, dates, medicinal herbs (crude drugs), asafoetida, red oxide, dyeing and tanning substances, and gums. The Trade Agreement between the Government of India and the Imperial Government of Iran, concluded recently, provided for import of these commodities from Iran.

THE CALCUTTA ELECTRIC SUPPLY CORPORATION LIMITED

(Incorporated in England)

NOTICE is hereby given that the Board of Directors of this Company have decided to recommend to stockholders at the forthcoming Annual General Meeting that a Final Dividend for the year ended 31st March, 1962 on the Company's Ordinary Stock at the rate of £4 per cent net (Tax applicable at 7s. 9d. in the £) be paid on the 5th November, 1962 to those stockholders whose names are registered in the Company's Stock Register on the 16th October, 1962.

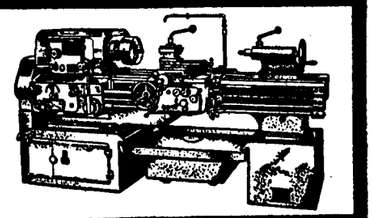
Applications for transfers received in this office before 12 O'clock noon on Tuesday, the 16th October, 1962 will, if otherwise satisfactory, be registered at that date for the purpose of participation in the above Dividend.

BY ORDER OF THE BOARD,
D. P. M. KANGA
Actg. AGENT

VICTORIA HOUSE,
Calcutta, 20th September, 1962.

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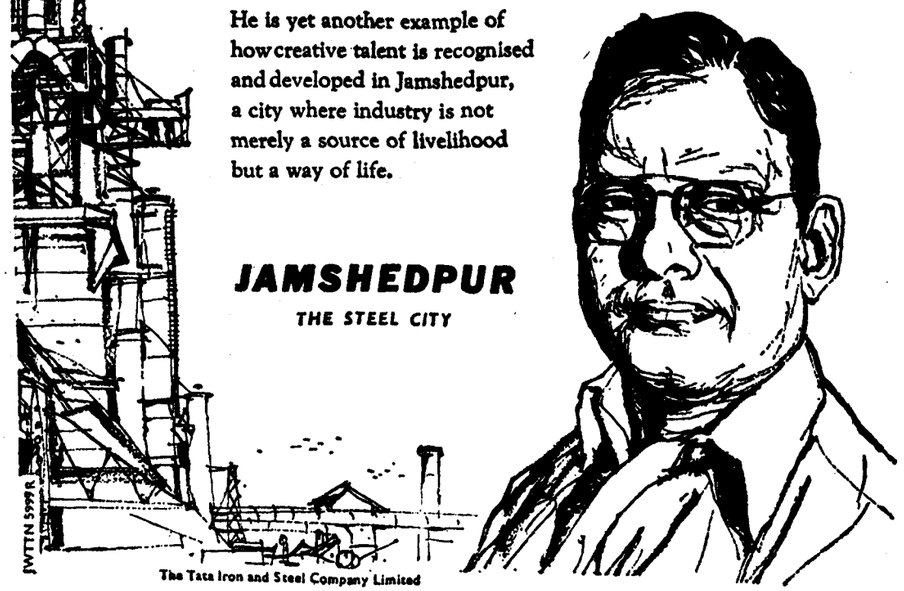
In 1920, P. K. Chatterjee, a young man just out of school, joined Tata Steel as an apprentice draughtsman.

Full of ambition and zeal to learn, he entered the Company's Technical School which afforded the opportunity to study during leisure. Young Chatterjee was among the first to complete a three-year course in engineering.

Over the years, Chatterjee has worked his way up in the Engineering Department, and blast furnaces have been his enduring interest. He has helped to rebuild the blast furnaces in the Jamshedpur Works, including a 1,000-ton-a-day blast furnace which was rebuilt to his design—the first such attempt in India.

Now an Assistant Chief Engineer in charge of special projects, Chatterjee is widely travelled and highly esteemed by blast furnace designers all the world over.

He is yet another example of how creative talent is recognised and developed in Jamshedpur, a city where industry is not merely a source of livelihood but a way of life.



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NEWS IN BRIEF

INDIA

The Central Government has agreed to contribute Rs. 2 crores for the construction of the Bombay-Ahmedabad National Highway during the Third Plan period.

*

The State-owned Shipping Corporation of India will put into service its 23rd vessel "Vishva Shanti", a new 12,300 ton freighter, on their Far East-Japan route by the end of September.

*

The Union Government has granted permission for setting up a 12,000 - spindle spinning mills in Karaikal, a former French possession in India.

*

The Bombay Port Trust has been granted a development credit of $18 million by the International Development Association (IDA) for the expansion programme of the port of Bombay.

*

Mr. K. C. Reddy, the Union Minister for Commerce and Industry, laid the foundation stone of the Surgical Instruments Factory at Nandambakam, Madras State, to be built with Soviet aid at a cost of Rs. 5 crores.

*

The first batch of 250 cycles produced in the Government Industrial Estate at Yadavagiri, Mysore, was released on September 17. Installed in 1959, this unit is expected to attain eventually an annual capacity of 6,000 cycles.

*

The Magazon Dock Ltd. (Goa Branch), a Government of India undertaking, plans to start construction of small craft and self-propelled barges within a year's time.

*

A high level committee is shortly to be set up to study the long-term development of the Dandakaranya area.

*

The Central Nucleus Jute Seed Multiplication Farm of the Indian Central Jute Committee claims to have developed a new strain of jute seeds which would increase production by about 200 per cent.

*

The Union Ministry of Railways is seriously considering the conversion of the present Poona-Miraj line to broad guage with a view to ease the present pressure of transport.

*

A deep-sea fishing centre will be inaugurated in Ratnagiri, Maharashtra State, on November 6.

*

The Government of Bombay intends to set up a timber seasoning plant at Dahanu, in the Thana district, during the current Plan period at an estimated cost of Rs. 6.5 lakhs.

*

A recent agreement signed in Moscow by the Indian Oil Company and a Soviet agency provides for increased exports of Soviet oil products to India.

*

The Reserve Bank of India will shortly issue a new series of hundred-rupee notes.

*

The Defence Ministry has entered into an agreement with the Le Tourneau Westinghouse Company, U.S.A., for the manufacture, in India, of heavy earth-moving and mining equipment.

*

The President has given assent to the Kerala Land Acquisition Bill, 1960, which seeks to introduce a uniform law for the acquisition of land in the State.

FOREIGN

The UAR's Five-Year Plan Authority has concluded arrangements with the USSR for the installation of a tar distiller plant at an estimated cost of Rs. 5 crores.

*

The Overseas Technical Co-operation Agency, a new organisation set up by the Japanese Government with a view to a better co-ordination of technical aid programmes, was recently inaugurated in Tokyo.

*

An agreement was recently concluded between Imperial Chemical Industries and British Nylon Spinners, for the manufacture of "Terylene" in Australia.

*

A new French-Czech trade agreement provides for the tripling of their present trade in mechanical equipment within a period of three years.

*

British Guiana will soon have a National Economic Council consisting of representatives of Government and of private industry.

*

Tanganyaka and Sierra Leone have become members of the International Monetary Fund and the International Bank for Reconstruction and Development.

*

The Soviet Academy of Sciences has developed an "automatic steel maker". A spectroscope transfers data on the chemical composition of the metal to the electronic brain, and instructions for regulating or stopping the process are given automatically.

*

The Sikkim Government plans to set up a rayon pulp factory at Singtam. The project, estimated to cost Rs. 10 lakhs, will exploit the rich forest wealth of the country.

*

Agreement has been reached between Ceylon and China for the supply of 33,000 metric tons of Ceylon rubber to China in exchange for 200,000 tons of rice.

*

Foreign firms working in France will not in future be allowed to dismiss workers under any circumstances without the prior consent of the Government.

*

A communique issued by the International Atomic Energy Agency (I.A.E.A.) states that on present estimates, about 9,000 MW of nuclear power capacity will be installed all over the world by 1966. The capacity may reach 15,000 MW by 1970.

*

Oil production in the O.E.C.D. area rose from 23.1 million to 31.1 million tons between 1960 and 1961, while imports of crude oil rose from 157.1 million to 175.1 million tons, according to a statement published by the Oil Committee of the O.E.C.D.

*

Bulgaria claims to have become the world's biggest exporter of tomatoes, outstripping her two main rivals, Italy and Holland.

*

Ghana will be having a bumper crop of 500,000 tons of cocoa this season, as against 42,000 tons last year, according to a forecast of the "Financial Times".

*

The Ceylon Petroleum Corporation proposes to raise an additional capital of Rs. 25 million to finance its expansion programme.

*

An agreement for the import of $180 million worth of Japanese industrial goods was recently signed in Moscow by the USSR and Japan.

BOOK REVIEWS

RITCHIE CALDER ON THE CONGO

Agony of the Congo: By Ritchie Calder: Gollancz. 1961: Price 16sh.

THE classical definition of tragedy is of an action which evokes the emotions of pity and terror. In this sense, the recent history of the Congo is undoubtedly a tragedy. A glance at the newspapers has been enough to reveal some aspects of this tragedy — the bewilderingly rapid and incomprehensible political changes, murders, arrests and fugitive flights, tribal warfare and massacre, the dramatic intervention of the U.N., and the death of Dag Hammerskjold. Behind these surface upheavels, which have all too often made headline news, like the deeper, more difficult, and in the long run, more dangerous problems only the solution of which can lead to the emergence of the Congo as a truly free and independent nation. This is the problem of a potentially rich nation left, perhaps deliberately, with a shattered economy, and a people left, again perhaps deliberately, quite unprepared to cope with the situation. It was to deal with these aspects of the problem that the United Nations Civil Operations was started. Its task was to help salvage, rebuild, perhaps create anew a viable State out of chaos, and it has been working quietly, heroically but undramatically, behind the scenes. On the success or failure of this international experiment will depend the future of the Congo. And it is with the early stages of this experiment that this book is concerned.

Ritchie Calder was sent by the U.N. on a fact-finding mission to the Congo, to report the U.N. Civil Operations, and this book is the record of his impressions of his travels through the six provinces of the Congo. For a fact-finding report, the book is perhaps short on sheer fact, and long on personalities and illustrative anecdotes. Yet a clear enough and frequently horrifying picture, emerges of the confused situation. Under Belgian rule, all the key posts were manned by Belgians, most of whom fled the country. At Independence, there were only 17 Congolese graduates and not a single Congolese doctor. The U.N. was faced with a variety of tasks, ranging from the relief of famine and prevention of pestilence to the reorganisation of agriculture, banking, education, the judiciary, public health services, communications and transport. Calder has described both the magnitude of the task and the quiet, dedicated efforts of the men and women of the UNOC, often working in extremely difficult conditions. In a sense, the book is, and justifiably, a paean of praise for the UNOC.

Yet the UNOC has not been without its shortcomings and has had to face quite a lot of hostile criticism. One of the most interesting points he makes is the reason for the delays and procedural difficulties which the UNOC was accused of creating. Yet this was the inevitable result of U.N. policy. The U.N. experts had no mandate to take over, politically or functionally, any aspect of the administration. The U.N. did not intend to replace Belgian colonialism by international colonialism. U.N. experts were advisers to the relevant departments of a legally constituted government and only in emergencies such as famine relief, did they act on their own. But whom were they to advise in a country where governments changed overnight, and where to decide who constituted the executive of the day, was itself a delicate question. Hence matters had often to come to a standstill while vital orders lay unsigned on ministerial desks, because ministers were in hiding or under arrest!

There is enough evidence to show that when the Belgians left the Congo in 1960, their intention was to make the Congo an object lesson to the world — to demonstrate that an African people were incapable of running their own country even efficiently, leave alone wisely or democratically. Yet, today the Congo has become an object lesson to the world in quite another sense. It is showing the possibilities of international co-operation in nation-building, and the value of this book lies in drawing attention to precisely this. Continued disorder in the Congo is a challenge to the U.N., and its success in this experiment of "State-making and State-management", as Calder puts it, will be a glorious justification of its very existence. It is the most concrete step the U.N. has ever taken to show that international goodwill and co-operation can do, a miniature model of world management. We must hope for its complete success, which will bring us all closer to international harmony and peace.

Mrs. Mina Swaminathan

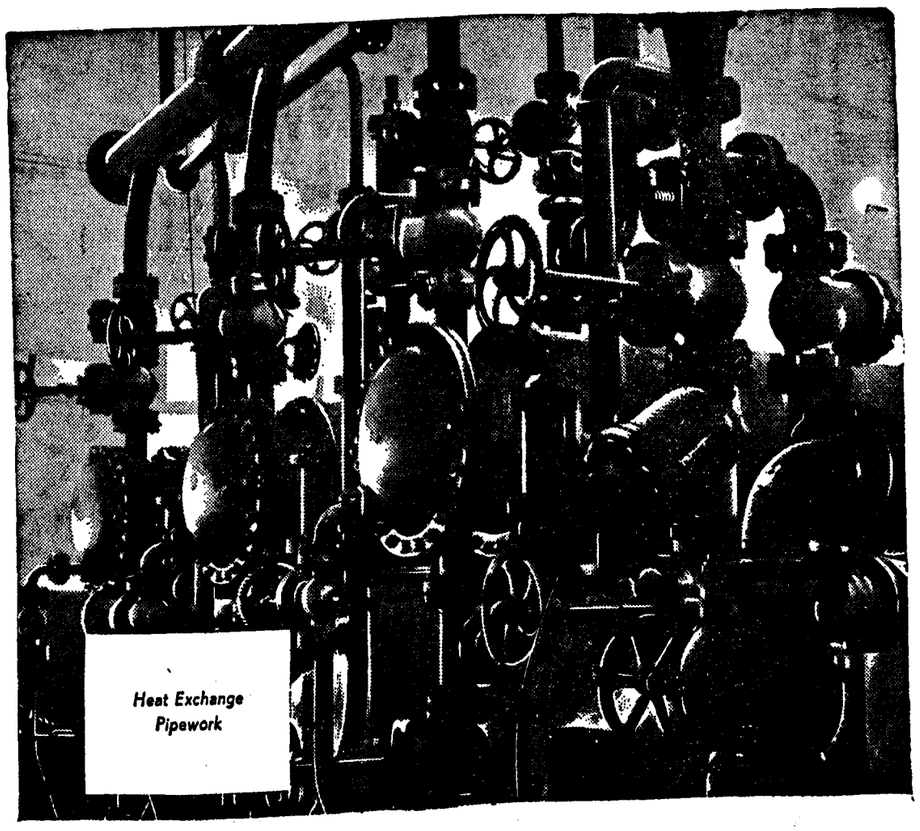
SEMINAR ON LOW COST HOUSING

Low Cost Housing: Published by H. Volken, Indian Social Institute, Poona-1: ' Price Rs. 2.

With the increasing population, the problem of housing is becoming acute day by day in this country. It is estimated that in the Third Five-Year Plan the urban population would need about five-million houses, not to speak of the housing shortages in the country's seven lakh villages. And with a view to overcome this shortage an overall outlay of 200 crores of rupees has been provided in the Third Five-Year Plan in the public sector and Rs. 1,125 crores in the private sector. Of course, all these are in the fulfilment of the concept of formation of welfare state which this country has accepted.

To bring to light this problem a seminar was held on low cost housing last year encouraged by the success of a Seminar on rural co-operatives held under the sponsorship of Indian Social Institute, Poona. The primary purpose of the Seminar was to provide persons involved in housing schemes in the lower income groups an opportunity to meet Indian and foreign experts as well as higher representatives of the Government entrusted with housing to discuss the various problems. Many eminent experts like R.F. Eyheralde, Consultant in Rural Housing of the Ford Foundation, Mr. S. Adaviyappa, Executive Engineer of the Government of Rajasthan in Development Department and Mr. J. C. Ryan, Chief Officer, Agricultural Credit Department of the Reserve Bank of India, took part in the proceedings.

The book though only a collection of addresses and papers delivered at the Goregaon Seminar on low cost housing provides useful information and material for persons connected with housing schemes and co-operatives. Here are analysed the various problems connected with housing and what is being done by the Government to solve these problems. The issues have been thrashed out carefully and the entire picture is presented in a lucid form. Most of the credit should go to Mr H. Volken, who was the moving spirit behind the Seminar. This book is a must for all those who are connected with housing problems.



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COMPANY AFFAIRS

ALUMINIUM INDUSTRIES

It appears from the annual report of the Aluminium Industries Ltd. that during 1961-62 financial year demand for aluminium conductor and accessories produced by the Company was considerably favourable. The sales of the Company during the year under review touched a record figure of Rs. 6.17 crores. The directors indicate that the restricted availability of aluminium metal did not permit the full utilisation of the Company's rolling capacity. During the year about 62,000 kilometres of bare conductor were manufactured. Aluminium conductor production touched a peak of 9.86 million core metres. Aluminium rod and accessories manufactures also reached higher levels. The highlight of the year as far as this Company is concerned was the commissioning of the high tensile galvanized steel wire plant at Kundara. The Government of India have granted licences for the import of machinery for establishing the manufacture of a special type of low voltage solid aluminium underground cable at Kundara. Work on this project has started and the directors expected to bring this new plant into production towards he end of 1963.

During the year under review there was a net profit of Rs. 23.17 lakhs after making adequate provisions for depreciation and taxes etc. The directors recommended the payment of final dividend of 90 nP. per share of Rs. 10 each subject to deduction of income-tax which together with the interim dividend of 90 nP. per share distributed in March 1962 absorbs Rs. 18 lakhs. The dividend proposed to be distributed comes to 18 per cent. A sum of Rs. 4.91 lakhs is separated towards development rebate reserve and the remaining sum of Rs. 3.27 lakhs is carried forward. It may be added that the Company is availing in full the benefit of development rebate mainly on the steel wire plant and machinery and some other miscellaneous equipment commissioned during the year. The directors indicate that it was possible to provide for the income-tax liability at the enhanced rate of 50 per cent, and that a significant addition has been made to the development rebate reserve. In spite of these appropriations the entire amount acquired for dividend payment on the increased capital of Rs. 100 lakhs has been made out of the year's profits.

JOST'S ENGINEERING

There has been an increase of 20 per cent in the sale proceeds of Jost's Engineering Company Ltd. during the year to March 31, 1962. The directors, however, indicate that in view of the very severe import restrictions imposed recently the Company is not likely to maintain this trend. The Company which now manufactures a range of air-compressors has nearly the same position as it was last year in respect of its order books. After making provisions for taxation depreciation etc. the Company recorded a profit of Rs. 90,234. The directors have recommended the payment of a dividend at the rate of 10 per cent subject to income-tax. The first phase of the factory building has been completed. Power has not been made available as scheduled and the factory is now expected to go into production shortly as soon as the power supply is received. Plans for the second phase of construction have also been prepared and the work is expected to commence by the end of this year.

During the year the Company received sanction from the Central Government for the manufacture of auto trucks. The first Jumbo truck and trailers and stillages to go with it have been produced. The Company has negotiated an agreement with Kerry's (Great Britain) Ltd. for the manufacture of drilling machine in a new Company and industrial licence for the manufacture of 1,200 drilling machines per annum has been received. Arrangements are now being made to complete the formalities for forming the new Company. In view of the increased manufacturing activities of the Company a loan of Rs. 4 lakhs is being negotiated with the Bombay State Financial Corporation. An opportunity is also being taken to increase the authorised capital of the Company to Rs. 25 lakhs. This is being done to enable the Company to invest in the new company and to expand its manufacturing activities.

SAYAJI MILLS

During the year to March 31, 1962, Sayaji Mills Ltd. recorded a profit of Rs. 38.30 lakhs after making provision for depreciation (Rs. 14.56 lakhs) and taxation (Rs. 45.50 lakhs). The directors have recommended the payment of a dividend at the rate of Rs. 33 per ordinary share of Rs. 100 each which will absorb Rs. 16.50 lakhs. A sum of Rs. 14.25 lakhs has been transferred to general reserve.

The Company had sold Sayaji Mills No. 2 situated at Bombay to Rajesh Textile Mills and this task was through from September 1, 1961. The working results of Sayaji Mills No. 2 for the five months ending August 31, 1961, have been incorporated in the current year's account. The Company has also purchased all the 21,000 fully paid shares in Shri Shubhlakshmi Mills Ltd. and therefore Shri Shubhlaxmi Ltd. becomes a subsidiary company to Sayaji Mills. The gross profits of Shri Shubhlaxmi Mills Ltd. for the year 1961 were of the order of Rs. 4.6 lakhs. A programme of substantial rennovation of the plant and machinery as well as improvement in working efficiency has been initiated after the Company acquired possession of the said mills.

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Amritsar
Batala
Chandigarh
Jullundur City
Jullundur Civil Lines
Ludhiana

M. J. Maclaren, General Manager.

AB—22

Company Meetings

THE ALUMINIUM INDUSTRIES LTD.

Address delivered by Sri S. Narayanaswamy, Chairman, at the 16th Annual General Meeting of the Company held at the Registered Office, Kundara, on September 27, 1962.

The year 1961-62 has, in several ways, been a memorable year in Alind's history. It has been a year of record turnover, our sales having reached a peak of Rs. 6.17 crores in money value, our production being 62,000 kilometers in bare conductors and 9.86 million core yards of covered conductors. It is perhaps inevitable that such a turnover should produce profits of the order of Rs. 23.16 lakhs enabling the Company, despite higher tax commitments to distribute without much effort, the now familiar 18 per cent dividend on its paid-up capital of Rs. 1 crore, after making appropriate provisions. You will have observed that despite a quantum of development rebate, of which the company was able to avail on its high-tensile steelwire plant, tax provisions have had to be of the order of Rs. 18.20 lakhs. The total tax the company will be paying on its own behalf and on behalf of shareholders by deduction from dividend packets will be of the order of Rs. 23.60 lakhs, which gives you some idea of the suction effect of direct Central taxation on the profits of the Company — distributed and undistributed.

TAX IMPACT

It is interesting to observe that over a three-year period, changes in the pattern of corporate taxation have been such as to add considerably to the burdens of industry. Companies which made reasonable profits exercised prudence in distribution of dividends and ploughed back chunks of residual profits for development in the past, felt that in so fashioning the disposition of their finances, they were achieving a golden mean between distribution on the one hand and the build-up of enhanced earning capacity on the other. I am happy to say that this latter feature has been as welcome to shareholders as the dividend packet itself.

With the stepping up of the Company Tax to 50 per cent and the reduction in development rebate allowance to 20 per cent, the residual profit available for ploughing back has shrunk to levels, that are bound to cause concern to all those interested in expansion of industry. The element of internal capital formation involved in ploughed-back profits enabled companies in the past to restrict their additional share issues to a minimum, and apart from this, provided a cushion against the inflationary impact of high-priced plant and machinery involved in latter-day expansion. The increased corporate levy has the effect of dislocating all medium or long-term managerial programmes of investing retained profits, apart from imposing on the corporate sector as a whole, stresses and strains that will lead to both curtailment of inventories and creation of liquidity problems, compelling the corporate sector to lean more heavily on the banking system — at a time when the banking system itself is not particularly equipped to take on such additional burden. All told the pattern of corporate taxation today is not such as to provide incentives for companies taking on the added responsibilities and burdens of expansion. Curiously, the Third Plan contemplated enhanced installed capacity and diversification of activity by existing industrial units.

EXCISE DUTY

The Finance Act of 1962 has imposed an Excise duty of 5 per cent on finished conductors. As I observed on a previous occasion, the customer pattern in bare conductors being what is is — comprising in the main, Electricity Boards, Project Bodies and State Governments, such Excise duty will only swell projects' bill of costs. All new taxes are meant to augment Plan resources. In this instance, the duty will augment Plan expenditure. In other words, such imposts have financially only a cancelling - out effect, with Excise collection costs thrown in as an addition to the Civil Administration budget.

POWER TARIFF

Some time ago, we made representations to the Orissa Government that the rates of power supply to our Hirakud Unit rendered the operations of our Rod Mill uneconomic. We were hoping for some relief in power rates, but far from affording such relief, the Orissa Government have imposed a 15 per cent duty on electric power consumed and this is bound to add to our rod production costs at Hirakud. Your Directors feel that in the circumstances expansion of activities at Hirakud would be far from purposeful.

ALUMINIUM METAL

I now come to the more crucial problem of raw material. Allocation of raw material to the Company during the current year has been far from satisfactory. In a cycle of stepped-up demand for conductors, any shortfall in aluminium metal supplies, would result in curtailed production of conductors, with which to transmit electricity from hydel or thermal centres of generation in this country of distances — and thus have far-reaching consequences on the pace of electrification. Meagre and perfunctory allocation of aluminium metal, at a time when copper conductor producers have been asked to accept reduced supplies of copper and switch over to aluminium conductor production, is likely to have an unwholesome effect on the morale of the cable industry in India. Until such time as indigenous sources of aluminium supply are able to ensure a free and adequate flow of metal to the cable industry, it would be advisable for Central Government to programme for adequate imports and prompt allocations of such imports to the Conductor industry, in order that the latter may be freed from hesitancies in booking orders. Uncertain deliveries of metal will inhibit production programmes.

EXPANSION SCHEMES

As you are aware, the company has a programme of expanding its Covered Conductor capacity at Kundara and to establish a Covered Conductor unit at Hyderabad. The Company will be trebling its current Covered Conductor capacity before the end of the financial year. Alind Covered Conductors have proved their worth in consuming markets and our increased capacity will help us to meet the increased consumer demand. In respect of the underground cable manufacturing programme known as the "Solidal" project, we have now obtained clearances from Central Government for importing the necessary equipment. We expect to establish the "Solidal" unit before the end of 1963.

ROD ROLLING

Alind has had the privilege of establishing the first Properzi rod-rolling mill in India and of following it up by a modern Properzi unit in Hirakud. The Company has now full command of the technique of rolling rods by the Properzi process, which is now established as the most economic method of producing rod for conductor manufacture. The Company has applied for a licence to enhance rod-rolling capacity from 250 to 600 tons per month. With the paid-up of primary metal production within the country, it appears essential that the country should be concurrently equipped to manufacture rod out of ingots, by the economic Properzi process and free the country from dependence on external sources for rod supplies. It is our hope that the small quantum of foreign exchange involved in our programme to augment rod rolling capacity will be weighed by Government against the vastly larger foreign exchange saved by non-import of rod — which is what will be secured by an increase in our rolling capacity. It is hoped that Government will afford us facilities to import the necessary Properzi rod mill unit and ensure larger production of rod by the cheapest and most efficient process.

STEEL PLANT

The performance of our high-tensile steelwire plant commissioned in November 1961 has been fully up to expectations, though we have been battling against inadequate availability of zinc at economic prices. The Japanese technicians who helped us with the erection and smooth commissioning of the plant left Kundara a few weeks ago after satisfying themselves about the efficient operation of the unit.

SWITCH-OVER FROM COPPER

Consequent on slender indigenous supply of copper and our limited foreign exchange resources, Government have decided on asking copper-using cable manufacturers to switch-over to aluminium. In view of the large and well-spread bauxite resources of India and the licensing of several primary metal producing units, the production of aluminium is bound to be stepped up substantially in the next three to five years, making available to the conductor industry its full requirements of raw material. There is little doubt that this phased programme of displacing copper by aluminium cables will be implemented satisfactorily. This phased programme of achieving total self-sufficiency in the matter of raw material and finished cables is a realistic one and should be implemented in a five-year period from now.

CABLE STUDY TEAM

Having regard to the spectacular strides taken by the cable industry in India and the increasing importance of maintaining the highest standards of production in the industry, it was very appropriate that the National Productivity Council should have sponsored a tour of U.S.A. and Japan by a Team of Indian Experts, who will visit cable factories in these countries that have made so notable an advance in cable-making techniques on the basis of research carried out over the years. I am happy to say that the National Productivity Council Study Team has paid Aluminium Industries the compliment of appointing the Company's General Manager, Sri V. G. G. Nayar, its accredited leader. This, I believe, implies a recognition of the significant role Alind plays in the cable economy of India. The report of this team, when made available, will undoubtedly constitute a valuable addition to the none-too-voluminous literature and know-how on the subject of cable manufacture in India and help the Indian industry as a whole to improve and refine its techniques.

EXPORT

I should not omit to refer to Alind's part in helping export promotion. A few export orders for bare and covered conductors and accessories were received from South-East Asian Countries and are in the process of being executed, the first bare conductor reel to be exported having been kindly released by the Kerala Chief Minister earlier this year. I am glad to say these exports are not uneconomic nor are they subsidised, while margins of profit are no doubt modest.

CAPITAL ISSUE

The Company has received Government sanction for a further issue of capital — namely, 3,50,000 shares at a premium of Rs. 3.50 per share. This issue when made will bring our paid-up capital to Rs. 1.35 crores, while adding Rs. 12.25 lakhs to our Share Premium Reserve. Such an issue will relieve the company of pressure on ways-and-means, caused by continuous plough-back of funds into expansions — a process which will become more and more difficult under the new tax dispensation. The company expects to make the capital issue early in 1963, when our expansion projects will get under way.

That about sums up our doing during the years and our plans for the future which I hope will be implemented with the same smoothness and promptitude as our earlier projects. Notwithstanding difficulties I have catalogued already, there is reason to look forward with confidence to a period of augmented and gainful activity for Alind.

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

INDIA STEAMSHIP CO., LTD.

Address of Sir A. Ramaswami Mudaliar, K.C.S.I., D.C.L. (Oxon.), Chairman, delivered at the Annual General Meeting of the Shareholders of the Company, on the 25th September, 1962.

GENTLEMEN,

The Audited Accounts and Directors' Report for the period ending March 1962 have been in your possession for some time and, with your permission, I shall take them as read.

I have to refer to the great loss that the Company sustained in the demise of my esteemed friend and colleague, Sir Bijoy Prosad Singh Roy. The place that he had in the public life of India and of Bengal in particular can hardly be filled and your Company has lost a most valued and devoted champion of Indian shipping. May I request you to pass a resolution conveying the deep sense of sorrow of the share-holders of the Company at this great loss and offering our condolences to the members of the bereaved family.

The Directors' Report shows that the freight earned during the year was Rs. 8,97,26,920 as against Rs.

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PAID-UP CAPITAL	... Rs.	2,00,00,000
RESERVE FUND	... Rs.	2,35,00,000
DEPOSITS & BILLS PAYABLE (31-12-61)	... Rs.	1,00,15,00,000

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S. T. SADASIVAN
GENERAL MANAGER

THE BRITISH INDIA CORPORATION LIMITED, KANPUR

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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.

8,63,00,835 in the previous year. The total number of Liner voyages during the year was however, 54 as compared with 49 voyages in 1961 and the number of ports called at was 947 as against 942 in the previous year. In spite of the larger earnings of freight, it is regretted that the year has ended in a loss. It was hoped that when the pooling system was introduced, the Company would show much better results. Though the loss is somewhat less than in the previous year, various factors have combined to make the position less satisfactory than was expected. The number of freight tons carried during the year was 9,56,332 as compared with 8,80,070 in the previous year.

The earnings reflect two factors. The first is the low rate of freight which continued for goods carried from east to west throughout the year and for goods from west to east during most of the year. The second factor was that the volume of high freighted cargo had fallen to some extent and the vessels had to carry low-freighted cargo like oil cakes, ore and fertilisers which swelled the volume of freight tons carried without substantial benefit to the Companies concerned. The increases in items of expenditure are due to incremental increases of salary, revision of scales in some cases, and repair and maintenance charges. The insurance charge has also gone up on account of the unfortunate loss sustained by the Company last year of the Indian Navigator. The depreciation charges have also gone up as the latest steamer, Indian Trust, was throughout the year in service and the full depreciation amount had to be provided for. The picture is admittedly a gloomy one but I venture to express the belief that it is not unrelieved gloom, as there are factors which have recently come into existence which redeems the situation to some extent. These factors will be referred to at the end of my speech.

The financial results of the working of your Company are not satisfactory, though perhaps slightly less unsatisfactory than those of the previous year. The fact that almost all the shipping companies, both Indian and foreign, have shown either losses or considerably less profit than in the previous year may be noted but does not afford any consolation to your Company. This is particularly so in regard to companies whose fleets are mainly engaged in the India|U.K.|Continent trade.

In my last year's Report to you, I referred to the fact that the freight rates have not been revised since 1957. During part of the financial year under review, the freight rates eastward remained the same and were increased only from 1st October, 1961, the consequence being that the result of such increase is recorded only in the voyages of three months of the year. The freight westwards remains the same virtually as in 1957.

The costs have, however, been increasing, a state of affairs which cannot long be maintained. The difficulties and delays at ports, the strikes — official and unofficial — in no case justified, have all aggravated to bring about a serious financial situation for all companies. The drafts in the river Hooghly during the year under review have caused a great deal of anxiety to shipping companies. There are only a few days in the month when a ship can carry a load of more than 5,000 tons either to the port or down the river.

In this state of affairs, the increased rate of dock levies seem to be thoroughly unjustified, particularly when they are meant for providing special amenities to the dock labour staff. In February of this year, the levy amounted to 90 per cent over the normal rate and from 1st April, it is 100 per cent. These matters require careful reconsideration. The remedy lies in either providing for adequate freight rates or for decreasing the costs. It may be stated that more efficient management may also reduce the financial gulf between receipts and expenditure. But the outcry against what has been termed rationalisation of sailings by shipping companies and the demands of shippers of small quantities of freight from almost every port in the country which was hardly ever served by an ocean-going vessel a few years back poses a problem which is not easily soluble, consistent with the principles of efficient management. I place these facts before you and the public not with a view to minimising any shortfall on the part of the management of this or any other company, but to present the picture clearly and unambiguously both to the authorities and the public.

INDIAN LINES SHARE

Last year, I referred to the pooling arrangement that was arrived at which gave some sort of security to the share of the trade to the Indian flag, and I based my optimistic hope of better results in freight earnings on the fact that undue and unfair competition will be less and perhaps completely eliminated. I must candidly state that the results of the short period prove that some of the most serious abuses have been eliminated in the particular sector that I have referred to. The result would have been far better if the quantity of freight moving, particularly high value freight, had not fallen during the year.

I also referred to the fact that the Western Shipping Corporation, a public sector company, has been admitted as a member of the Conference with the agreement and approval of the two Indian Lines on the India|U.K.|Continent route. I emphasized then that this would be the beginning of a harmonious working of the two sectors and that there would be a growing appreciation of the difficulties of shipping in all quarters. A further step has been taken in this direction and negotiations have been carried on by all the three shipping lines, the India Steamship Company, the Scindia Steam Navigation Company and the Shipping Corporation of India, with the United Kingdom Lines, with a view to increasing the pool percentage allotment to the Indian Lines as a whole and with a view also eventually to bring about an absolute parity in the India|U.K. trade between the Indian Lines and the British Lines. I hope that the negotiations, which have come to an advanced stage, will shortly result in definite agreements and that all chances of rivalry, as between the Indian Lines and the British Lines, will cease and that this will be fortified by an agreement among the Indian Lines themselves, allotting certain percentages to each of the three companies concerned. These matters have occupied a great deal of the attention and time of your Directors who were resolved to seek a lasting solution for the problems, international and internal, in regard to shipping.

FREIGHT INCREASES

I must emphasize that the future of shipping depends largely on a far-sighted policy that the shipping companies and the shippers of any importance take in regard to the freight rates of commodities. Whether it is a general increase demanded by the rising costs of shipping companies or an increase in the freight rates of individual commodities, there has recently been a tendency on the part of Governments not merely in India, to limit the freedom that once existed of shipping companies to increase such rates after full discussion at Conference meetings. It cannot be denied that the earning of foreign exchange has become a very serious preoccupation of most Governments, particularly Governments of developing countries. It is also a matter of serious concern for those countries which depend on invisible earnings from shipping for securing a balance of payments position for their countries. Export promotion is an acute problem for many Governments and the Government of India is no exception to it. It is making every effort to increase its exports, to diversify the destinations of such exports, to find new markets and

to give incentives or rather to remove disincentives which stand in the way of exports by reasonably efficient units of production in the country. It is a well-known fact that the first obstacle to exports which a shipper feels he has to encounter is the rate of freight he has to pay for movement of his goods by road, rail or sea. If only what he produces can, by a miracle, be transported to its ultimate destination without any charge, some at least of the shippers will be most happy. But this is obviously impossible. And if shipping services have to be maintained for the transport of goods, they have also to work certainly without loss and indeed with a little profit. The shipping companies cannot on the one hand afford to fix such rates as will preclude the transport of goods which is their only function, or on the other, carry freight at uneconomic rates. It is therefore necessary to set up agencies which will really find whether the shipper can afford the freight charged or not and whether in fact the export of goods has been prevented or their quantity unduly diminished by freight rates. The profit which the shipper is making has also therefore to be very carefully considered by the Government and by the shipping companies before any conclusion can be drawn as to the unreasonableness of a freight rate. It is my hope that these essential economic factors affecting all interests concerned will be given due consideration and freight policies evolved as a result of these considerations.

I shall not refer to the port delays that have occurred from time to time and I do not wish to refer to the strike in the Calcutta port which over a period of time seriously affected shipping companies. Nod do I wish to comment on the present rate of development rebate which requires that 75 per cent of the allowances has to be provided from the profits before any dividend can be declared. The National Shipping Board, which is the body responsible for advising the Government in matters of policy, has recently reiterated its recommendation that the development rebate may be spread over a period of years — five or six — a reasonable proposal in my opinion, and I hope the Government will give further consideration to it and give effect to the proposal.

Apart from expansion of shipping, replacement of old shipping has to be undertaken seriously. New ships have to be built in our shipyards and in foreign yards where necessary, and the development rebate requirements are proving a serious handicap according to the Shipping Board itself.

There is another matter on which the National Shipping Board has made its recommendations. Recently, the Government have been pleased to order that the instalments on loan received from the Government may be repaid over a longer period than was fixed for loans taken between 1953 and 1960. The National Shipping Board has suggested that the same principle may be applied, that is, payment over a longer period for those instalments on the previous loans which have yet to be paid by shipping companies. I hope that in fairness to the older applicants, this principle may be accepted.

There has recently been a change in the Cabinet Minister in charge of Transport. Shri Jagjivan Ram has replaced Dr. P. Subbarayan as Minister of Transport and Shri Raj Bahadur continues to be the Minister of Shipping. Both of them are enthusiastic and eager for the promotion of Indian shipping and have helped with support and advice all reasonable demands of shipping. I only hope that their voice will prevail and their recommendations accepted in the ultimate decisions that may be arrived at by the Cabinet of the Union Government. The Secretary to the Ministry of Transport, the Director-General of Shipping, who has since been promoted as an additional secretary, the deputy and assistants of the Director-General of Shipping, have all shown a real interest in helping Indian shipping and we have been greatly profited by their advice and assistance. It is not a formal record of thanks that I wish to place before you.

TRIBUTE

It would have been noted that the freight earnings of the year are the largest on record, though for reasons already stated the net results are not what we may expect from such earnings. The gross freight earning is an indication of the zealous and devoted services of all your staff, both afloat and ashore. I am personally aware of the exceedingly ardous duties that fell upon them both in consequence of the first year of the working of the pool and as a result of falling freights and low frieght rates, and I should like to express the appreciation of the Board for their services. I should also like to convey the thanks of the Company to the Shippers, who have extended their continued and firm support to us, and to the brokers and forwarding agents who have shown confidence in us and in the quality of our shipping services.

Since the above paragraphs were written, I would like to refer to some redeeming factors of recent date which would go to relieve the situation in the current year. The coastal freight has, after prolonged investigation and thorough study, been increased by 15 per cent for general cargo and about 10 per cent for coal carryings. This will benefit all Companies including yours which do some amount of coastal trade. A second factor, which has been publicised widely, is the fact that the three Indian Companies have come to an agreement with the British Companies to raise with immediate effect, from September 1st, the pool quota from 30.5 per cent to 39 per cent and to increase that percentage every year by an escalation of 1 per cent. Though the bulk of the advantage of increased percentage would go to the Shipping Corporation of India, the other two Indian Lines engaged in this trade, your Company and the Scindia Steam Navigation Company, will have a fair advantage in freight earnings.

The last and most important factor which enables me to feel optimistic, is the agreement that has been come to between the three Indian Lines engaged in the India U.K.|Continent trade both ways, the Shipping Corporation, the Scindia Steam Navigation Company and your Company. The agreement provides on a pooled basis equal carriage of freight and equal earnings for the three Lines in the Indo-Polish trade, the Indo-German trade, the Indo-Soviet and Indo-Rumanian trade in the Black Sea, and in the trade to the Egyptian and Levantine ports, and Indo-Adriatic trade. This agreement has great possibilities, both because of the friendly and co-operative atmosphere it has created and of the fact that there is no rivalry and no clash of interests between the three Companies.

I have tried to be severely practical in my estimate of the position but I would like to state that the Government of India must realise that Indian Shipping Companies play an important part in foreign exchange earnings and they should have — as I have reason to believe they have — an interest in promoting Indian Shipping and enabling them to earn reasonable profits on their ventures. It has to be emphasized that as against the small voice of Indian Shipping Companies, the loud and uncontrolled, menacing voice of shippers of small exports sometimes prevails. I hope that shareholders of shipping companies will join with the managements to impress on the Government and the public the need for fair-play as between Indian Shipping Companies and Indian exports and importers.

N.B.: This does not purport to be a record of the proceedings of the above Annual General Meeting which was held on the 25th September, 1962, in Calcutta.

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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
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
June 1961 ..	120.6	100.1	123.3	148.8	139.7	123.9	126.2	126.2
July „ ..	124.2	98.6	122.1	151.4	141.9	125.3	127.6	128.8
August „ ..	124.3	99.9	122.3	144.6	140.9	123.9	126.3	127.5
June 1962 ..	125.4	99.7	123.4	136.1	139.5	127.1	128.8	127.4
July „ ..	128.4	98.5	124.5	138.8	142.6	127.2	129.4	129.6
August „ ..	131.5	99.2	124.5	139.6	143.1	126.7	129.0	131.1
August 4, 1962 ..	133.0	98.5	124.5	139.5	143.6	126.7	129.1	131.9
August 11, 1962 ..	132.9	99.2	124.5	139.5	143.4	126.8	129.1	131.9
August 18, 1962 ..	132.5	99.6	124.5	139.9	143.0	126.5	128.9	131.7
August 25, 1962 ..	131.5	99.5	124.4	139.6	142.5	126.7	129.0	131.1
Sept. 1, 1962	130.6	99.5	124.4	140.2	142.3	127.2	129.4	130.9
Sept. 8 1962	130.6	99.9	124.4	139.8	142.7	127.1	129.3	130.8

* 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 December	416	435	302	171	410	499	493	175	481	178	177	177
1962 January	415	436	295	170	399	513	495	178	482	177	174	175
February	417	438	295	170	399	513	492	—	480	177	177*	175
March	418	439	300	170	403	503	493	—	480	179	175*	175*
April	418	439	300	170	410	491	492	—	480*	182	175*	177
May	422	443	—	167	417	491	496	—	480*	180	177*	178
June	426	447	—	171	—	505	497	—	484	182	177*	179*
July	427	448	—	175	—	515	501	—	487	—	—	—
August	—	—	—	177	—	—	—	—	488	—	—	—

† Base 1944 = 100 * Provisional.

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

	21-9-1962			14-9-1962			7-9-1962			31-8-1962		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 gram)	125.20	121.50	123 61	127.00	122.50	124.57	129.10	122.95	127.10	129.90	127.80	128.97
Silver (per kilogram)	221.15	218.55	219.90	219.90	216.50	218.57	220.80	216.75	219.74	219.70	216.85	218.20

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										
June 1961 ..	1,958,79	30,43	1,989,22	117,76	108,01	225,77	11.35	118,54	1,644,92	1,989,22
July „ ..	1,922,49	24,13	1,946,62	117,76	93,01	210,77	11.83	121,30	1,614,54	1,946,62
August „ ..	1,898,63	13,31	1,911,93	117,76	116,86	234,62	12.27	123,85	1,553,46	1,911,93
June 1962 ..	2,111,73	33,72	2,145,45	117,76	92,48	210,24	9.80	113,75	1,821,43	2,145,45
July „ ..	2,070,65	20,54	2,091,18	117,76	92,14	209,90	10.04	117,27	1,764,01	2,091.18
August „ ..	2,040,68	23,91	2,064,59	117,76	89,74	207,50	10.05	121,45	1,735,59	2,064,59
Week-Ending										
10-8-1962 ..	2,063,71	20,03	2,083,74	117,76	89,34	207,10	9.94	119,64	1,757,00	2,083,74
17-8-1962 ..	2,054,07	15,81	2,069,88	117,76	89,34	207.10	10.01	120,78	1,742,00	2,069,88
24-8-1962 ..	2,029,06	22,85	2,051,91	117,76	88,84	206,60	10.07	122,81	1,722,50	2,051,91
31-8-1962 ..	2,011,38	42,15	2,053,53	117,76	88,34	206,10	10.04	124,43	1,723,00	2,053,33
7-9-1962 ..	2,044,06	12,31	2,056,37	117,76	88,34	206,10	10.02	122,27	1,728,00	2,056,37
14-9-1962 ..	2,041,70	15,38	2,057,08	117,76	88,43	206,10	10.02	122,95	1,728,03	2,057,08

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														
June 1961 ..	64,96	13,55	84,67	123,86	287,04	134,21	506,25	30,47	39,78	14,49	68,97	121,34	208,22	22,97
July „ ..	58,61	18,56	93,24	111,63	282,04	94.38	461,41	24,17	26,26	9,98	40,10	117,43	221,75	21,72
August „ ..	65,39	16,45	88,09	180,22	350,16	89,86	525,02	13,35	15,21	30,97	47,71	116,37	284,51	16,89
June 1962 ..	56,84	11,35	91,78	149,74	309,71	168,06	562,78	33,77	52,34	8,62	98,64	126,68	203,05	39,67
July „ ..	51,34	20,63	102,86	196,73	371,57	121,12	577,67	20,59	63,99	5,86	37,96	130,85	280,80	37,71
August „ ..	65,16	24,57	94,63	181,32	365,69	115,38	566,08	23,97	69,23	5,45	31,00	136,99	265,68	33,76
Week-Ending														
10-8-1962 ..	58,23	23,15	91,48	204,64	377,50	109,13	571,63	20,11	70,08	5,16	30,62	134,17	277,81	33,68
17-8-1962 ..	67,31	16,90	97,45	160,15	341,81	112,30	539,11	15,86	75,12	5,08	35,45	133,32	240,56	33,73
24-8-1962 ..	59,07	11,92	108,23	173,84	353,06	118,28	556,34	22,89	67,03	5,06	34,91	132,92	259.82	33,72
31-8-1962 ..	92,12	34,85	81,13	164,19	372,29	120,00	577,29	42,20	73,74	5,75	26,27	156,07	239,17	34,08
7-9-1962 ..	114,74	21,64	89,97	162,25	388,60	119,31	592,91	12,36	105,67	5,44	27,12	184,24	223,87	34,21
14-9-1962 ..	84,42	29,41	84,47	160,25	358,55	119,46	563,01	15,43	127,25	5,76	24,88	158,91	196,32	34,46

* 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

INDIA'S EXPORTS OF MAJOR COMMODITIES

(Value in Rs. crores)

Commodity/Unit	Jan.-June 1960 Qty.	Jan.-June 1960 Value	Jan.-June 1961 Qty.	Jan.-June 1961 Value	Jan.-June 1962 Qty.	Jan.-June 1962 Value
Food, Drink and Tobacco						
Fish and fish preparations (Lakh Kgs.)	91	2.2	145	2.8	53	1.6
Cashew kernel (Lakh Kgs.)	206	9.3	205	9.8	240	9.4
Other fruits and vegetables (Value)	..	3.4	..	4.3	..	3.6
Spices (Lakh Kgs.)	231	10.1	317	9.0	368	9.9
Sugar ('000 tons)	11	0.4	119	3.8	173	6.8
Tea (Mil. Kgs.)	60	35.5	66	40.4	71	38.9
Tobacco (Lakh Kgs.)	271	12.3	315	12.3	305	12.8
Coffee (Lakh Kgs.)	85	3.8	188	5.7	84	3.0
Total food, drink & tobacco (Value)	..	77.0	..	88.1	..	85.4
Other Agricultural Products						
Oil cakes ('000 Tonnes)	242	8.9	217	6.8	318	11.7
Vegetable oils (non-essential & essential (Lakh Kgs.)	394	7.1	163	5.1	307	6.5
Hides and skins raw (Lakh Kgs.)	60	6.2	55	4.3	N.A.	5.4
Raw cotton and waste ('000 Tonnes)	34	5.7	54	11.5	N.A.	9.3
Raw wool and hair (Mil. Kgs.)	10	5.3	8	3.8	6.7	3.4
Other textile fibres (Value)	..	1.5	..	1.5	..	1.8
Gums, resin and lac (Lakh Kgs.)	225	4.8	176	3.6	176	3.5
Total other agricultural products (Value)	..	39.5	..	36.6	..	41.6
Minerals and ores						
Mica (Lakh Kgs.)	174	4.6	150	4.9	177	5.1
Iron ore ('000 Tonnes)	1883	9.3	1459	8.9	1711	9.0
Manganese ore ('000 Tonnes)	571	6.9	497	5.4	452	4.8
Other ores and scraps (Value)	..	5.2	..	5.2	..	3.7
Coal and coke ('000 Tonnes)	633	2.1	445	1.1	466	1.1
Petroleum products (Value)	..	2.4	..	1.6	..	1.4
Total minerals and ores (Value)	..	30.5	..	27.1	..	25.1
Leather and fibre manufactures						
Leather and leather manufactures (Value)	..	13.0	..	13.5	..	11.7
Footwear ('000 Pairs)	3370	1.8	2752	1.5	3342	1.5
Yarns (Value)	..	5.0	..	5.8	..	7.0
Cotton fabrics (Mil. Metres)	335	29.1	281	27.9	225	22.0
Art silk fabrics (Lakh Metres)	124	1.5	190	1.7	320	3.7
Jute manufactures (excluding yarn) ('000 Tonnes)	385	54.6	361	73.6	430	72.1
Coir manufactures (Lakh Kgs.)	93	1.4	84	1.5	127	2.2
Total leather and leather manufactures (Value)	..	107.3	..	125.5	..	120.2
Miscellaneous						
Iron and steel (Value)	..	1.3	..	3.8	..	0.6
Ferro manganese ('000 Tonnes)	17	1.5	38	3.5	0.6	Neg.
Metal manufactures (Value)	..	0.8	..	0.9	..	1.6
Machinery and transport (Value)	..	1.7	..	1.7	..	2.0
Total exports (including others) (Value)	..	290.0	..	315.5	..	312.8
Re-exports (Value)	..	6.0	..	2.7	..	5.4
Total exports (including re-exports) (Value)	..	296.0	..	318.2	..	318.2

Source : Ministry of Commerce and Industry.

INDUSTRIAL CAPACITY IN MAJOR INDUSTRIES

(Third Plan Targets and Progress as on August 1, 1962)

Name of Industry	Third Plan Capacity Targets	Capacity as on August 1, 1962				Shortfall in Capacity (1—2)
		Total Licensed Capacity (3+4+5)	Existing Capacity	Additional Capacity		
				Covered by Foreign Exchange	Not Covered by Foreign Exchange	
	(1)	(2)	(3)	(4)	(5)	(6)
Engineering Industries*						
1. Steel Castings ('000 tons)	200.00	242.93	45.90	65.93	131.10	—42.93
2. Steel forgings ('000 tons)	200.00	242.12	42.33	58.09	141.70	—42.12
3. Ferro-manganese ('000 tons)	220.00	281.40	159.00	62.40	60.00	—61.40
4. Aluminium ('000 tons)	87.50	133.36	52.40	25.96	55.00	—45.86
5. Copper ('000 tons) (Refined and electrolytic)	22.00	17.40	9.00	8.40	..	4.60
6. Lead ('000 tons)	8.50	9.00	6.00	..	3.00	— 0.50
7. Zinc ('000 tons)	15.00	15.00	Nil	15.00	..	..
8. Passenger cars ('000 Nos.)	30.00	20.20	20.20	..	..	9.80
9. Commercial vehicles ('000 Nos.) ..	60.00	48.25	28.00	20.25	..	11.75
10. Jeeps and station wagons ('000 Nos.)	10.00	11.00	6.50	4.50	..	— 1.00
11. Motor cycles and scooters ('000 Nos.)	48 to 60	56.00	23.00	27.00	6.00	—8 to 4
12. Road rollers (Nos.)	800	1194	414	100	680	—394
13. Power Driven Pumps ('000 Nos.) ..	184.00	152.75	118.18	21.62	12.95	31.25
14. Diesel engines ('000 Nos.)	72.00	92.34	41.29	19.63	31.42	20.34
15. Tractors ('000 Nos.)	12.00	11.00	3.00	7.00	1.00	1.00
16. Railway Wagons (Nos.)	33,500	28,512	22,260	3,420	2,832	4,988
17. Welding electrodes (Mil. R. ft.) ..	1080.00	785.65	459.65	285.00	41.00	294.35
18. Bicycles ('000 Nos.)	220.0	139.8	121.8	18.0	..	80.2
19. Sewing machines ('000 Nos.)	700.0	681.0	355.0	131.0	195.0	19.00
20. Ball and roller bearings (Mil. Nos.)	11.00	15.80	3.50	4.21	8.09	— 4.80
21. Watches ('000 Nos.)	1,200	970.0	670.0	Nil	300.0	230.0
22. Electric transformers (Mil. K.V.A.) (below 33 K.V.)	4.00	3.64	1.24	1.10	1.30	0.36
23. Electric Motors (Mil. H.P.) (200 H.P. and below)	3.00 (for 300 H.P. & below)	3.12	1.12	0.73	1.27	— 0.12

*Capacity is based on double shift operation.
NOTE: '—' indicates excess licensed capacity.

Source : Ministry of Commerce and Industry.

INDUSTRIAL CAPACITY IN MAJOR INDUSTRIES (Contd.)

(Third Plan Targets and Progress as on August 1, 1962)

Name of Industry	Third Plan Capacity Targets	Capacity as on August 1, 1962				Shortfall in Capacity (1—2)
		Total Licensed Capacity (3+4+5)	Existing Capacity	Additional Capacity		
				Covered by Foreign Exchange	Not covered by Foreign Exchange	
	(1)	(2)	(3)	(4)	(5)	(6)
Engineering Industries*						
24. **Electric Cables and Wires**						
(i) A.C.S.R. ('000 tons)	55.00	42.14	24.20	7.40	10.54	12.86
(ii) V.I.R. and P.V.C. (Million Core Yards)	800.00	999.47	317.45	491.02	191.00	—199.47
(iii) Paper insulated (Miles)	4500	5372	880	3192	1300	—872
25. Electric fans (Mil. Nos.)	2.80	1.68	0.89	0.22	0.57	1.12
26. House service meters (Mil. Nos.) (single phase and polyphase)	2.50	3.80	0.50	0.90	2.40	—1.30
Non-Engineering Industries**						
1. Nitrogenous fertilisers ('000 tons) (in terms of N.)	1000.00	1337.80	248.30	473.25	616.25	—337.80
2. Phosphatic fertilisers ('000 tons P2O5) ..	500.00	445.53	88.39	154.10	203.04	54.47
3. Sulphuric Acid ('000 tons)	1750.00	1932.71	587.96	735.60	609.15	—182.71
4. Soda Ash ('000 tons)	530.00	530.68	256.68	36.00	238.00	—0.68
5. Caustic Soda ('000 tons)	400.00	396.35	128.97	194.88	72.50	3.65
6. Calcium Carbide ('000 tons)	67.00	107.29	24.09	53.20	30.00	—40.29
7. Sodium Hydrosulphite ('000 tons) ..	12.00	13.63	3.86	4.77	5.00	—1.63
8. Hydrogen Peroxide ('000 tons)	9.50	3.60	3.00	..	0.60	5.90
9. Carbon Black ('000 tons)	30.00	37.17	Nil	13.57	23.60	—7.17
10. **Industrial Explosives**						
Blasting Explosives ('000 tons)	25.00	24.40	13.40	..	11.00	0.60
Safety Fuses (mil. coils)	25.00	25.20	12.20	..	13.00	—0.20
Detonators (mil. nos.)	120.00	88.00	Nil	64.00	24.00	32.00
Liquid Oxygen Explosives (tons) ..	9000	2000	2000	..	..	7000
11. Rubber Chemicals ('000 tons)	3.00	2.25	Nil	2.25	..	0.75
12. Insecticides — D.D.T. (tons)	2800	2800	2800	..	..	..

* Capacity is based on double shift operation.
** Capacity of chemical items is assessed on continuous shift basis.
Note: '—' indicates excess licensed capacity.

Source: Ministry of Commerce and Industry.

INDUSTRIAL CAPACITY IN MAJOR INDUSTRIES (Contd.)

(Third Plan Targets and Progress as on August 1, 1962)

Name of Industry	Third Plan Capacity Targets	Capacity as on August 1, 1962				Shortfall in Capacity (1—2)
		Total Licensed Capacity (3+4+5)	Existing Capacity	Additional Capacity		
				Covered by Foreign Exchange	Not Covered by Foreign Exchange	
	(1)	(2)	(3)	(4)	(5)	(6)
Non-Engineering Industries** (Contd.)						
13. **Dyestuffs** (Mil. lbs.)	25.00	28.48	13.98	11.36	3.14	— 3.48
(i) Acids and Direct (Mil. lbs.)	6.60	8.67	3.21	4.15	1.31	— 2.07
(ii) Basic (Mil. lbs.)	2.00	2.39	0.12	2.27	..	— 0.39
(iii) Naphthols (Mil. lbs.)	2.80	2.80	2.35	0.45	..	..
(iv) Fast colour bases (Mil. lbs.)	2.80	2.80	1.63	1.17	..	..
(v) Vats (Mil. lbs.)	2.70	2.85	1.06	0.65	1.14	— 0.15
(vi) Sulphur black (Mil. lbs.)	5.00	5.04	4.08	0.96	..	— 0.04
(vii) Other sulphur dyes (Mil. lbs.)	0.50	0.50	..	0.50	..	..
(viii) Organic pigments (Mil. lbs.)	2.60	3.43	1.53	1.21	0.69	— 0.83
14. Soap (organised sector only) ('000 tons)	255.00	243.08	238.81	..	4.27	11.92
15. Automobile tyres (Mil. Nos.)	3.70	3.48	1.76	0.72	1.00	0.22
16. Bicycle tyres (Mil. Nos.)	38.60	25.36	13.73	5.83	5.80	13.24
17. Synthetic rubber ('000 tons)	50.00	30.00	Nil	30.00	..	20.00
18. Paper and paperboard ('000 tons)	820.00	1196.94	410.00	442.18	344.76	—376.94
19. Newsprint ('000 tons)	150.00	180.00	30.00	60.00	90.00	—30.00
20. Cement (Mil. tons)	15.00	15.66	9.47	3.14	3.05	— 0.66
21. Refractories (Mil. tons)	2.00	2.30	0.80	0.50	1.00	— 0.30
22. Power and industrial alcohol (Mil. gallons)	72.00	83.96	44.76	25.93	13.27	—11.96
23. **Industrial gases**						
(i) Oxygen (Mil. c. ft.)	2300.00	2674.58	804.84	656.94	1212.80	—374.58
(ii) Acetylene (Mil. c. ft.)	250.00	331.59	169.60	108.82	53.17	—81.59
24. **Rayon and staple fibre**						
(i) Rayon filament (Mil. lbs.)	140.00	155.74	69.49	55.60	30.65	—15.74
(ii) Staple fibre (Mil. lbs.)	75.00	63.56	57.41	5.50	0.65	11.44
25. **Chemical pulp** ('000 tons)	100.00	299.10	..	141.00	158.10	—199.10
(i) Rayon grade ('000 tons)	..	276.60	Nil	141.00	135.60	..
(ii) Paper grade ('000 tons)	..	22.50	Nil	Nil	22.50	..

NOTE: '—' indicates excess licensed capacity.
**Capacity of chemical items is assessed on continuous shift basis.

Source: Ministry of Commerce and Industry.

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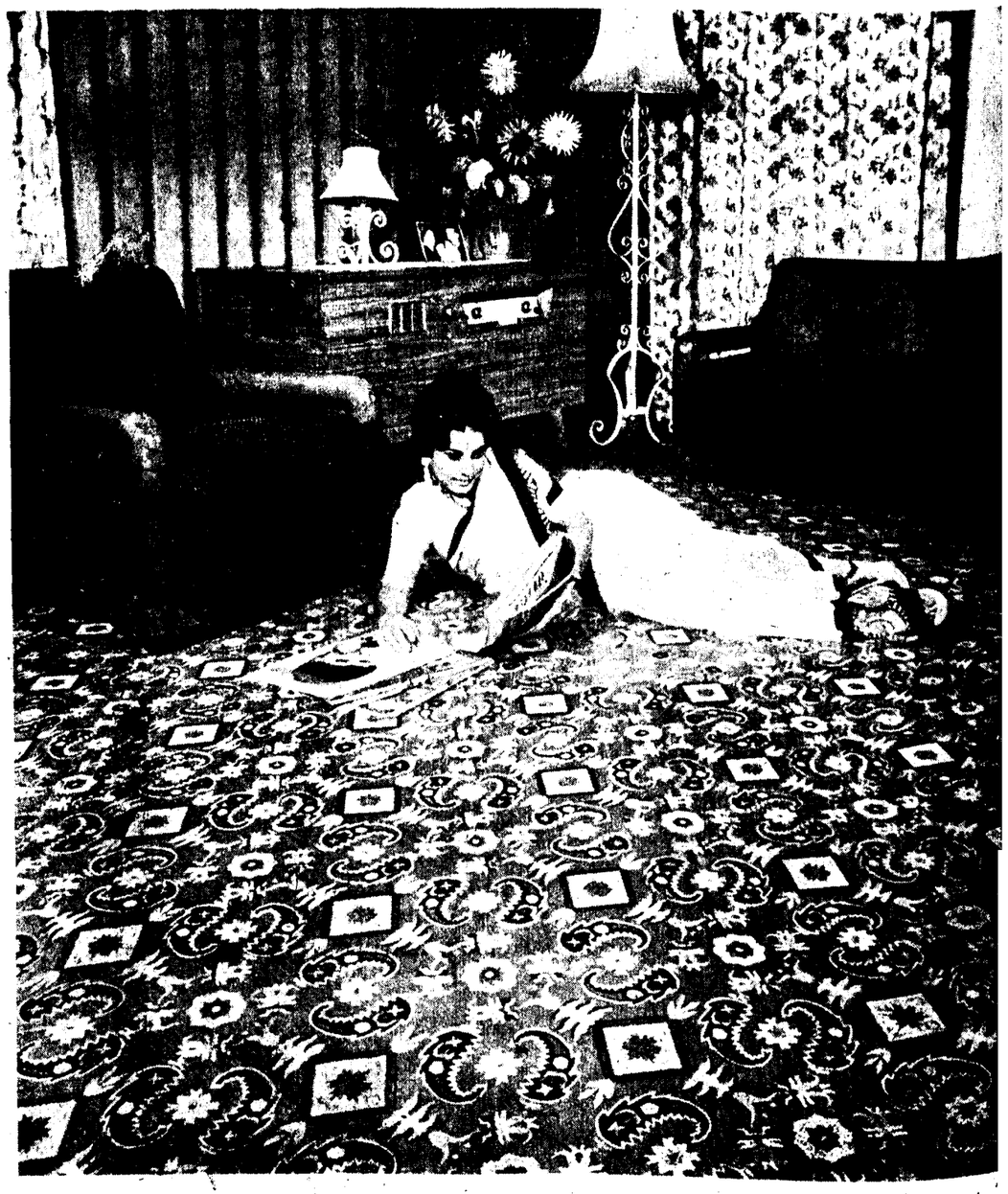
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THE EASTERN ECONOMIST

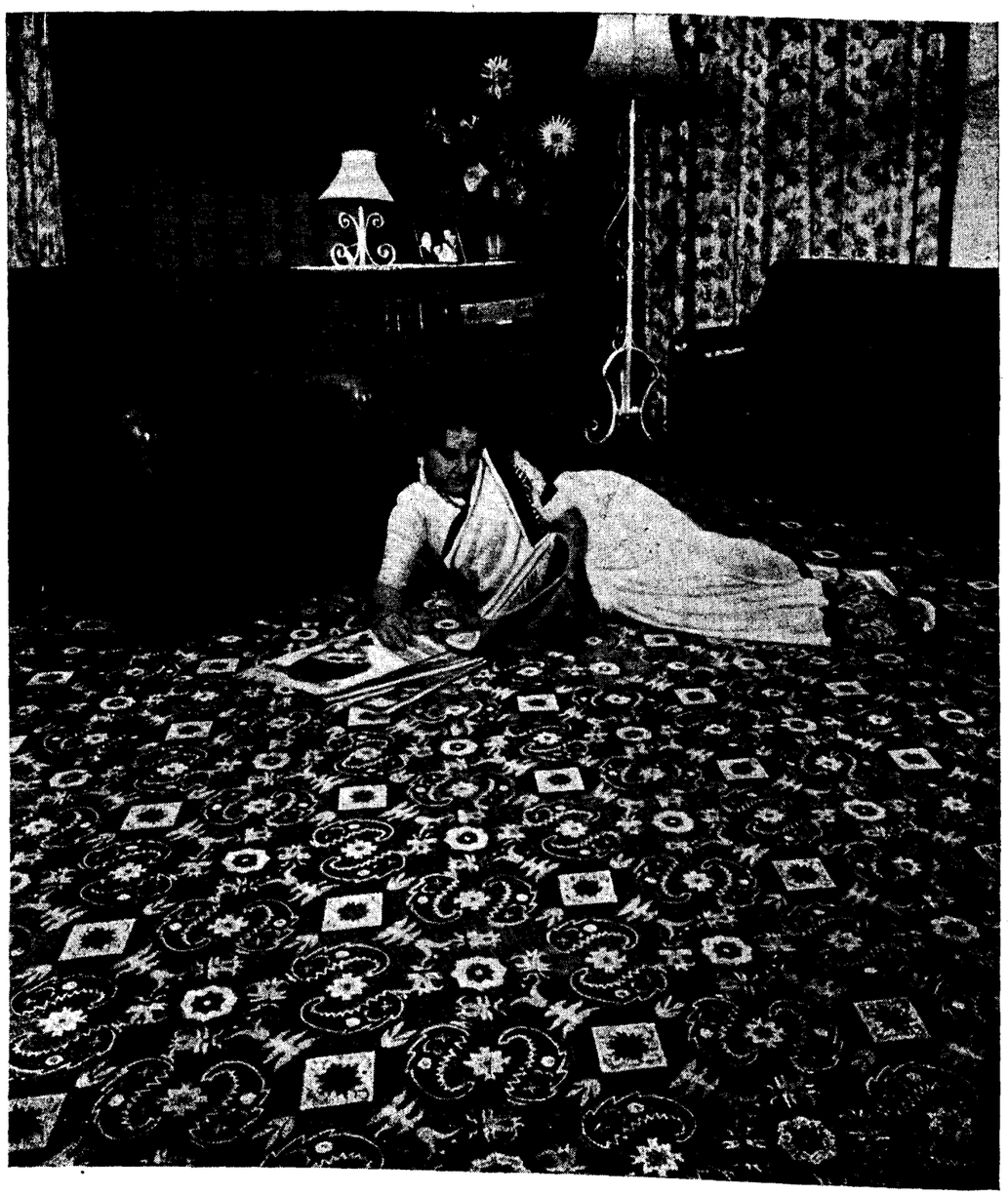
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THE EASTERN ECONOMIST

OCTOBER 5, 1962.

Guest Editorial

The End of a Chapter

By ERIC P. W. DA COSTA

CHANGE is a law of nature; if it were not, it would have been desirable to introduce it as a human discovery, in much the same way as it was once said that, if God did not exist, it would be necessary for men to invent Him. Descending from the sublime to journalism, one might venture to say that there has been in recent years too much addiction to personalities in the highest reaches of Indian journalism. It is essential for the vitality of journals and newspapers that there should be traffic right to the top. *The Eastern Economist*, in its five earliest years, had two Editors and may claim to have started well as an instrument of restless change. In the fourteen years, thereafter, however it fell prey to a strong personal equation. I have to admit that I was responsible for this return to the Indian journalistic type. I believe this was an error. While long years are generally rewarding to an Editor, particularly when he receives the abundant kindness that I have received, they are not, on balance, good for the institution. A decade at one post should be long enough for any man; for those of us who have large interests elsewhere, it is too much. If there are no important issues of policy at stake, and replacements are available, Editors, after a decade, should generally retire to plant, if they are vital, their stepping stones on higher things.

I will not, I feel sure, be misunderstood by my readers if, on this occasion, I take a backward look over fourteen years which for India have been critical, although for Indian journalism, curiously, they have often been inert. If Indian journalism was not a creature of the Indian Revolution, it might, perhaps, have had in these same fourteen years a more glorious record to show. As it is, it became, after Independence, a camp - follower. Much of its thinking, even in economic affairs, was prompted by Government policies such as the socialist pattern of society, the dispersion of industry, and, all together, in the pedestrian, but nonetheless often original, quality of our Plans. There have been deep defects in the creative or research element in Indian journalism; far too little has been done to break new ground or create the climate for journalists to participate actively and, at an early stage, in the creation of policies.

If *The Eastern Economist* can claim any credit over the last fourteen years, it was in the attempt —only partially successful—to throw something of itself into the creative pool. For those with generous memories there is some record left in three new indices, 'The Eastern Economist Index of Agricultural Production', 'The Eastern Economist Index of Industrial Production' and 'The Eastern Economist Index of Indian Business Activity', all published in 1948, which paved the way for the official indices which, prompted by non-official initiative, came after 1951. Except for purposes of comparison, *The Eastern Economist* indices have ceased to be used. Their task was that of the Socratic midwife to bring official research agencies to life; they were not intended to be set up in private competition with official recording. Only our readers can judge whether the task that has been accomplished, both in creation and then in wanton destruction of our indices, was a contribution to economic understanding in the Indian Union.

The Annual Numbers of which 1948 was the prelude stand on a different footing. Here our readers (and equally happily our advertisers) have left us in no doubt that they wish us to stay in the field. Here the purpose was to stimulate, to provoke, to explain, to persuade and, indeed, in the last analysis to stand fast with our convictions against all comers. Over fourteen years, the philosophy of *The Eastern Economist* on large themes —Asia, South-East Asia, the Middle East, Europe, the North American Continent and, above all, Indian political and economic policies—has been set out in these Annual Numbers for all to see in a single comprehensive piece. Some prophecies made—such as the basic conflict between India and China presented in the Annual Number of 1957—have been triumphantly fulfilled. We can be expected to be less forthcoming on areas where Time has shown, sometimes rudely, where we were in error.

It is right, however, that, on this occasion, I should explain where I erred and where I would now add post scripts to qualify my errors. I came to *The Eastern Economist* steeped in the rectitude of the free enterprise way of life. I came to this view from a belief in human diginity, not from a conviction of the efficiency of commercial free enterprise. I distrusted the public sector unduly, and underestimated the evils of concentration of economic power in Big Business, where management was not impersonal and quickly responsive to social needs and even political imperatives. Over the last five years, largely by public sector initiative in the Second Plan, I have come to place much more faith in the well-mixed economy, with the public sector forcing the pace. Where human freedom comes out in the mixture is still an issue of some doubt in my mind. But I am much more willing to recognise that freedom is a matter not of economics but of a cultural way of life. The Government of India—witness the genuine freedom which I have enjoyed—may not like criticism, but it is tolerant and, generally, freedom-minded. For the present at least, Indian liberty is in safe hands. I am still desperately in earnest on the freedom of individuals to act on their own; but I see that this must never put a brake on public enterprise where it serves needs which the private sector is unwilling, or unable, to undertake promptly.

This nation, irrespective of its agencies of production, has, under God, a destiny quite outside the narrow limits of discussion set in economic journals. The great majority of its people still live so desperately close to the poverty line, and are so encumbered by the terrible burdens that poverty engenders, that it may well be that religion, education, the arts, and vast areas of, "non-productive" expenditure as with Community Development and Panchayati Raj are, in the long haul, more important than industrialisation. Perhaps one of the most difficult lessons we have to

learn is that our own callings are marginal to the country's true progress. This is also the greatest of all lessons, in much the same way as the fear of the Lord is the beginning of wisdom.

One must always leave office, as one should leave life itself, with a feeling not only of humility, but of genuine recognition that almost all one has done has been due to the help and generosity of others. In my case this is not a matter of words. I have drunk too deeply of the milk of human kindness not to know how wonderfully it sustains us through every age. And there is no formality in my thanks to my colleagues, to my readers, to all my friends at home and abroad. The period of fourteen years has been a partnership with them; no one could have received more in return for so little.

This is not a farewell to arms. I still edit the publications of The Indian Institute of Public Opinion and am adding a research publication on exports to numerous studies in the public opinion, marketing research, and economic research fields. But who that has tasted the joys of lively controversy, with the power to thrust as well as to parry, will not regret the end of this chapter in his life? And thus as I withdraw from active journalism, I cast over my shoulders a last longing look. The past always has, through the mistaken, but magic, mirrors in the mind, a glow of glory. Happily all glows, as well as glories, get dimmed in time. Only the friendships endure for they are made of imperishable stuff. With this merciful dispensation of Providence we should all be happy. I, for one, would never wish for more.

Caste in Education

THE ugly exhibition of intransigence, which the Mysore Government has gone on making in the past four years, in the matter of injecting the virus of casteism in the system of education at the university level, particularly at the technical level, has hardly any parallel in the history of India since we became the absolute masters of our own affairs. For the fifth time judicial authority declared in solemn terms the State Government's policy of determining eligibility for admissions to the higher educational institutions on the criterion of caste, by prescribing a high proportion for the reservation pool, as unconstitutional and invalid. The earlier four writ petitions were decided by the Mysore High Court and the fifth one was decided last week-end by the Supreme Court. This makes no difference to the binding nature of the judicial decisions on the State Government. The mask under which it managed to flout the Mysore High Court's four decisions is significant as betraying an attitude of evading obedience to the rule of law in the genuine spirit.

There can be no doubt of how grave a view the Supreme Court takes of this policy of reservation of admissions on the basis of caste. The judges of this highest tribunal in the land err usually on the side of moderation in expressing their views. But when they feel constrained to use a strong condemnatory expression, it is a measure of the danger implicit in the policy that is denounced. Mr. Justice Gajendragadkar, who delivered the judgment of the Supreme Court, has branded it as a fraud on the constitution.

The latest impunged order makes a reservation of 68 per cent of the admissions to the engineering and medical colleges for the specific castes enumerated in it. The reservation of 15 per cent out of these for the Scheduled Castes and 3 per cent for the Scheduled Tribes is not in issue at all. These percentages of reservation have been maintained for them throughout in all the five orders. The constitution makes a specific mention of these two classes and there are apparent reasons for it. The Scheduled Castes were subjected to centuries of supression and the Scheduled Tribes have lived in isolation from the rest of the society. Social justice demands that their welfare and progress should be promoted by special safeguards.

The distribution of the remaining 50 per cent in the reservation pool was made on the basis of a maddening multiplicity of castes and sub-castes —28 per cent for 81 backward communities and 22 per cent for the 135 more backward communities, identified virtually with castes or sub-castes. An analysis of the background to the fifth reservation made by the Supreme Court reveals how dynamic is the concept of the Mysore Government about the definition of backward classes. The reservation for the communities, other than the Scheduled Castes and Scheduled Tribes, fluctuated during July 1958 and July 1962 between 40 per cent and 50 per cent. One wonders whether it is the case of the Mysore Government that these fluctuations are correlated to the fluctuations in the population. But an embarrassing difficulty that emerges in this theory is that the lowest percentage of 40 was prescribed in the mid-year 1960.

The constitutional position on the question of providing safeguards for the protection and promotion of the educational interests of the backward classes is clear. Howsoever the interpretation of the relevant Articles may be stretched, the basic principle remains unaltered that safeguards in the nature of reservation cannot be made on the sole test of caste. Caste may enter as one of the elements in the determination of backwardness in the case of some classes. The Supreme Court poses a forthright question: How about the religious communities which do not recognize the institution of caste? Buddhists, Christians, Jains, Muslims and Parsis fall within this category. The special provisions incorporated in the constitution take scrupulous care to use the word classes. Classes cannot be equated with castes, nor can the two terms be used as synonyms.

The fundamental rights enshrined in the constitution do not allow any discrimination of any description whatsoever on the ground, among others, of caste. Article 15(1) declares that the State shall not discriminate against any citizen on the ground only of caste etc., while Article 29(2), ordains that no citizen shall be denied admission into any educational institution maintained by the State or receiving aid out of the State funds on grounds only of caste etc. The Mysore Government's order, which bases the rule of reservation on the test of caste, militates against both these mandatory provisions.

The question of special provisions for the betterment of the backward sections in the realm of education cropped up in 1951 in a set of cases from Madras and on the strength of Article 46 the constitution was amended by the insertion of an additional clause — Article 15(4). Article 46 contains a directive principle of policy and stipulates that "The State shall promote with special care the educational and economic interests of the *weaker sections* of the population," etc. Article 15(4) introduced by an amendment authorises any provision "for the advancement of any *socially and educationally backward classes*" etc. Coment on the interpretation of these two Articles as excluding the test of caste is hardly called for. The rational criteria of backwardness ought to be the economic condition of the class of citizens and the deviation of the ratio of their student population to their total population from the average ratio for the State's overall population.

To put merit at a discount by restricting the proportion of its pool for admission within severe limits is bad enough — bad for the classes from which the students come and, what is more important, bad for the nation's economy, coming under increasing pressures of the unsatisfied demand for technical and professional skills. But in the public discussion of the Supreme Court's decision an issue of policy of fundamental significance has not received the anxious attention it urgently needs.

The fact that it is a Congress Government which has systematically flouted judicial authority in spirit on four prior occasions in Mysore is as distressing as it is portentious of nationally harmful trends in larger issues of policy. The top leadership of the Congress Party will find no easy, much less convincing, answer to the charge, virtually endorsed by all, that it is conniving at this injection, with a vengeance, of the virus of casteism in the various segments of the nation's life on considerations of expediency. Selection of candidates for elections and the choice of ministers in some States are influenced by caste considerations. There can be no worse technique of perpetuating caste distinctions and centrifugal forces, raising barriers against secularism and national integration. There is yet another vital angle to this question. In a federal constitution, with different political parties ruling at the Centre and in the Units, the risks of the Units pursuing parochial and nationally objectionable policies are real and grave. We can make a fetish of autonomy at the Unit level in strategic or vulnerable points at a high cost. Would it not be advisable to make an appropriate amendment to the constitution vesting the power under Article 15(4) in the Union Government alone?

A Faltering Reappraisal

THERE is much more than meets the eye in Mr. K. C. Reddy's inaugural speech at last week's meeting of the Central Advisory Council for Industries. Since the Monsoon Session of Parliament there has been a policy of hush-hush, as evinced by Mr. G. L. Nanda's defence of the progress of the projects in the Third Plan, to keep away from the public gaze the inevitability of pruning the Plan in parts for the obvious reason of the shortage of foreign exchange and the inadequacy of some of the basic domestic resources. Reading between the lines, it is clear that Mr. K. C. Reddy has now come out with a more frank reappraisal of the Third Plan than his colleagues were prepared to do. But even so, there is positive evidence in his speech which indicates that his appraisal, too, is still faltering.

It would not serve much purpose at this stage to rake up the developments of the recent past involving errors in planning and in rearranging priorities. Amends seem to be in the offing for some of them. Nevertheless, Mr. Reddy has made confusion worse confounded in material respects and, for this result, respect for dogma, to which the Congress Party has been committed, appears to be responsible. On the one hand, licensing for fresh industrial capacity is sought to be brought under stricter control and, on the other, the slogan of concentration of economic power and the consequent necessity of issuing licences to new comers have been advocated. Politically, the Party may find it expedient to raise this slogan from time to time; but at a critical stage, when the expansion of industry is being slowed down, the weight of economic argument must prevail. The policy of allocating licences to new comers has met with very limited inspiring response. As it is, concentration of economic power is more a presumption than a fact. On whatever scale it may appear to exist, its magnitude is grossly exaggerated. A rapid and continuous process of the diffusion of shareholding, particularly among the middle-classes, is going on. It is in the urgent interest of the economy that enterprise and initiative to invest for industrial expansion should not be depressed by a repetitive emphasis on this slogan.

Dispersal of industries may have theoretical as well as practical justifications. Where location of the industry and reasonable availability of resources entitle dispersal in sparsely industrialised areas, the policy should undoubtedly be stimulated. But as has actually happened in the past few years, dispersal of industry, of heavy industry in particular, has taken place under political pressures emanating from the State Governments, regardless of the considerations of economic costs. In the long run, this variety of dispersal of industries is bound to operate as a drag on the economy. Mr. Reddy did not throw full light on the principles which would guide the policy for the dispersal of industries.

There should be agreement with Mr. Reddy in his stress on the full utilisation of the present installed capacity before new licences in the same industries are issued. But it appears from his speech that he is not convinced about the extent of under-utilisation of capacity. The kind of scientific and elaborate statistical probe, for which he is waiting, might even see the passage of much of the valuable period of the Third Five-Year Plan. There is no reason why under-utilisation should not be assessed on pragmatic grounds. The list of the 21 priority industries is on the whole justified in the circumstances. But the determination of the exact number of industries eligible for priorities should be made with less haste and greater thoroughness. This is the lesson to be drawn from the enlargement of the original list of 19 priority industries to 21 in a matter of a mere week.

Licences already issued are being revoked on the ground of failure to take positive measures to implement them. Inherently, this new trend in policy seems sound. But there is a great and real risk that lack of full and proper appreciation of the difficulties in the way of taking action on the licences will result in revocation in very vital and deserving cases. The Minister's assurance about proper inquiry into the causes of non-implementation does not go far enough and it is not fully corroborated by recent experience. Pruning is implicit in the flexible nature of planning. But there must be no surrender to the mood of defeatism and the progress that is feasible must not be allowed to be undermined by pet themes.

THE WEEK'S NOTES

Kerala

AFTER MR. PILLAI'S EXIT

THE WILLINGNESS of Mr. Pattom Thanu Pillai, until recently Chief Minister of Kerala, to resign from that high office and to accept the offer of the Governorship of the Punjab literally came as a bolt from the blue to all, including the public and the politicians of the State itself. This outcome is no doubt an additional feather in the cap of Mr. Lal Bahadur Shastri. Mr. Pillai's individual decision and surprise action have given not a little shock to the leadership of the PSP itself, apart from the loss of reputation they have caused. The discussion in the Press about the objects behind Mr. Pillai's acceptance of Governorship — whether it is love of authority or any similar force — has now ceased to be of importance.

With Mr. Pillai's position in the politics of Kerala powerfully entrenched during the last two decades, the PSP enjoyed a weightage in the cabinet totally out of proportion to its strength in the legislature. The Congress, which had to reconcile itself with a subordinate status, in spite of its higher strength, now gets its due share of effective power in the Government. This is a moment of real opportunity offered to the Congress Party and it will fail not only the State but the nation too, if it does not make a determined and honest effort to run the administration efficiently and thereby make a convincing appeal to the electorate in the forthcoming election. This alone is the way it can fight the Communist challenge. In the recent local elections it won a majority in half the number of districts in the State and the unholy alliance between the Communist Party and the Muslim League failed to dislodge it, as the alliance vociferously threatened to do during the election campaign.

But the task before the Congress is by no means easy. Not only the acute communal differences which have crept deep into the politics of Kerala but the differences between the legislative and organizational wings of the Congress Party pose a difficult challenge to it. The talk of Congress going it alone is premature. There is every need to carry on with the coalition if only because further complications are to be warded off before the elections are due. The PSP now finds its own policies and affairs in a complete mess. But one thing which its National Executive should decide at its meeting, due to start tomorrow, is to view the political scene in Kerala in its correct perspective. That perspective demands a guarded policy not to do anything that would offer gratuitous opportunities to the opposition parties.

Emotional Integration

ROLE OF EDUCATION

ALTHOUGH THE principal purpose of the Sampurnanand Committee on Emotional Integration was to examine the role of education in the difficult task of integration, the dominant impression cannot be missed that the Committee has produced yet another marathon report on the subject of education as such. This is not to minimize the significance of education, which definitely moulds the character and outlook on life of the student community, as one of the powerful instruments of emotional integration. If anything, the Committee's report raises a very important, but controversial, point. It analyses the confusion and chaos that have been created in some respects in the educational policy of some of the States and the deleterious effects of the parachoial pulls. It wants education to be lifted from this state of affairs and to that end it urges a common pattern of education to be adopted by all States. The present drift and State autonomy with some vengeance are to be blamed on the lack of the pursuit of any firm and positive policy for education after Independence. All this analysis raises the controversial point as to whether the States will be prepared to surrender a significant part of their autonomy in matters pertaining to education. The answer to the basic suggestions of the Committee will depend upon the attitude of the States in this behalf.

Inevitably, the question of the media of instruction has been examined at length by the Committee. In this respect what it has done is to consolidate and reinforce the argument for the three-language formula and the maintenance of English as a medium of instruction which follows as a corollary to the official policy of its continuance after 1965 with the status of an associate language alongside Hindi. There is much force in what the Committee has said about the media of instruction. In the course of time, Hindi will, and must, be assimilated on a nation-wide scale as the national language and not merely the official language as the Constitution formally characterises it. The adoption either of Hindi or the regional language as a medium of instruction will narrow down the gap between the highly educated middle class and the less educated masses. Nevertheless, every precaution needs to be taken that the States should not lapse into a situation of intellectual isolation from each other. It is here that English (and Hindi over time) will serve as a great cementing force to prevent that isolation and, furthermore, the retention of English will perform the valuable service of throwing open the windows to the latest currents of thought in literature, science and technology, blowing from abroad. All said the practical difficulties in introducing the three-language formula (with the addition of the regional language as a medium of instruction) are real both in terms of the availability of teachers of the necessary calibre and the outlay that will be involved. The report, in short, restates the problem with a greater sense of conviction.

Desegregation

NOW MISSISSIPPI

MANY OF the Southern States unhappily continue to be the bulwarks of the retrograde philosophy of segregation in the realm of education on racial considerations. But if this blemish mars the reputation of America as a State in the vanguard of the progressive forces in the world, it speaks volumes for the courage of the President to compel obedience to the rule of law and respect to the voice of reason. The segregationists in the Mississippi State, incited by the reprehensible lead given by Governor Barnett, staged many ugly scenes of violence in which two lives were lost. The Supreme Court's order had in any event to be enforced and it was as clear as broad day light that Mr. James Meredith, the negro student who has emerged as the hero in this battle of principle, had to be admitted to the University of Mississippi. In flouting the Supreme Court's order and inviting the charge of contempt, Governor Barnett has necessarily created embarrassment for himself. President Kennedy's personal appeals to him have gone in vain and in the result the President had the only course left open to him to do his duty by the Constitution. He has federalized the National Guards of Mississippi and issued orders to the Secretary of Defence to produce the recalcitrant Governor before the Supreme Court, if even at this final stage he declines to appear voluntarily. How he clears himself of the charge of contempt is a matter for him to decide, but his legal embarrassment is certainly very grave.

Mississippi recalls the previous parallel of Little Rock which made history five years back. President Eisenhower at that time did not flinch from his primary obligation to uphold the Constitution and the rule of law. The technique that had to be applied to enforce the Supreme Court's order was the same as now adopted by President Kennedy. The National Guards were federalized and Governor Faubus' compliance was obtained under the reluctant threat of the use of armed force. Whether it is the Republican Government, as in the case of Little Rock, or the Democratic Government, as now in the case of Mississippi, no extreme action can be grudged to promote the principle of desegregation. The strength behind the segregationists need not be underestimated, but it is obvious that their fight for a lost cause cannot survive long.

U.A.R.

REMARKABLE REFORM

PRESIDENT NASSER has taken a bold and courageous step in introducing a radical reform in all the sectors of the nation's life. This was apparently the result as much of his own relalization as of the public murmurs of criticism that there was too much of over-centralization of authority at all levels. The spate of reforms which he announced aims basically at liberalizing the authoritarian rule in some measure and introducing centralization and delegation of powers. Among the three Councils which have been set up, two are most important, namely, the President's Advisory Council, vested with powers to formulate policies, and the Council of Ministers. The appointment of Mr. Aly Sabry as Prime Minister or Chairman of the Council of Ministers has been hailed throughout the country as an appropriate choice. Mr. Aly Sabry has earned the confidence and respect of the people by his able discharge of the functions of his former office as Minister of Presidential Affairs. Another appointment which has been welcomed is that of Dr. Hekmat Abou Zeid as Minister of Social Affairs. She has already made a mark on the public mind as a sound administrator.

Since the middle of 1961 a number of reforms have been introduced and it is possible to argue that the haste with which they were enforced could very well have been tempered by moderation. In the result, mistakes have occurred, resulting in creating obstacles to the progress of the intended reforms. It is reckoned that about four-fifths of the production in the industrial and other sectors is now socialised. But how far the structure of the new set-up is strong will remain to be tested over time. Land distribution has proceeded fairly satisfactorily. But unemployment has not been curbed effectively, partly because the high rate of accretion to the working force has made the task more difficult to tackle. In his speech announcing the significance of the reforms, President Nasser laid repeated stress on the need for augmenting opportunities for jobs.

The emphasis in the new reform is on collective leadership, one of the reasons being to minimize the possibilities of corruption against which there is no doubt a good deal of cogent criticism. It has come as a source of great relief to the Egyptian people that the President has openly and warmly invited criticism of the errors and defects in the working of the administration. Ten years of the Revolution seem to have brought, on his part, a deeper objective insight into the problems of the State. President Nasser was careful and cautious to remind the nation that during the current decade spectacular results may not be expected as the progress of the economic, social and political reforms was, in the very nature of things, bound to be hard and slow.

A CORRECTION

In the last week's issue the caption of the last Week's Note was inadvertently printed as "An Unfructuous Conference". The correct caption is "An Infructuous Conference". The error is regretted.—Ed.

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S. T. SADASIVAN
GENERAL MANAGER

The World Abroad

HOW TO ENCOURAGE SAVING

By

ODYSSEUS

"HOW MUCH PROFIT can I make out of this?" It is disconcerting to reflect that today a minority of UK enterprises ask this question, because the public authorities, central and local, decide, directly or indirectly, over half the UK's annual gross investment — in the nationalised industries, in supervising investment in steel, in their role as leading customer for many products, such as drugs and aircraft, in financing research and development, in long-term policies that condition major private industries like agriculture, and in financing the contraction, expansion, reorganisation, or location of industries. What is more, as firms become giants they become "socially responsible", amenable to the "national interest". Increasingly they take major decisions not in order to maximise profits but to comply with the wishes of officials or ministers.

The "national interest" is not, however, a matter of fact but of shifting opinion, as contradictorily expressed by political parties, organised groups of electors, industries, employers, or workers.

I do not suggest that giant firms are unjustifiable — they have advantages in economies of scale, and so on — but their expansion should be based on the objective assessment of prospects by investors and their professional advisers, not on ploughed back profits.

PROFITS — "NORMAL" AND "ABNORMAL"

Are maximised profits "anti-social"? For answer, compare the sources of "normal" and "abnormal" profits. "Normal" profits are made from the existing plants of already established firms. If they are content to jog along with such profits, they will, as tastes change and products becomes obsolescent, slip into the ranks of dying industries. "Abnormal" profits are made (a) by keen businessmen, who think up new possibilities of making money: build new plant, introduce labour saving devices, increase the scale of output, or (b) by new enterprises, running high risks by pushing untried products or techniques.

Not the prospect of "normal" but of "abnormal" profits induces the inventiveness, the change, and growth, which are the aims of a dynamic society. And free enterprise ensures that "abnormal" profits, having achieved their innovatory function, do not survive indefinitely. Other entrepreneurs will seek to cash in on the high profits obtainable in a new field; wages and costs will rise, selling prices be forced down. The free enterprise system, if it is not distorted by interventions "in the national interest," has a built-in trend towards change and growth because, on the one hand, it rewards innovators generously, and, on the other, it is continuously reducing profits from "abnormal" to "normal", and then eliminating them altogether. There are always profits to be made, but never from the same goods and services for long, as can be seen by comparing today's prevalent goods and services, and the identities of today's firms, with those of 1945, 1935, 1900, 1850, or 1800.

These facts answer the argument of the Labour party's pamphlet, "Industry and Society" that shareholders need no compensation for taking risks because, with full employment and government measures to avoid slumps, the prosperity of the 512 large companies "is now substantially underwritten by the state" and the risk taken out of risk capital. But precisely to the extent that the state underwrites these particular companies, it is impeding change and growth, and so ensuring long term loss of capital, and precisely to the extent that the state encourages competition, it is ensuring change, and the risks that go with it.

The proposition that growth depends on "abnormal" profits clashes with the suggestion that if the workers will not put wages up by more than output, the government will ensure that profits will also be held down. Now, the share of wages in the UK national cake has risen from 64.7 per cent in 1950 to 67.7 per cent in 1960, but in a remarkable statistical analysis in the "Westminster Bank Review," which I reviewed here on August 10, Mr. A. E. Jasay showed that the workers could have a larger slice if they were less concerned to keep profits down and readier to go all out to increase the size of the cake by raising production and productivity. It is only possible to secure a faster growth rate if profits are allowed to benefit. Mr. Jasay's calculations show that with a small growth rate of, say, 2.5 per cent, real wages may rise faster than profits, which, indeed, might well fall — with perhaps disastrous longer term consequences. But with a faster growth rate of, say, 4.5 per cent, profits would probably rise thrice as fast as wages. Yet the rise in real wages would still be much greater than if the growth rate were only 2.5 per cent. Mr. Jasay put the choice to the unions: "Wages may go up faster than profits, but still too slowly for your liking: or else fast, but still more slowly than profits. A loss in labour's relative share could be traded for more rapid progress towards affluence — or conversely. Both relative and absolute gains may be worthwhile but to have more of one you must accept less of the other."

Let's face it: shareholders are suspect. Why? Keynes is largely to blame. Seeking to cure chronic unemployment, he diagnosed that wealth was concentrated among too few people, whose incomes, in so far as their capital was inherited, were "unearned". When savings exceeded investment opportunities, unemployment followed, but the wealthy few went on saving, thus aggravating under consumption. The cure was for the state to prevent, by taxation, the narrow accumulation of wealth and to avoid slumps by public expenditure and investment.

Whether or not this diaongsis was wholly true of the UK in the 1930's (it ignored a major cause of the depression: the changes and growth that were rendering obsolete old established industries, like coal, textiles, shipping), it does not apply today, when death duties erode the inheritance of "unearned" incomes and high taxation levels the "rich". Far from saving too much, the continuous rise in prices since the war shows that the U.K. is saving too little, consuming too much.

There is, today, a shortage of savings.

The more that the UK applies Keynes's out of date diagnosis, the more we rely on the state to save and invest by taxation, the wider the economic "establishment" imposes its subjective definitions of the "national interest", slowing down change and growth, and the narrower the area in which maximisation of profits — the only objective criterion of efficiency — prevails.

SMALL SAVERS IN THE U.K.

But if the UK restrains state investment, and if there are none of Keynes's rich savers left, where are the savings to come from? A new class of wage-earning and salaried savers has, in fact, emerged. In 1960, out of UK gross personal incomes £21, 108 million, £1,494 million, or 8.3 per cent, was saved.

Most of these savings are accumulated in fixed interest outlets. 4.5 million people have £3,000 million in building societies. 31 millions have savings banks accounts worth £3,100 million (average £100 per head). 17 million have £2,700 million in National Savings Certificates. These institutions have cultivated the habit of saving — but at the expense of the savers, because the purchasing power of the £ has fallen by 44 per cent since 1945. Nor do these fixed interest savings directly promote the growth of the economy as does investment in industry. That the number of shareholders is estimated to have risen since the war from 1.5 to 3.4 millions today reinforces the evidence that new classes have emerged as savers, but the savings statistics quoted above nevertheless show that many more could afford to invest in shares. Of those who do, the percentage of share owners is highest in the upper middle class, because that class is the smallest, but the Wider Share Ownership Committee's Report found that numerically there are as many share owners in the lower middle class. The Acton Society discovered that the typical UK small investor is a lower middle class man, earning £17 a week, who has invested nearly £1,000 since the war, and expects to continue to invest £100 a year.

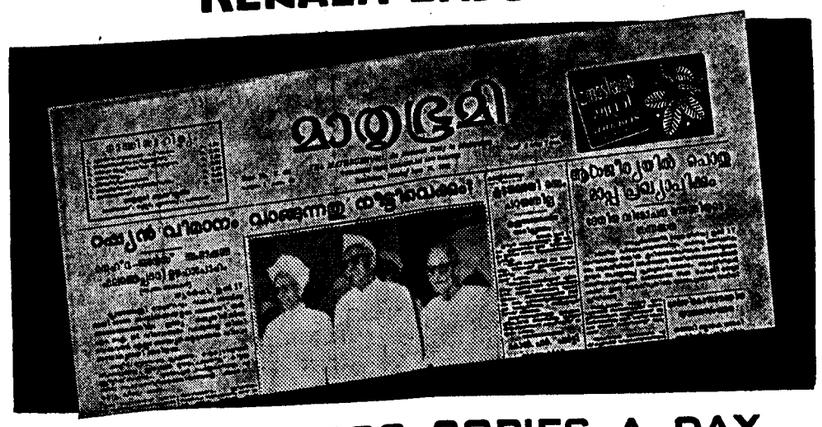
No one suggests that the small man should put all his savings into shares, but there are three reasons why he should put much more in them: (1) shares are a hedge against inflation — an important fact in this age over full employment; (2) a personal stake in the prosperity of one or more industrial enterprises would be widening understanding of economic processes, help to create a climate of better informed opinion favourable to economic growth; (3) ordinary shares are risk capital, which enables new enterprises to get going, and thus helps to further prosperity.

The UK's big insurance companies, pensions, and trade union funds, are no substitute for the individual shareholder, because they seek the type of share that they can buy or sell in thousands at a time without turning the price against them, i.e., shares in the bigger and better known companies. They thus favour the economic "establishment" — the big companies in steel, motor cars, chemicals, breweries, etc. — at the expense of new and unfamiliar enterprises, which must have money if they are to develop.

What prevents increased saving for investment in shares is (1) the widespread feeling that share ownership is "anti-social", (2) tax, and other, policies, which encourage divided restriction rather than the maximation of dividends, and (3) policies which actually penalise shareholders. As Richard Kellet says in "Ordinary Shares for Ordinary Severs" (Institute of Economic Affairs. 1962), the small UK investor in shares suffers tax handicaps which he escapes in War Loan or Trustee Savings Banks. He loses £2 in stamp duty for every £100 invested. He pays higher brokerage than for gilts. On dividend income, the company deducts tax at the full rate, which he has all the trouble of reclaiming if he pays a lower rate. Although today's small shareholders buys his shares out of savings from his income, he gets no tax relief on dividend income — because it is "unearned"! A typical saver paying tax at the standard rate, or above, earns a ridiculous 3¾ per cent, i.e. reward of £1-17-6 a year for not buying a £50 TV set.

The UK spends 65 per cent of her GNP on personal consumption (cf. 57 per cent in Germany). The statistics show that British wage-paid and salaried workers have money to save. If they would (a) save a little more — if 10 million more people save £5 a week, there would be an extra £125 million of new savings every year — and (b) invest more in shares, fears that the UK's new National Economic Development Council may not attain its target growth rate of 4½ per cent per annum without inflation would vanish, and the target itself could even be raised.

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The European Scene

NOT GOOD FOR GENERAL MOTORS

From Our Special West European Correspondent

PARIS, September 29.

TWO major U.S. corporations, the Frigidaire division of General Motors, and Remington-Rand, have been in the dock this month in France, providing the occasion for some minor but significant outbursts of anti-American economic nationalism. Fascinated by the prospects of the Common Market, both these American giants made ambitious investments in France as well as elsewhere in the six-nation region. But they bit the dust. Finding that business in this country was not as good as they hoped, they promptly retrenched in ruthless American style. Trade unions who are not particularly fond of American capital exlaimed that these were un-French activities. The Industries Minister supported them to the extent of declaring, "I will not allow certain isolated industries to practise an irresponsible policy that ignores the social contract that binds a financially powerful firm to the labour it hires. To stop such sins, I am giving instructions for a most careful examination of new foreign investments, particularly American." Denying that there was any intention to restrict such investments, his department added, "Our aim is simply to invite French subsidiaries of foreign companies to take quite seriously the imperative obligation that lies on them in France to respect the production objectives of the Plan and its social objectives too."

The fuss created by the labour unions soon died down and perhaps should never have been taken seriously. Once the U.S. firms found themselves in the limelight, they dealt more generously with their dismissed workers, who, moreover, will not have the least difficulty in finding other jobs. The General Motors plant is in the Parisian suburbs and the Remington factory near Lyons, and in both these regions there is an acute shortage of trained industrial labour. French firms in similar lines have closed down lately, firing many more men in some cases; the unions protested then too, but made much less capital out of the affair. Both capital and labour should (and do privately) count themselves lucky that the economy is in a state of full employment and uninterrupted expansion, so that the inevitable adjustments required by the division of labour in the Common Market can be made painlessly, and mistakes in the sense of over-investment can be quickly repaired. The fact stands that there was a slight but noticeable difference in manner between the U.S. firms and their European compeers.

Local firms still have a paternalist style, and if obliged to retrench they handle the unions with velvet gloves, taking good care to get the Government, in the shape of the ministers for labour or industry, on their side first. The Americans are rather more abrupt and businesslike. Apart from different labour practices on the two sides of the Atlantic, this is to be expected because the American subsidiaries represent gypsy capital: they sent money out of the United States to West Europe because they saw that the cost of labour was lower over here, and if they make a mistake they lose no time in pulling up their tent and moving on. How else can European nations, which are not undeveloped or economically immature, expect U.S. capital to behave? It will always be more volatile than domestic capital. When they gloat over the figures for rising American investment in the Common Market, Europeans have to remember that if the profit rate declines this money will promptly be redistributed or even sent home again. Some municipalities succeeded in attracting American investment with special concessions and other baits, but they had not, for all that, managed to anchor it. Remington, for example, had accepted a loan and a tax exemption for its plant near Lyons, but this does not prevent it moving on when business dictates. The prosperous European economies are big enough to stand this sort of fair-weather treatment. Between equally industrialised nations, capital will skip about according to the prospects for profit and however welcome foreign investment is it will always be less stable than local funds. It is welcome for all that: on the same day as the U.S. firms were denounced by anti-American trade unions for throwing men out, West German capital moved in to take over a steel enterprise on the Atlantic coast that various French groups had despaired of resuscitating, thus providing employment where local capital could not.

In the period of unrestricted capital movements that began a few years ago, and especially in the phase of re-assessing comparative advantage as Common Market tariffs fall, fluctuations of this kind have to be accepted. As long as governments maintain full employment and yet prevent the level of wages rising above the average in competing economies, the Europeans have nothing to fear and much to gain from this increase in mobility. Incidentally, I learn from private sources that the French Communists were given lessons on this point lately in Moscow, at the Communists economists' gathering. Earlier this year a State-owned colliery in the centre of France had to be shut down because it was uneconomic, given th shift from coal to liquid fuels and the common market in coal. The miners, though offered facilities for reconversion refused to quit and staged a stay-down strike, and even a hunger-strike at the bottom of the pit. The French Communists, scenting an opportunity for demagogic intervention, espoused the absurd cause of the miners, holding them up as martyrs to the monopoly trends of the Common Market. The State stood its ground, despite the sympathy such displays inevitably arouse, and the miners eventually quit after gaining some extra benefits. In Moscow the French Communists were taken to task for their role in this affair, notably it appears by the Italian C.P., and criticised for their readiness to take up any anti-progressive economic lunacy. The workers' interests, they were admonished, were not to be protected by blind opposition to the increased mobility and concentration required by the Common Market. The presidents of General Motors and Remington-Rand could not have put it more plainly, it seems.

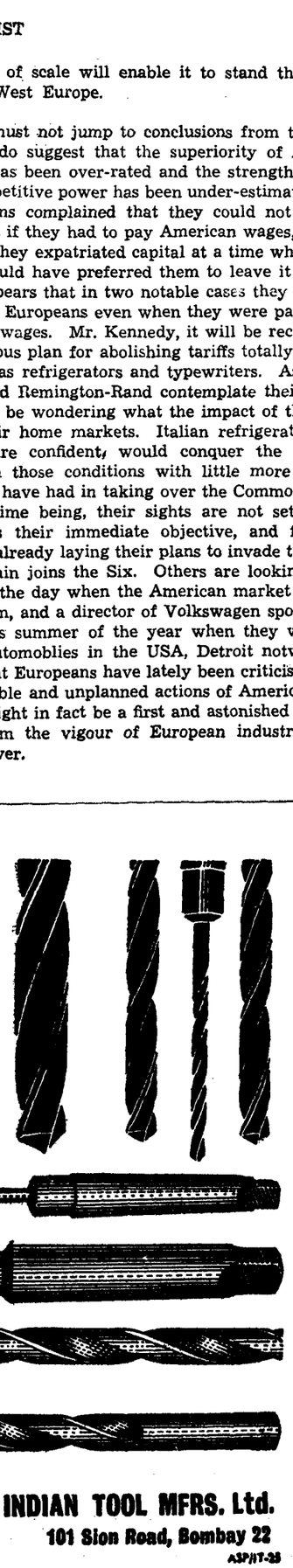
While accepting most of the above, the French Government nevertheless claims to have a just complaint against the American firms, in that their sudden decisions tend to upset the operation of the national plan. Domestic capital takes part in the discussion of the plan, sets its programmes in accordance with what it learns in plan commissions and is less likely to make the sort of mistake that some over-optimistic U.S. corporations have made; if they do err, the French firms find it normal to consult back with the officials of the plan before they take brutal measures to rectify the situation. The Americans on the other hand, allege governmental critics, make no secret of the fact that they come to France because of the security offered by the existence of the plan (France's industrial growth may not be the world's highest but it is the most consistent), yet they remember that planning is "socialism" when it comes to consulting officials about writing off mistaken investments. The closer watch that Paris proposes to institute for American capital over here will consist in reminding U.S. corporations that their decisions have an echo throughout the plan, and are thus not to be taken in New York or Detroit without advising Paris.

The planners may have a point here, but the real moral of the General Motors and Remington affairs surely lies elsewhere. These companies came to Europe imagining that the application of tried and tested American methods in the Common Market would yield profits, yet they have discovered that they could not stand the competition. For all the resources that were behind the General Motors venture, it has been annihilated just like a dozen other French and German refrigerator firms by the overwhelming force of Italian competition. The Italians, and particularly the one firm Ignis which manufactures 500,000 refrigerators yearly, are undercutting other Common Market makers by as much as 33 per cent, and nothing can stand in their way (though duties on this product have not yet fallen to zero), not even a major American house that combined the advantages of a great name, U.S. patents, research and backing—and French labour that is cheap in comparison with American. Remington's experience, while more complex, is not very different. The firm admits that it cannot find cheaper trained labour anywhere than in Lyons, but the going has been so rough that it must concentrate its output in Holland, in the hope that economies of scale will enable it to stand the competition in West Europe.

One must not jump to conclusions from two cases, but they do suggest that the superiority of American methods has been over-rated and the strength of European competitive power has been under-estimated. U.S. corporations complained that they could not beat the Europeans if they had to pay American wages, and that was why they expatriated capital at a time when Washington would have preferred them to leave it at home; it now appears that in two notable cases they could not beat some Europeans even when they were paying only European wages. Mr. Kennedy, it will be recalled, has an ambitious plan for abolishing tariffs totally on goods just such as refrigerators and typewriters. As General Motors and Remington-Rand contemplate their bruises, they must be wondering what the impact of this would be in their home markets. Italian refrigerators, their makers are confident, would conquer the American market in those conditions with little more difficulty than they have had in taking over the Common Market. For the time being, their sights are not set so high; Britain is their immediate objective, and firms like Ignis are already laying their plans to invade the islands once Britain joins the Six. Others are looking further ahead, to the day when the American market is opened up to them, and a director of Volkswagen spoke calmly to me this summer of the year when they would sell 600,000 automoblies in the USA, Detroit notwithstanding. What Europeans have lately been criticising as the irresponsible and unplanned actions of American corporations might in fact be a first and astonished American recoil from the vigour of European industry's competitive power.

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Economic Report from the U.S.

IBRD—IMF SESSION

By GUY SIMS FITCH

WASHINGTON, September 25.

BEHIND the general calm which pervaded this year's joint meeting of the World Bank (IBRD) and the International Monetary Fund (IMF) lies one of the truly exciting developments of our time. The stresses and strains that affected the international monetary system in earlier years clearly are giving way to a new and welcome equilibrium. With this has come a new confidence among the Free World's economic and financial leaders in that system and in the value and stability of its major reserve currency, the U.S. dollar. This confidence could be felt on every hand, and it was openly expressed by many of the delegates from the 80 countries which make up the Bank and Fund membership. This tone was set at the opening session by IMF Managing Director Per Jacobson, who insisted that the dollar is strong and that the Free World is approaching the kind of monetary balance that has long been its goal. Few experts dare speak with the authority of this respected elder statesman of world finance, whose views have proved so correct so often.

This dramatic progress also represents a vindication of sorts for U.S. policy. It appears to have swept away any lingering concern over the U.S. determination to maintain the value of its dollar, and to eliminate its balance of payments deficit — with the consequent outflow of gold — without retreating from long-accepted responsibilities at home and abroad. It was evident at last week's meeting that dollar devaluation — the possibility that the United States might have to raise the price of gold — is a dead issue now. And there was a general agreement that the United States is in a good position to bring its international payments into balance by the end of next year, in keeping with U.S. treasury objectives. Other elements of U.S. policy which appear to have won approval relate to what U.S. Under-Secretary of the Treasury Robert Roosa has termed the "restructuring" of the international monetary system. Significantly, Mr. Roosa used his term in an article published only a few days before the opening of the Bank and Fund meeting, in which he called attention to steps the United States has taken in concert with other nations to strengthen the world's financial mechanism.

There are, for instance, the exchange arrangements under which the United States acquire other currencies for dollars, and vice-versa, plus the outright purchase of other currencies to be held for long periods of time if necessary. Also, there is the $6,000 million in special stand-by credits to bolster IMF resources being set up by 10 leading industrial countries, including the United States. And, of course, there is the IMF itself, with the drawing privileges available to each member country. No one can be absolutely sure what other responses future developments may require, and one should guard against an overweening complacency in these matters. But there apears to be substantial agreement with the observation of U.S. Treasury Secretary Douglas Dillon that there is plenty of liquidity under these arrangements and others like them to finance world trade and payments for the immediate future, without resorting to revolutionary and untried approaches that could upset the progress being made.

With the world's monetary structure so obviously improved and with many countries in better financial shape, last week's meeting was able to turn its attention to another pressing international problem. Widespread support, at least in principle, was produced for the proposition that more aid should go to the developing lands. Both U.S. President John F. Kennedy and retiring IBRD President Eugene Black expressed themselves eloquently on this subject. Mr. Black, whose imaginative and vigorous leadership has contributed greatly to the success of the IBRD for the past 13 years, called particular attention to the needs of the International Development Association (IDA), World Bank affiliate which specializes in long-term, low-interest loans to the less-developed nations. IDA presumably would offer one highly useful vehicle through which nations now in position to do so could expand their economic assistance efforts. President Kennedy reaffirmed U.S. determination to maintain its long-standing assistance programmes which have done so much to reinforce the security and the economic advancement of free nations. But he noted that the United States has spent some $85,000 million for these purposes in the past 15 years, and suggested again, as he has in the past, that the time has come for other prosperous countries to carry a more equitable share of this load. It would be unfair to suggest that other countries have not been contributing to the joint economic and defence effort. But the feeling here is that many of them can do more. From the attitudes apparent at the IBRD - IMF Session, it is possible to look forward hopefully to such a result.

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INDIAN IMAGE AND WESTERN REFLEX

By PEGGY HOLROYDE

IT is an uncreative cliche to say that an Indian's skin is several layers thinner than most others — but it still seems to be true, and in a day and age when, unfortunately, it would appear very necessary to cultivate a mutation of genes in order to produce a thicker one. This thought came to mind the other day when four Nagas arrived at London Airport and were eventually allowed to remain. One can foresee one more barb in the Indian body politic and further ammunition for a bad press in the West. In a flash the perennials clattered into the daylight of my mind, so many skeletons rattling out of their respective cup-boards. Kashmir, Goa, Mr. Menon and MIGs, Congo troops and Naga freedom fighters—they are the bony remnants of old antipathies. Only recently the London Times in dealing with the MIG issue ran the headline "Western critics rebuked by Mr. Nehru." His regret that Britain and America were almost invariably against India on subjects like Goa and Kashmir was quoted, as well as the fact that speeches conditioned by these Western reflexes to India's actions "hurt us, annoyed us, irritated us, angered us." This hurt, annoyance, irritation, anger suppurates like a malignant tissue in our total relationship and one sometimes gets the impression that Mr. Nehru nowadays is tired in an infinitely sad way with the perpetual effort of having to suffer gladly with the foolish opinions so often born out of Western ignorance.

Knowing India and feeling sympathy with her aspirations one understands the underlying anger, the fierce desire to be independent, the need to shake off the damage done by Western arrogance in the past. Nevertheless India surely has to come to terms with contemporary life in the brutal arena of politics. None of us is in it for altruism, at least not yet, not until we have won our painful way to a world government, so that as things are all national motives are suspect. Secondly, if anyone treads on our corns, as India has done in the past (again, quite rightly so), we are not as yet sufficiently imbued with the Christian or Gandhian spirit to stick out the other foot. We are far more likely to give a kick in the pants. And when Mr. Nehru went on to comment in relation to the UN debate on Goa that it was based on certain assumptions and, he regretted to say, on some dislike for India and all she stood for, both British and American readers are inclined to say "so what?" We get broadsides after all from every quarter. Sometimes the rarified atmosphere of politics tends to make politicians forget that people are human, reacting in a very unsaintly way. We learnt long ago to be thick-skinned; the Americans after years of wanting to be loved have learnt the hard way that there is no room for affection in politics; and Indians, no matter how righteous their cause, will have to discover that no one believes that right is entirely on their side. Historical perspective teaches that most issues are washed in a dreary grey, so unlike the deceptive blacks and whites of the original presentation. This is where the image of India suffers, discoloured by the corrosion of time. In the West we live in an Age of Disillusionment. Not even the most idealistic can escape the breath of scepticism which now pervades our Western world.

With this background in mind Indians must not be surprised then if we scrutinise her unsullied image with the same scepticism that we bring to that of our own or the American. James Morris, that sensitive and peripatetic commentator, has just incensed a great many Australians with his recent articles in 'The Guardian', To an outsider they seemed fair-minded, to many Australians who live outside their country they did also. But to native Australians they appeared grossly misrepresentative. This is an inevitability of life. The view from outside is never the same as from within. Not only Indians have to suffer this.

When people read of Press restrictions in Naga territory suspicion of any argument readily grows. The point that the Press might complicate delicate negotiations or even try to interfere and influence is not accepted. These are the hazards of democracy as Mr. Kennedy discovered over Cuba. Even India's best friends cannot accept the totality of her arguments nor the hurt self-righteousness, conditioned as we are to be wary of the official statement. We are only just recovering from the ricocheting effect declarations by American scientists (who deplored Sir Bernard Lovell's reservations on the rainbow bomb) and who stated that any deleterious effect would only last a few weeks. Now we are told that in fact the artificial radiation belt outside the Van Allen one will probably last five years if not more!

The disillusions pile up like twentieth century filing cabinets. I was surprised to find on a recent visit to Jersey to lecture on India to a group of students how even among teenagers the mental reservations have percolated into their uncynical minds. Intelligently well-informed though they are on Asian problems and often willing to give India the benefit of the doubt, they are entirely hostile to any "official" answers to their questions. They sense instinctively that there is more to any problem than meets the eye; they have been conditioned to this by the harsh realities of the world in which they live.

It is at this point that India's relationship with the West falls down. There is a real need for emphasis on public relations and sensing the psychology of people than in futile attempts to present lengthy political arguments. The MIG issue is an example. Much sympathy was lost here because the Indian case was not put properly before the case broke in the full passion of cold war polemics. Stereotyped Government hand-outs lie heavy on the mind like badly cooked 'idlis' do on a Malayalee stomach. I defy anyone to enjoy reading the official India News. No matter how much one personally cares for India, to read two pages of solid type on India's case for Goa is a real labour of love. It does indeed stretch even love to a finality of boredom. Some concession simply has to be made to human interest stories and the format of our press, if even the young imagination is to be fired with enthusiasm. Here a lesson could be learned from the coverage of the Kariba dam project in Africa. It was presented with a real panache and though one can say the British are unbalanced on the subject of animals, (their preservation having been given the full press treatment), nevertheless many more people now know about Kariba than the far more worthwhile and challenging project at Bhakra. There were human stories at Bhakra too—not just mountains of statistics. Although there have been enlightened and educative Press supplements in the West on the Indian experiment they only reach a minority of the already well-informed of the population so that there

seems to be a real need to get through to the average reader, and students, everywhere.

One of the problems at the present in sustaining a comprehensive image of India in the West is that one has to deal with two levels of thinking—the over-forties who in some instances still retain a Mother India image or worse still suffer from the boredom of long association through relatives, army or civil service connections—and the under-forties who are free of threadbare concepts.

Here India is her own worst enemy, and her case often goes by default. Indians, and Indian officials especially, sometimes give the impression that they just do not care if they get a bad press, and quite frankly very little thought is given to educating the outside world on India's problems. India's population is more than the combined populations of Russia, The United States of America and the United Kingdom put together, but often this immensity in the task of development is not seen in these terms in the West. Our minds need to be shaken out of the normalities of our living into the realities of 'yours'. Indians may not be a proselytising people but there is an undoubted change of mentality in our younger generation which does need encouragement. All the effort cannot come from them. One day they will be in the positions of influence and the temper of the West could be changed for the better. There are signs in the enriching effect Indian immigration is having on the insularity of provincial life in this country; neutralism is no longer suspect; Tibet diluted the hostility towards the Panch Sila ethos; Indian students on the whole give a remarkably good account of themselves.

For all the dislike Mr. Nehru thinks there is in the West, there is this growing generation who are free from the old antipathies that grew out of Christian-Hindu incompatabilities. Little is ever written about this but it has a great deal to do with the Mother India image which does occasionally raise its atrophied totems. Humanity is swept far more into irrational sentiments by these profound emotional currents than by the surface winds of politics.

Political opinions are assessed in too shallow a manner these days with very little regard for the intangibles that create the psychology of changing attitudes. Increasing secularisation in the West has led many younger people to explore Indian thought, music and dance. But very little expertise comes from India itself which is curious because India seems to be aware of the intangibles more than most nations. The Indian Government appears to look upon cultural delegations to the West as a luxury, yet ironically it is here, rather than in Japan and Russia, that the needs are greatest. Our familiarity in the past except for some remarkable scholars was always superficial and laden with political and religious overtones. Now is a chance to break free of this. It is salutary to see how the Japanese Government wholeheartedly supported the Kabuki theatre venture in the West. The Kabuki theatre is remembered. Yevtushenko came with official blessing, the new image of the new young Russian. The poet is remembered. The moral is plain. Yet Indian artists, musicians and dancers are often treated by their own officials as the poor relations of the Five-Year Plans despite the fact that they feel a passion and a fire in projecting the rich quality of Indian life. In the long run they are remembered when all the politicians have faded, and their image blurred.

One wonders in fact how much is appreciated in India of Western lack of comprehension even on the part of the most intelligent because of lack of personal experience of India. Our ignorance of the vastness of the problem can be forgiven because intellectual understanding is very different from emotional involvement. We are for example a homogenous nation, small in size so that to think on a continental scale of all the Indian complexity in diversity, the telescoping of centuries of development into one anxious threshold leap where we had the leisurely development of centuries, comes with difficulty. And in America where even the luxuries of living are considered necessities the problem of understanding is even greater, although in certain quarters Americans appear more willing to try than the British. Much is at fault with our press reportage but much depends on an imaginative approach from India too if we are to be re-educated. In fact I often think that an Indian Rockefeller is the only answer to enable many more Westerners to experience India on her own terms, to train her students in their own environment, and to bring the technological know-how of the West into direct contact with Indian conditions.

Obviously the image of India in some measure affects the reluctance or willingness to give aid. The taxpayer faces astronomical sums in foreign aid which barn-storming senators, thinking only of their own re-election, do not exactly help to place in proper perspective. But in recent months with the maturing of the Third Five-Year Plan and the crisis in the I.M.F. there have been signs of a shift in opinion as though the deep-rooted antipathies which threatened aid in the past are mellowing into a more realistic assessment of Indian needs, and an awareness that the problem of foreign aid can no longer be tackled piecemeal.

It is obviously unfair to India to be forced into the invidious position of coming regularly, cap in hand, to the West. It is on the conscience of the richer nations that constructive aid with continuity and far-reaching dimensions has to come. But with democracy our electorates have to be educated toward this. They in the end foot the bill and it is interesting to note that West Germany has gone over to the practice of tying aid to specific projects in India.

This may well be the trend, for underneath the uneasiness and the irritation felt about economic aid to Asia is the doubt about what happens to it at the grass roots level. The integrity of India's planners is never questioned and in fact India's continuing stability in the face of the disruptions in Pakistan, Burma, Ceylon, Ghana and the Sudan is duly appreciated. But the fears and prejudices of some who feel they are passive into a bottomless pit come back again to failure in communication. Little is really known of what happens to that aid and the impression is still held that open debate in India is in its infancy.

Sentiment about aid is deeply involved with knowledge of what happens in India. Recently bitterness was expressed here by Indians over an article carried in a national newspaper about the "silly season" in Delhi. Reports of beetles in the milk were taken much to heart. Of course this is no prerogative of India. A London dairy was fined heavily for a mouse in a pint of milk. I myself have discovered a rusty nail in a can of peaches. The point is not that these things happen but that something is done about them. This is where Westerners, used to a vociferous Press and the accumulative effect of public opinion on members of Parliament, wonder occasionally if misuse of aid can ever have the same public accounting in India when they are still haunted by the vision of three monkeys, symbolic of India. Hear no evil, speak no evil, see no evil.

THE BUSINESS WORLD

I.F.C.: Steady Progress

DURING the last 14 years the Industrial Finance Corporation has made a praiseworthy "contribution towards the successful implementation of the objectives of the Plan". The financial loans made by the Corporation for the expansion of the old industries and the setting up of new ones have gone a long way in enhancing both production and industrial employment. At the 14th annual general meeting of the Corporation held at New Delhi last week, Mr. K. P. Mathrani, Chairman, Industrial Finance Corporation of India, detailed the performance of the Corporation since its inception highlighting particularly the new records set up for disbursement of loans as well as for the steady financial results. In the last few years the Corporation has taken new strides in its onward march to assist Indian industry and the dynamic personality of Mr. Mathrani has without doubt made a great impression on its working.

Till the middle of the current year total loans and advances approved by the Corporation to the various industries were placed at Rs. 130.27 crores. The total utilisation of funds offered, however, stood at Rs. 68.14 crores. This shortfall in the utilisation of the sanctioned loans has been primarily because of the failure of the loanees to comply with the regulations of the Corporation.

The industry-wise distribution of the loans and advances is set out in the table below. It will be seen that the sugar industry stands at the head of the list with the highest contribution at Rs. 37.79 crores. It might be argued as to why the Corporation has been so liberal to the sugar industry particularly when production of sugar in the country has been steadily rising and during the last two years the stocks have not been absorbed either by enhanced domestic consumption or by increase in exports. At the press conference specially convened to explain the working of the Corporation Mr. Mathrani took pains to elaborate that the Corporation was not favourably inclined to the sugar industry without reason. The bulk of the advances made to the sugar industry went to the co-operative societies. This was, according to Mr. Mathrani, in keeping with the spirit of the Second Five-Year Plan which advocated special encouragement to industrial co-operatives. It is not known if the Corporation has made any critical analysis of the co-operative sugar societies which have gone into production to see if their working results justified the patronage extended to them by the Finance Corporation. It is known however that in one particular State, that is Maharashtra, the co-operatives have done well. The experience elsewhere however is not known to be uniform.

The gross profit of the Corporation for the year ended June 30, 1962 stood at Rs. 130.71 lakhs as against Rs. 139.35 lakhs for the preceding year. Excluding the profit accruing from the sale of investments the profit for the current year was higher by about Rs. 13.98 lakhs than for the last year. This is due to the fact that the financial operations of the Corporation have been steadily rising from year to year.

Particular mention needs to be made of the new channels into which the Industrial Finance Corporation has started its operations. The coal industry also has come within the purview of its patronage and so far three loans totalling for a sum of Rs. 82 lakhs have been sanctioned. Again, for the first time in the history of the Corporation, a loan of Rs. 35 lakhs has been extended to a unit in Mahe (in Pondicherry) for the establishment of a textile mill. The Corporation had also agreed to provide a guarantee for deferred payments to this unit to the extent of Rs. 5.62 lakhs. Once again "industrial and medical gases" have been brought within the approved list of industries of the Corporation and a loan of Rs. 1.09 crores has been sanctioned during the current year. This shows that the Corporation is alive to the needs of the new industries.

A notable achievement of the Corporation has been the increase in the foreign exchange resources available to it for disbursement to Indian industries. West Germany for example has provided foreign exchange to the extent of 15 million DM (Rs. 1.79 crores). This sum has been provided from the German Bank for Reconstruction. The Government of India also has taken the wise decision to make allocation of yen credit equivalent to a sum $2 million for facilitating the operations of the Corporation. Again, the Corporation is anticipating another loan of equipment credit in French currency, though the terms with the French Commercial Bank have not yet been finally decided. All this goes to prove that the IFC has made in the recent past a successful bid in procuring the necessary foreign exchange as well for the industries. Another major event of great importance is the interest that the International Finance Corporation has evinced in co-operating with the IFC. The activities of the Corporation are also proposed to be extended to Goa—the former Portuguese colony which became a part of India in December last. Goa in fact offers virgin soil for the IFC where the industrialists are looking out for opportunities in expanding their activities and are not able to do so because of paucity of financial resources and foreign exchange. In helping Goa in extending its industrial pace the IFC has taken

LOANS AND ADVANCES APPROVED BY IFC
(Upto June 30, 1962)

	Type of Industry	Amount approved upto June 30, 1962 (Rs. crores)	Percentage to total loans and advances
1.	Sugar Industry	37.79	29.01
2.	Chemicals	17.35	13.32
3.	Cotton Textiles	13.70	10.52
4.	Paper industry	13.39	10.28
5.	Cement	7.62	5.85
6.	Electrical Engineering	5.65	4.34
7.	Ceramics and glass	5.42	4.16
8.	Rayon industry	4.80	3.68
9.	Mechanical engineering	4.80	3.68
10.	Iron & Steel (Light Engineernig)	4.47	3.43
11.	Hotel Industry	1.89	1.45
12.	Automobile & Tractor Industry	1.88	1.44
13.	Metallurgical Industry (Non-ferrous metals)	1.52	1.17
14.	Aluminium	1.60	1.23
15.	Plywood	1.11	0.85
	Total (including others)	130.27	100.00

a very wise decision. The Chairman of the Corporation is likely to visit Goa in the next few weeks and the industrialists in Goa are well advised to get in touch with him and chalk out plans of co-operation.

The decision by the Corporation which is likely to have a great impact on the working results of the units seeking loans from the IFC is to raise the rate of interest from 7 per cent to 7½ per cent per annum with the usual rebate of ½ per cent for punctual payments. It is patent that this move, though in keeping with the trends in interest rates in the country, is likely to raise industrial costs and add to the inflationery pressures which are being generated in the Indian economy. Whatever the compulsion of the market situation, it should not be forgotten that this will result in raising the cost structure.

Business Notes

Plastics

PHENOMENAL PROGRESS, BUT COSTS HIGH

THE ACHIEVEMENTS of the plastics industry since it inception fifteen years ago are indeed gratifying. Over this period, the industry has not only reduced its dependence on imported raw materials and come to rely more and more on domestic raw materials, but has also turned out to be an earner of foreign exchange. Besides, the industry has made such remarkable strides that plastics, which once served as only substitutes during the last world war, have now become important enough base for a variety of applications in construction, industrial and domestic fields. The lightness of weight, the resistance to corrosion and wear, the controllable thermal and electrical resistance and the easy pliability have made plastics an all-purpose material. Accordingly—and more so in the context of the industrialisation of the country—the industry has assumed a place of considerable importance.

Thanks to the protection accorded to it, as also to the initiative of those concerned in the manufacture of the plastics, the industry has successfully recorded increases in production as also in exports. That the production of various essential raw materials has already been undertaken in the country in a big way, is evident from the fact that the five units engaged in the manufacture of phenol formaldehyde moulding powder in the country accounted for an output of 2,111 tons in 1961, as against 1,310 tons in 1954. The production of urea formaldehyde moulding powder amounted to 433 tons in 1961 the rated capacity is about 1,000 tons per annum, while the production of polystyrene moulding powder was over 3,500 tons; with the erection of the monomer plant, the industry expects to utilise the rated capacity of 5,400 tons by the end of this year. Production of polyethylene during the current year is expected to be over 6,200 tons.

Presiding over the fifteenth All-India Plastics Manufacturers' Conference, (AIPMC), in Bombay recently, Mr. Lalchand Hirachand complimented the industry on its performance and said how this performance would have been even better, had there been no shortfalls in supplies of raw materials in the country. Notwithstanding this handicap, the industry, the total investments in which today exceed Rs. 25 crores, was able to produce goods worth Rs. 22 crores last year, against only Rs. 3 crores a decade ago, and Mr. Lalchand was, therefore, confident that, by the end of Third Plan, this figure would even go up to Rs. 100 crores ayear. The only snag is the high cost of production, but this is attributed to the high prices the industry has been called upon to pay for the indigenous materials. According to the industry, the indigenous raw materials cost 2½ to 4 times more than the imported raw materials. In view of this, as the AIPMC President noted, the excise duty of 20 per cent levied on this nascent industry would appear to be too heavy. This is evident from the fact that the levy which was expected to yield only Rs. 40 lakhs has acually fetched the Government nearly Rs. 150 lakhs! The imperative need at present for the industry is to produce more and more and also export more. But this could only be done, as Mr. Lalchand observed, when these burdens are lessened, if not removed. The industry has been able to export nearly Rs. 83 lakhs worth of goods last year as against only Rs. 7 lakhs worth four years ago, which is an indication of the export potentialities of the industry. It is, therefore, gratifying that Mr. S. K. Wankhede, Maharastra's Minister for Industries should have held out the assurance that "the Government would help the industry in other ways", such as by facilitating imports of raw materials and machinery from the DLF grants and so on. But the Minister also cautioned—and this cannot be objected to either—that even after 10 years of planning, if we keep on crying for imports of raw materials or procurement of machinery, there can be no end to imports.

Tourism

DEVELOPMENT COUNCIL'S RECOMMENDATIONS

IT WAS noted with certain concern at the recently held Tourist Development Council's meeting at Ootacommund that the rapid growth of tourist traffic to India had slowed down during the last two or three years. This attitude was quite natural because it is only now that we need to encourage tourism: it brings foreign exchange. It must look rather prosaic if seen from this angle alone. But that is not really so. We have to encourage tourism because it ultimately leads to a better understanding of the Indian attitudes in the foreign countries. In a way enhanced tourism projects the most appropriate and changing image of the Indian mind. At the moment it could be considered a source of relief to our terribly strained foreign exchange situation. Participants in the meeting, which included the Minister for Transport and Communications as well as the Minister for Information and Broadcasting, naturally, stressed the need for promoting tourist traffic.

One single factor that helps tourism is the amenities that could be made available for all classes of foreign tourists, and it was considered that hotel accommodation of different categories in large cities and small towns was perhaps most significant. The hotel industry was already being provided certain incentives by way of tax holidays which could help to stimulate the creation of more hotel accommodation. If at certain places the creation of hotel accommodation at the moment was not considered very profitable by the private entreprenurs, it was decided at the meeting, that the State Governments should consider participation financially in the setting up of new hotels. This measure could certainly invite the interest of various hotliers who at the moment were rather shy. The Minister for Transport and Communication gave a very wise suggestion to the State Governments to earmark suitable plots for hotels and make them available at nominal rates to prospective hotliers. This was in response, perhaps, to the generally expressed feeling that suitable sites for building hotels in large cities were not easily available. This measure would definitely make the coming up of hotels comparatively certain.

Another significant proposal was for an integrated development of a few selected tourist centres. For this the Council endorsed the decision to set up a technical working group to prepare model schemes during the next six months in consultation with the State Governments. It was also decided that there should be an annual review of the execution of schemes for the development of tourism in order to see that no State lagged behind. Such concerted effort in terms of integrated development would certainly bring fruits and would help in the elimination of various minor hinderances which stand in the way of proper popularisation of tourism.

The Council also discussed means for promoting tourist traffic to the hill stations and for this it was recommended that by mutual agreement the neighbouring States should stagger school and university vacation so as to lengthen the tourist season at the hill stations. Similarly, the desirability of developing seaside resorts was accepted and it was agreed that a technical study of the problem should be made in consultation with the States concerned.

The point raised by the Minister for Information and Broadcasting, Dr. B. Gopala Reddy, was fairly interesting. He pointed out that the foreign tourists, while wanting to go around seeing natural scenery and places of art, were also interested in person-to-person contacts to see the way people lived and practised religion and participated in community life. They were essentially interested in the new picture of India that was emerging after Independence. He suggested that arrangements should be made to bring them in contact with the Indian people through organization of regular entertainments at reasonable rates. These should be typically Indian and should suit the tastes of all the tourists. Thus the need was of creating an overall tourist bias in the country so that all those who come in contact with foreign tourists should be polite, considerate and courteous.

Foreign Trade

STEPPING UP EXPORTS

DESPITE GREATER awareness and conscientious efforts made since the creation of the Department of International Trade in the Union Ministry of Commerce and Industry and the establishment of the Board of Trade, the country's exports during the first five months of the current financial year, indicate none-too-happy a position. For, as the review made by the Board of Trade, which met in Bombay recently, indicated, during this period while exports to East European countries, Canada and the U.S.A. remained steady, exports to West European countries and the U.K. — the major market for our exports — witnessed a shortfall of about Rs. 12 crores. That this ominous trend has attracted attention of the Board is evident from the emphasis placed by it on the need for strengthening international trade by appointment of Regional Directors of Foreign Trade to streamline and intensify exports in a given group of countries.

It is interesting to note that the Board dwelt at length on the question of exporting important agricultural products like sugar, vegetable oils and oil products and sea foods for which there are greater opportunities for exports today. In respect of sugar, the Board was of the view that exports of sugar should form a very important part of the country's future export programme because, it felt, "through proper crop planning, undertaking maximum advantage of economies of scale, by modernisation and expanding the existing units, in preference to creation of more units, costs could be reduced contributing to larger exports". The Board appears to be convinced that increasing the productivity of sugarcane cultivation and by various rationalisation of the management practices in the sugar industry, exports of sugar could both be expanded as well as the losses suffered on these exports could be reduced. The Board thought export of nearly 500,000 tons of sugar annually as a feasible proposition.

As regards the question of increasing exports of vegetable oils, oil cakes, vanaspati and other allied products, the Board felt, that this objective could be achieved only by taking necessary steps towards increasing the production of oilseeds and oils in the country. In this connection the Board desired that the Government should give further facilities to the oils and oilcakes industry for future development, for it is to form a important export sector of our economy.

Considering briefly the question of industrial goods exports, the Board pointed out that, in principle, such industrial units which were working for exports should be given further assistance to enable them to increase their contribution towards export earnings. It also took note of several other industries which have great export potential such as pig iron, castings, forgings, oilcake extractions, specialised varieties of cotton textiles, woollen and jute carpets and several engineering and pharmaceutical items. Referring to the question of including industries in the export sector, the Board stated that "no unit can be entirely for exports and it will be sufficient if the units or industries in the export sector contribute substantially — say 50 to 60 per cent of their production for exports."

Engineering

JAY ENGINEERING'S EXPORT EFFORTS

PERHAPS THE most significant aspect of Mr. Charat Ram's speech at the annual general meeting of the Jay Engineering Works Ltd. was in respect of the company's export efforts. Exports have been, the Chairman believed, a matter of social and business philosophy for the company. Their efforts have been continuing for an expanding organisation to meet the targets of higher export figures. From this angle the setting up of a foreign subsidiary as a part of the export promotion drive was mentioned as a possible means by the Chairman. The company has started the manufacture of sewing machines in Ceylon in collaboration with the people of that country. Authorisation has been obtained for starting a manufacturing unit in Burma too. These efforts are likely to enhance possible foreign exchange earnings during the years to come. It may be added, however, that during the year under review — year ended March 31, 1962 — there has been an unfortunate decline in export earnings from Rs. 113 lakhs to Rs. 90 lakhs. The fall is accounted for by the import restrictions imposed by the Governments of Yugoslavia, Burma, Ceylon and Egypt, resulting in a decline of Rs. 33 lakhs — from Rs. 52 lakhs to Rs. 19 lakhs. The company's exports to industrially developed countries such as the U.S.A., Germany, the U.K. and other similar countries are increasing. This, in a way, is an indicator of the company's solid efforts.

During the course of his speech Mr. Charat Ram expressed gratification over the fact that the Government of India had for reasons of the necessity of furthering exports trade left the portfolio of International Trade in the very energetic hands of Mr. Manubhai Shah. He added, however, that in the field of exports all the countries followed an aggressive policy so that selling prices in export markets bore little relationship to the costs of manufacture so that exports were often conducted at prices below costs. Almost all the countries follow a dual price policy. Normally the incidence of all export losses have to be borne by the consumer through increases in domestic prices. But apart from such patriotism the Chairman added there was a need for good marketing organisation. It is interesting to observe that all the sales of the company are now being handled through a separate marketing company set up a few years ago. This step taken

initially with some apprehension has ultimately been justified fully by subsequent results.

The Chairman referred to the question of rising cost of manufacturing which was causing alround concern. These rising costs ultimately led to higher selling prices which were being resented everywhere. Even the Government authorities he added wish to keep prices down but the industry in general was quite helpless because the cost of transport, materials, power etc. kept on going up. He, however, was of the opinion that the management personnel in industry as well as operations personnel in plants and offices should apply their maximum efforts so as to keep unit costs down which also is an important factor in the field of exports. It is a significant fact that the company had refrained from any increases in the selling prices of its sewing machines and fans. Thus it seems that the problems of exports and costs both have engaged the Chairman's mind mostly. In a way the two are inter-related. It would be in the interest of the officials concerned in both the fields to help the industry in keeping the costs to the minimum and exports as high as possible.

Confectionery

EXPORT EFFORTS

MR. H. V. R. IENGAR, Chairman of Parrys Confectionery Limited, revealed at the annual general meeting of the company that the sale proceeds touched a new record of Rs. 1.34 crores, a figure as much as 14 per cent higher than that in the previous year. This, he believed, was partly the effect of a steadily rising level of living of the people in general, but partly it was a reflection of discriminative buying on the part of the consumers who attach importance to hygienic packing and quality. An important aspect of the company's rising sales was its effort to export to raise its selling abroad. The Chairman agreed that the Government had taken certain effective steps to provide incentives for export promotion by way of rebates of excise and customs duty. But he was of the opinion that even with these incentives the net price which could be realised from the exports was so low that the resultant loss was still too high a burden for the industry to bear. The industry was aware, he indicated, that the Government have been considering supply of sugar at the international price for manufacture of confectionery for exports. Naturally, he was anxious that an early decision on the question could be taken which would be welcomed by the industry.

While the industry deserved such incentives from the Government, he was not unmindful of the fact that the industry had its responsibility in terms of producing goods which retained quality that could stand comparison with those offered by other exporting countries. For this naturally the industry has to utilise and carry forward the latest refinements in use in various other countries. For this the units that concentrate on exports could be given facilities such as provision of certain quantity of foreign exchange to import machinery which was not available in the country.

The Chairman expressed his satisfaction over the fact that sugar supply continued to be easier and was available at lower prices than in certain previous years. The costs of other materials, he added, were, however, increasing. The company had to increase the prices of its products since other raw materials were being made available to the company at higher prices; even sugar prices are likely to move up. Moreover, new tax levies have added to the cost of tin containers and packing materials. The industry definitely needs attention especially because it could be helped to find its way in the foreign market.

Electrical Goods

BAJAJ ELECTRICALS RECORD PROGRESS

MR. KAMALNAIN BAJAJ, Chairman of the Bajaj Electricals Ltd., in his annual report of the company reveals that it was his insistent effort which convinced the Planning Commission to revise the target of electric lamps upwards. He had asserted that the annual demand for lamps would not be less than 90 million by 1965-66. The Development Council for Light Electrical Industries consequently recommended a revision of the production targets for lamps as well as for fluoroscent tubes from 75 million and 6 million per annum to 90 million and 8 million respectively. It was quite in line with the performance of industry in general that Bajaj Electricals improved their output which was reflected in their sale proceeds during the year under review—the year ended March 31, 1962. The sale proceeds of lamps and lighting equipment, fans, transformers etc. were Rs. 28.3 lakhs, a figure considerably higher than the last year's figure of Rs. 23.9 lakhs. Gross profit for the year was recorded at Rs. 16.74 lakhs out of which depreciation taxation and various reserves were provided so that a sum of Rs. 4.15 lakhs remained with the directors for distribution. The directors recommended the payment of dividend of Rs. 9 per ordinary share and Rs. 7.87 for every new ordinary share of Rs. one hundred each.

In December 1961 the company made a rights issue of ten thousand equity shares of Rs. 100 each. The issue was fully subscribed. The Chairman pointed out that Hind Lamps Ltd., half of whose production of general lighting service and miniature lamps and fluorosecent tubes is supplied to this company, have submitted applications to the Government of India for expansion of production in lamp, fluoroscent tubes and components during the Third Plan. This will involve an increase in the capital of that unit and consequently of this company. The Chairman further added that with the growth of industrialisation there will be tremendous increase in demand for precision instruments—both industrial and scientific. The company is busy on a comprehensive scheme to expand the production of instruments and to undertake the manufacture of various types of industrial control equipment. The new instrument factory and a development Centre in the field of instrumentation and industrial controls are proposed to be located in Poona. The company has also been taking interest in the development and marketing other products like fans, accessories, heating appliances etc. and the company continues to sell all these products in larger quantities.

Imperial Tobacco

SATISFACTORY WORKING

AT THE 51st annual general meeting of the Imperial Tobacco Company of India Ltd., Mr. F. A. Collett, Chairman of the Company surveyed in general the various problems facing the company. Mr. Collett underlined that in deciding price policy, it was necessary to strike a balance between the reasonable profitability of the business on the one hand and the rights and purchasing power of the consumer on the other. Although on account of increased customs and excise duties and the increase in corporation tax, the profit of the company has been affected, there is nothing much to despair as the dividend has been maintained. It was because of these duties that price increase had to be effected of the company's leading brands.

So far as production and productivity is concerned, the Chairman pointed out that the company had to work under certain particular difficulties. It has, however, been able to achieve a fair degree of streamlining and modernisation. Progress has been achieved but there is still room for progress as and when the opportunity arises to acquire fully up-to-date machines. The most important thing, is to see that the quality of the product does not suffer. Then again it is Leortening to note that the company has been constantly revising its manufacturing processes in the light of modern developments either evolved by company's own experimentation or borrowed from overseas sources. The company's research department has also been functioning effectively and has played no small a part in the development and improvement of indigenous raw materials required in the industry. Labour-management relations have been quite satisfactory and this has helped the company a good deal in evolving a sound policy for its staff. Productivity payment scheme adopted in the factory is now causing increasing awareness. On the whole the working of the company can be said to be quite satisfactory and one can look forward to still better results in the years ahead.

Aluminium

ALIND'S RECORD PROGRESS

FROM THE address of the Chairman of the Aluminium Industries Ltd., delivered at sixteenth annual general meeting of the company, it is evident that the company has made a record progress for the year 1961-62. So far as turnover is concerned, this has undoubtedly been a record year, sales having reached a peak of Rs. 6.17 crores in money value; production being 62,000 km. in bare conductors and 9.86 million core yards of covered conductors. On the face of it such a turnover should produce profits of the order of Rs. 23.16 lakhs enabling the company, despite higher tax commitments to distribute 18 per cent dividend on its paid up capital of Rs. 1 crore.

So far as expansion schemes of the company are concerned, the Chairman made it clear that the company has a programme of expanding its covered conductors capacity at Kundara and operate covered conductors unit at Hyderabad. The credit goes to Alind in establishing the first Properzi rod rolling mill in India and of following it up by a modern Properzi unit in Hirakud. As a considerable quantity of rods is still imported, the Chairman made the plea that the Government should afford facilities to import the necessary Properzi rod mill unit and thereby ensure larger production of rod by the most efficient and the cheapest process. He assured that the amount of the foreign exchange that is spent on imports would be saved to a considerable extent.

Referring to the exports, the Chairman also revealed that Alind has been trying its best by helping export promotion drive and pertaining to the capital issue, he hinted that the company has received the Government's sanction for the further issue of capital — namely 3,50,000 shares at a premium of Rs. 3.50 per share. This issue, when made, will bring company's paid-up capital to Rs. 1.53 crores, while adding Rs. 12.25 lakhs to company's Share Premium Reserve.

Mysore Paper Mills

PLEA FOR PRICE INCREASE

AT THE twenty-seventh ordinary general meeting of the Mysore Paper Mills Ltd., Mr. M. D. Shivananjappa, Chairman and Managing Director, made a strong plea for increase in the price of paper. He pointed out that the price increase sanctioned by the Government of India of 6 nP. per kg. on all qualities of paper and boards for both Government and Civil Supplies effective from 21st June, 1962, was not sufficient. The production costs were going up and it was, therefore, essential that there should take place a periodical revision of prices so as to absorb this increase in costs over which the industry has no control.

So far as the balance-sheet of the company is concerned, it would be noticed that the performance has not been too bad. The Directors, after a careful consideration of all relevant factors, have recommended declaration of dividend at 15 per cent or Rs. 1.50 nP. subject to deduction of tax on every share of Rs. 10 each fully paid-up for the year and proportionate dividend on partly paid-up shares of Rs. 2.50 each for the proportionate period subject to deduction of tax.

So far as the expansion schemes are concerned, the Chairman revealed that satisfactory negotiations have taken place with the firms in the UK and Germany and it is hoped that the work of erection and installation will be completed by the end of 1963 and operations commenced. The value of the orders placed in UK was to the tune of Rs. 58 lakhs and in Germany to the tune of Rs. 66 lakhs. The two loans from CDFC and ICICI would provide the necessary funds for these purchases.

The labour-management relations have been quite cordial and a bonus of four months' salary or wages to the employees of the Mysore Paper Mills for the year ended March 1962 has been disbursed. On the whole the state of affairs have been quite satisfactory except for the sale realisations which were a little lower as compared to the previous year. It is, however, expected that things would be put in their proper shape and the company would achieve strength and would march forward with confidence in the years ahead.

ENGEL INDIA

A COLLABORATION has formally been approved by the Ministry of Steel and Heavy Industry for the manufacture of Injection Moulding Machines and Moulds. The collaborators are the House of Mayurbhanj represented by the Maharaj Kumar P. C. Bhanj Deo and Mr. C. S. Loganathan, an industrialist of Madras from the Indian side and Messrs. Maschinenfabrik Ludwig Engel KG of Austria. In accordance with the collaboration terms the Austrian company will subscribe shares worth Rs. 7.5 lakhs in the Indian company. The Directors and their friends will subscribe shares worth Rs. 12.5 lakhs. The remaining shares worth Rs. 30 lakhs out of the present issue of Rs. 50 lakhs will be offered to the public in the near future.

Injection Moulding Machines and Moulds for the Plastic Industry in India are entirely imported at present. This is the first time that these machines will be manufactured outside Europe. This Commpany will, therefore, save considerable volume of foreign exchange. Moreover, certain territories have been set aside by the Austrian collaborators for exclusive export from the Indian factory and, therefore, this company will be able to earn valuable foreign exchange by exporting its products to those territories. In order to save foreign exchange the collaborators have arranged to supply the entire plant and machinery from Czechoslovakia, Poland and Hungry against rupee payment. It has also been planned that this company will have about 85 per cent indigenous content in their products from the initial stages. Preliminary work for the construction of the factory at Taratalla Road, Calcutta, has already commenced.

FROM THE CAPITAL'S CORRIDORS

MORE RESTRICTIVE LICENSING POLICY!

ADDRESSING the fourteenth meeting of the Central Advisory Council for Industries, the Union Minister for Commerce and Industry, Mr. K. C. Reddy, stated that in the present-day situation of the country when there were acute foreign exchange difficulties along with shortages of power and transport, it was necessary to follow a restrictive policy in licensing under the Industries (Development and Regulation) Act. He indicated that the Government proposed to enlarge substantially the list of industries with regard to which applications under the Industries Act were as a rule rejected. No purpose, he said, would be served by issuing licences for setting up new industries or for expansion of the existing ones if there was no reasonable prospect of foreign exchange being made available when required for the import of components.

Mr. Reddy urged industrialists to carry out further the process of improvisation in the use of indigenous materials to replace imports. The Planning Commission, he said, had already set up a Committee under the Chairmanship of Mr. G. L. Mehta, to study the matter of import substitution. But even during the intervening period between now and the submission of this Committee's report, he added, efforts should be made to exploit fully the possibility of dispensing with imports in the industrial undertakings. Future releases of foreign exchange for the import of capital goods and imports against external assistance, Mr. Reddy said would be made on a priority basis for 21 industries, which are as follows:

1. Alloy and special tool steels.
2. Steel castings.
3. Steel forgings.
4. Heavy structurals, including cranes.
5. Railway wagons and other railway equipment.
6. Industrial machinery for textiles, jute, tea, mining, washeries, cement making and paper making.
7. Machine tools, on a selective basis.
8. Pig iron.
9. Shovels and earth-moving equipment.
10. Fertilizers.
11. Rayon grade pulp.
12. Special refractories.
13. Industrial explosives.
14. Ferro-chrome, ferro-molybdenum and ferro-silicon.
15. Modernizing steel re-rolling plants to enable them to manufacture wire rods and special steel sections.
16. Cotton textile machinery, particularly for use of short and medium staple cotton.
17. Trucks and ancillaries.
18. Ball bearings.
19. Cast iron spun pipes from domestic pig iron and scrap.
20. Tin-plates.
21. Steel wires.

This list, however, would be subject to revision from time to time. Industries from this list would be deleted when foreign exchange has been released to them to reach the Third Plan targets and additions to it will be made whenever appropriate.

Dwelling on the problem of under-utilisation in certain industries and grant of additional licences for setting up more units in such industries, Mr. Reddy stated that the Boothalingam Committee which has been recently set up to review the working of the Development Wing, had been asked to indicate the basis on which capacity statistics should be collected so that under-utilisation of the capacity in various industries could be known on a realistic basis. As a matter of general policy, further licensing of capacity in various industries in the private sector, Mr. Reddy observed, would be allowed only when the production required could not be secured from full utilisation of the capacity of the existing units. Consideration in this regard, however, would be given to economies of scale, keeping in view also the need for regional dispersal of industries. Due to the stringent foreign exchange situation, the Minister added, "in certain fields of low-priority it may be preferable, under present circumstances, to put up with some degree of under-utilised capacity rather than to import components and raw materials". The range of industries for which future licensing may have to be done will, however, be somewhat wider than the priority list drawn up for import of capital goods.

Mr. Reddy recalled that for some time past the licences issued under the Industries Act had been under review of the Government with the purpose of revoking infructuous licences so that the unnecessarily committed foreign exchange for these projects could be released for use in a more judicious manner. A quick survey, he said, had been made by the Development Wing of the progress of implementation of the industrial licences issued so far and letters had been sent to some 461 licensees to indicate reasons for lack of progress in the implementation of their licences. Upto August 22, 1962, the Government, after a careful consideration of the replies sent by the licensees, had revoked as many as 129 licences and extended the time limit for implementation in the case of 62 licences. In the remaining cases, the replies of the licensees had either not been received or were under the consideration of the Government.

Dwelling on the regional considerations to be taken into account in licensing of private units under the Industries Act, Mr. Reddy pointed out that regional dispersal was not inconsistent with establishment of new units with adequate capacity to operate on an economic basis.

About the private sector industrial units being allowed to set up their own power generating sets, Mr. Reddy stated: "The generation of power must, as a rule, be undertaken by public authorities. Generation on a small scale by individual industrial units might result in higher costs. However, there is no bar to the consideration of individual applications from private parties on merits."

The import allocations for the half-year October, 1962, to March, 1963, Mr. Reddy said would be determined after careful review of the overall foreign exchange position of the country. This implies that any adjustments in the current import policy would be decided upon only towards the end of this month or in the beginning of November.

Mr. Reddy pointedly drew the attention of the industry to the imperativeness of holding the price-line and warned that if the industry did not itself take steps to reduce prices of industrial products, the Government

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would have no option but to resort to imposition of controls, strategic or general.

INDIAN SHIPPING

The share of Indian shipping lines in the trade between India and the U.K. has been raised from 30.25 per cent to 39.475 per cent from September 1, 1962, under an agreement signed recently between the representatives of shipping lines of the two countries. According to the agreement Indian lines will achieve parity with British lines on January 1, 1971.

The agreement provides that the share of Indian shipping in the trade will be increased from 39.475 per cent to 40.475 per cent on January 1, 1963. Thereafter, on January 1 every year the share of Indian lines will increase by 1 per cent till it reaches 48.475 per cent on January 1, 1971. The share of British lines, which today stands at 57.035 per cent, will be reduced to 56.085 per cent on January 1, 1963. This share will be reduced every year till it comes down to 48.475 per cent on January 1, 1971, which will be the share of Indian lines in the trade on that day.

The new agreement lays down that 6 months' notice will be given of any desire on the part of shipping companies to increase the over-all tariff rates of freight, so that discussions might take place between the shipping companies and trade organisations. In case there is no agreement within three months of such a notice, the matter will be referred for discussion and consultation between the Government of India and the shipping companies.

The agreement provides that over-all increases in tariff rates of freights will not be made at intervals of less than two years, and not before June 30, 1963, though rates of freight on individual commodities may be increased at more frequent intervals. In case the shipping companies intend to increase the freight on individual commodities, three months' notice would be necessary, so that negotiations may be held between shipping companies and trade organisations, and if necessary, with the Government of India. The shipping companies will have the option as before to apply surcharge in freight to meet special and exceptional conditions, but the surcharge will be removed as soon as the special conditions disappear.

On the assumption that trade between India and the U.K. would be the same in 1961, the gain to Indian shipping lines and to the country's foreign exchange resources is assessed at £1,291,500 (Rs. 1,72,20,000) on account of the increase of India's share from 30.25 per cent to 30.475 per cent on September 1. The additional increase of one per cent with effect from January 1, 1963, would result in a further gain of £140,000 (Rs. 18,76,000). The total gain by January, 1963, will thus be £1,431,500 (Rs. 1,90,87,000). Since the trade between India and the U.K. is fast expanding, the actual benefits in 1962 and in successive years may be much larger.

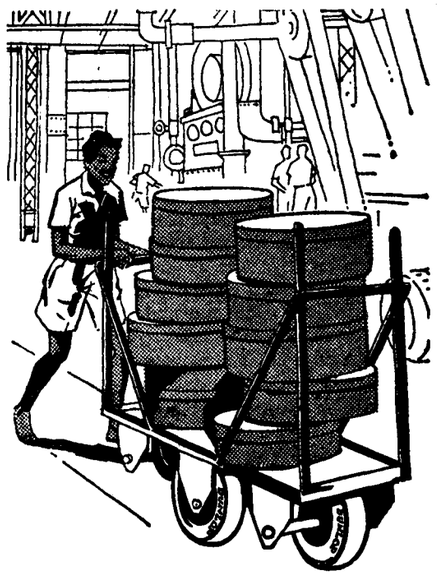
THE SECOND SHIPYARD

The annual report of Hindustan Shipyard, published here last week, perhaps is of vital importance in connection with the question of setting up the second shipyard at Cochin. The report points out that despite all-round reduction in ship-building activity in the world, the supply position continues to be far in excess of demand. It says that shipyards all over the world are competing with one another for quoting low prices. Large amounts are being spent on modernisation and research in order to increase productivity and reduce costs. It was because of this severe competition that Hindustan Shipyard had to accept orders for nine Mitsubishi type vessels at fixed prices, which are all below cost of production.

In a recent announcement, the British ship-builders stated that they were finding their strenuous efforts to win export work frustrated by ruthless subsidisation — direct and indirect — in overseas countries.

According to a recent study, taking the year 1956 as base (100), German tonnage launched in 1961 stood at 97, Italian 92, French 150 and British 86.

According to same study, in Italy upto 27 per cent of the ship-building costs are borne by the Government, and in France upto 35 per cent. Japan, the world's biggest ship-building country, has no turnover tax and 80 per cent of the export profits or 5 per cent of export turnover can be deducted from the company tax. In addition, the ship-building firms can convert 35 per cent



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of their annual profit, tax-free, into capital reserves. The Japanese Export-Import Bank gives credit to the ship-builders at the rate of 4-5 per cent, about half of normal interest rates. Recently, in Argentina, German tenders were 37.4 per cent higher than those of Japan. The Scandinavian countries provided cheaper credit for their ship-builders and generous income-tax allowances.

It is, therefore, not understandable why should India launch in the second shipyard project when there is a glut of shipping all over the world. The Chairman of the Hindustan Shipyard told his shareholders that the yard needed more orders to provide adequate work from middle of 1964.

The report shows that the profit of Rs. 43,000 earned during the year was mainly from the construction of small vessels, which were outside the purview of subsidy arrangement. This profit was worked out after claiming a subsidy of Rs. 89,58,887 from the Government. In the era of acute foreign exchange crisis, will it not be better to lay off the scheme to have a second shipyard say for the Fifth Five-Year Plan?

STATES' HOUSING SCHEMES: NEARLY RS. 24 CRORES ALLOCATED BY UNION GOVERNMENT

The Union Ministry of Works, Housing and Supply has allocated Rs. 23.90 crores to State Governments during the year 1962-63 for different housing schemes.

Under the Subsidised Industrial Housing Scheme, the State Governments have been allocated Rs. 417.11 lakhs, out of which Rs. 209.19 lakhs will be given as loan and Rs. 207.92 lakhs as grant. Under the Low-Income Group Housing Scheme, the States have been allocated Rs. 479.61 lakhs and under Plantation Labour Housing Scheme, Rs. 13.75 lakhs. For Village Housing Project Scheme, the States have been allocated Rs. 136.08 lakhs. The Central assistance for State planned schemes will be Rs. 1,046.55 lakhs.

Under the Slum Clearance Scheme, the State Governments have been allocated Rs. 297.09 lakhs. Under these schemes, Andhra Pradesh will have Rs. 128.34 lakhs, Assam Rs. 50.80 lakhs, Bihar Rs. 174.40 lakhs, Gujarat Rs. 235.90 lakhs, Jammu and Kashmir Rs. 45.69 lakhs, Kerala Rs. 75.23 lakhs, Madhya Pradesh Rs. 161.80 lakhs, Madras Rs. 1,255.86 lakhs, Maharashtra Rs. 506.60 lakhs, Mysore Rs. 161.90 lakhs, Orissa Rs. 62.49 lakhs, Punjab Rs. 82.89 lakhs, Rajasthan Rs. 158.90 lakhs and West Bengal Rs. 289.39 lakhs.

INSTITUTE OF INTERNATIONAL TRADE

The Committee set up by the Board of Trade at its Calcutta meeting on July 6, 1962, to prepare the scheme for the establishment of the Institute of International Trade has submitted its report. The salient features of the scheme recommended in this report are:

"The Institute of International Trade will be a corporate body registered under the Societies Registration Act XXI of 1860, in the functioning of which the Government, the trade and industry and educational and research institutions will participate. It will have training and research wings and will also develop facilities for providing information on India's international trade. Its objectives will be broadly to undertake training and research in all aspects affecting India's international trade and disseminate information on international trade with special emphasis on export promotion problems and a strong practical bias in favour of assisting the Government and the trade and industry in finding solutions to these problems.

"Apart from normal training courses, which will be of one year's duration for persons about the age group 25 to 35, there is a provision for a re-orientation course of three months' duration as a part of refresher course and in service training for Commercial Counsellors and Secretaries working in Government of India's trade establishments abroad and representatives of trading, industrial and financial organisations assigned for work abroad. A rapid conversational and working knowledge of foreign languages is also to be part of re-orientation course as well as of the training programme. To begin with Arabic, French and Spanish will be taught and additional languages will be taught as the facilities at the Institute increase.

BRITISH INVESTMENTS ABROAD

The British Board of Trade has issued some interesting figures about British private investments overseas and the income earned on them. In 1961, these investments amounted to £218 million (excluding investments in oil and insurance)—about the average rate for the last three years. Total return on them in this year was of the order of £151 million.

The direction of British private investments abroad shows the following countries as the six most important (in order) in each year since 1958:

BRITISH PRIVATE DIRECT INVESTMENTS OVERSEAS (EXCLUDING OIL AND INSURANCE)

	1958	1959	1960	1961
(1)	Canada	Canada	Australia	Australia
(2)	S. Africa	Australia	Canada	Rhodesia
(3)	Australia	U.S.	U.S.	Canada
(4)	U.S.A.	Rhodesia	S. Africa	U.S.A.
(5)	W. Germany	India	India	Nigeria
(6)	India	S. Africa	Rhodesia	W. Germany

In 1961, India dropped to seventh place in importance.

The most profitable countries for British investments during these four yeare were:

	1958	1959	1960	1961
(1)	Australia	Australia	Australia	S. Africa
(2)	Canada	S. Africa	S. Africa	Australia
(3)	S. Africa	Canada	India	U.S.A.
(4)	U.S.A.	U.S.A.	Malaya	Canada
(5)	India	India	Canada	India
(6)	Malaya	Malaya	U.S.A.	Malaya

NEW LICENCES AND COMPANY REGISTRATIONS

Ninety-four licences were issued by the Government in August this year for setting up new industrial undertakings and for expansion programmes in the existing industries. Of these, 36 licences were for the setting up new units. Maharashtra State was given 13 licences, Punjab 4, Assam and Mysore 3 each and U.P., West Bengal and Jammu & Kashmir 2 each. Andhra Pradesh, Gujarat, Kerala, Madras, Rajasthan, Pondicherry and Andaman and Nicobar islands were given licences for the establishment of one new undertaking each.

As many as 158 companies were registered during his month in the various States of the Indian Union, with a total authorised capital of Rs. 23,20 lakhs. These included 11 giant-sized companies having an authorised capital of Rs. 1 crore and above. Four of these giant-sized companies were registered in the State of West Bengal, two in the State of Punjab and one company each in the State of Madras, Mysore, Orissa, Uttar Pradesh and Delhi.

The largest number of companies (34) was registered in the State of West Bengal. The State of Maharashtra came second with 32 new registrations. Twenty-six and 24 new companies were registered in the State of Madras and Delhi respectively. The remaining 42 companies were registered in the other States.

SIMCO METERS

Signing of an agreement to subscribe the equivalent of £50,000 for ordinary shares of Simco Meters Ltd., Tiruchirapalli, Madras State, has been announced in London by the Commonwealth Development Finance Co. Ltd. (CDFC).

The announcement says that as further assistance towards the total cost, estimated at Rs. 70,00,000 (£525,000), CDFC has agreed to make a sterling loan of £137,500.

Simco Meters will manufacture domestic and industrial electricity meters. Sponsors of the project are Seshasayee Brothers (Private) Ltd., in technical collaboration with Denis Ferranti Meters Ltd., of Bangor, Wales. It will be managed by South Madras Industries Development Co. (Private) Ltd. Production is expected to start in mid-1963.

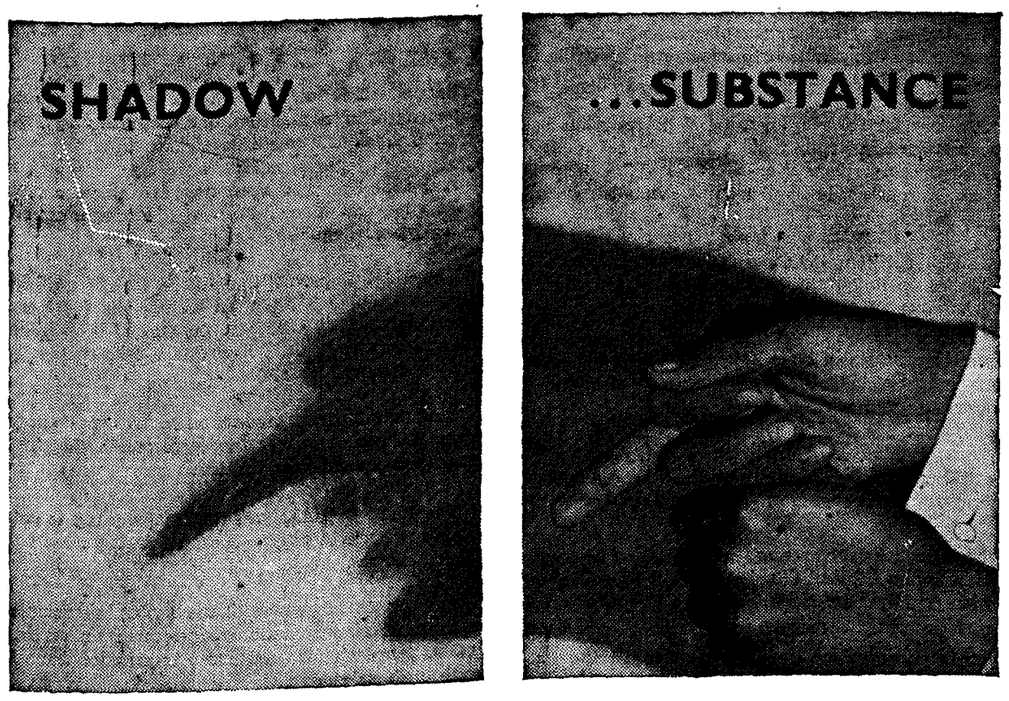
IN BRIEF...

BOAC has introduced, with effect from October 1, 1962, Boeings on its London-Sydney service via New Delhi. With effect from April 1, 1963, it also expects to increase Boeing frequencies on its London-Sydney and London-Hong Kong routes. Some of these services will pass through Calcutta.

Messrs. Kamani Industries, who manufacture transmission towers and have applied for a licence to set up their own rolling mill, have been advised by the Government to procure their supplies from the existing rolling mills in view of the foreign exchange difficulties the country faces today.

The project report for the High Pressure Boiler Plant, prepared by Czechoslovak experts, has been received by the Government and is stated to be under examination. The plant is envisaged to manufacture annually 12 boilers of 125 to 300 tons steam per hour capacity.

The Fertilizer Corporation of India has been asked by the Government to take up the installation of a Fertilizer manufacturing plant at a convenient location in Madhya Pradesh on a high priority basis. The plant is to be coal-based and is to have a capacity to produce annually one lakh tons of nitrogen in the form of urea. The preliminary investigations by the Fertilizer Corporation in respect of choosing a convenient site for the plant have already been initiated. The Corporation expects to launch this project in about six months' time. This plant was originally to be set up by Khandelwals.



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NEWS IN BRIEF

INDIAN

The UNESCO will finance a research project in India on human relations between Europeans and Indians.

•

An estimated 30,000 acres of virgin land in the Ganganagar Dist. Rajasthan, will come under irrigation this October through water released from the Rajasthan canal feeder into three branches of the canal. The completion of the Rajasthan canal system is, however, expected to take at least 15 years.

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The National Metallurgical Laboratory at Jamshedpur claims to have developed a process to use aluminium instead of zinc in galvanising steel sheets and other ferrous products.

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I. N. S. Kistna, a frigate of the Indian Navy will participate in the forthcoming exploration of the Indian Ocean, organised by the Special Committee on Oceanic Research of the International Council of Scientific Unions.

•

The construction of the fully automatic light house near the Visakhapatnam port, Andhra Pradesh, is nearing completion and is expected to function very shortly.

•

The Defence Ministry has placed an order with Sweden for a rolling mill to produce special steels in Ishapore.

•

A factory for the manufacture of hearing aids has has been started in Bombay with the technical collaboration of the American Danish Orticon Company of Denmark, Europe's oldest and leading specialists in this field.

•

A high-level Planning Committee for Transport will soon be set up under the chairmanship of Mr. Tarlok Singh, Member, Planning Commission.

•

The Government of India have constituted an expert committee to examine the present system of planning and distribution of iron and steel.

•

The Government of India have issued an order under Section 2 of the Essential Commodities Act declaring aluminium utensils as an Essential Commodity.

•

The Rajasthan Government is conducting a sample survey of living standards in 384 villages in collaboration with the National Sample Survey Organisation.

•

The Government of India have extended the Employee's Provident Fund Act to saw mills, wood seasoning kilns, wood preservation plants and wood workshops employing twenty or more persons.

•

The Government of Maharashtra has announced comprehensive plans for the development of deep-sea fishing centres, which would increase the present annual income of fishermen from Rs. 300 — 700 to Rs. 1,000 or more in the near future.

•

Preliminary work for the expansion of the Bhilai Steel Plant has been started; its completion should ensure the increase of the annual capacity from one million to two and a half million tons of ingot steel.

•

The Government of Maharashtra has constituted an expert committee to advise her on the establishment of co-operative spinning mills in the State.

FOREIGN

The L. M. Eircsson Telephone Company of Sweden plans to build a tele-communications plant in Australia.

•

The Soviet Union is building 21 power stations including three 2.4 million kilowatt stations, claimed to be the biggest of their kind in the world. It is estimated that by 1970 the annual commissioning of new capacities will be about 25 million kilowatts.

•

The average American family now spends only 20 per cent of its total income on food compared with 66 per cent a hundred years ago.

•

The number of shareholders in the USA has risen from 6.49 million in 1952 to 17.01 million in 1962, according to the New York Stock Exchange.

•

The German Democratic Republic will shortly conclude trade agreements with Nigeria, Somalia, Rhodesia and Ethiopia.

•

A UNESCO report states that in tropical Africa only two persons per thousand are enrolled in institutions of higher education.

•

The UAR is to become a member of the GATT, and will participate officially in 1963.

•

Between 1959 and 1960 the percentage of population engaged in non-agricultural activities in Poland has risen from 52.9 to 61.7.

•

A Polish firm has been awarded the contract to build the new commercial harbour of Famagusta, capital of the Cyprus Republic.

•

The UAR Supreme Committee for Electrification will send about 300 Egyptian technicians for training in the USSR. They will form the core of the personnel to run Aswan High Dam now under construction with Soviet assistance.

•

Finnish industrial production in 1960 was approximately 200 per cent over the corresponding figure for the pre-war record year of 1938.

•

The Rank Organisation, U.K. is planning to set up Britain's first chain of coin-operated do-it-yourself dry-cleaning centres.

•

The cocoa study group of the F.A.O. has completed the draft of an international agreement on cocoa. It contains proposals for a system of international marketing through sales quotas.

•

Favre-Leuba Watch Company, Geneva, claims to have developed a revolutionary mechanism involving twin springs, for the manufacture of extra-flat precision wrist watches at extremely low costs on a mass scale.

•

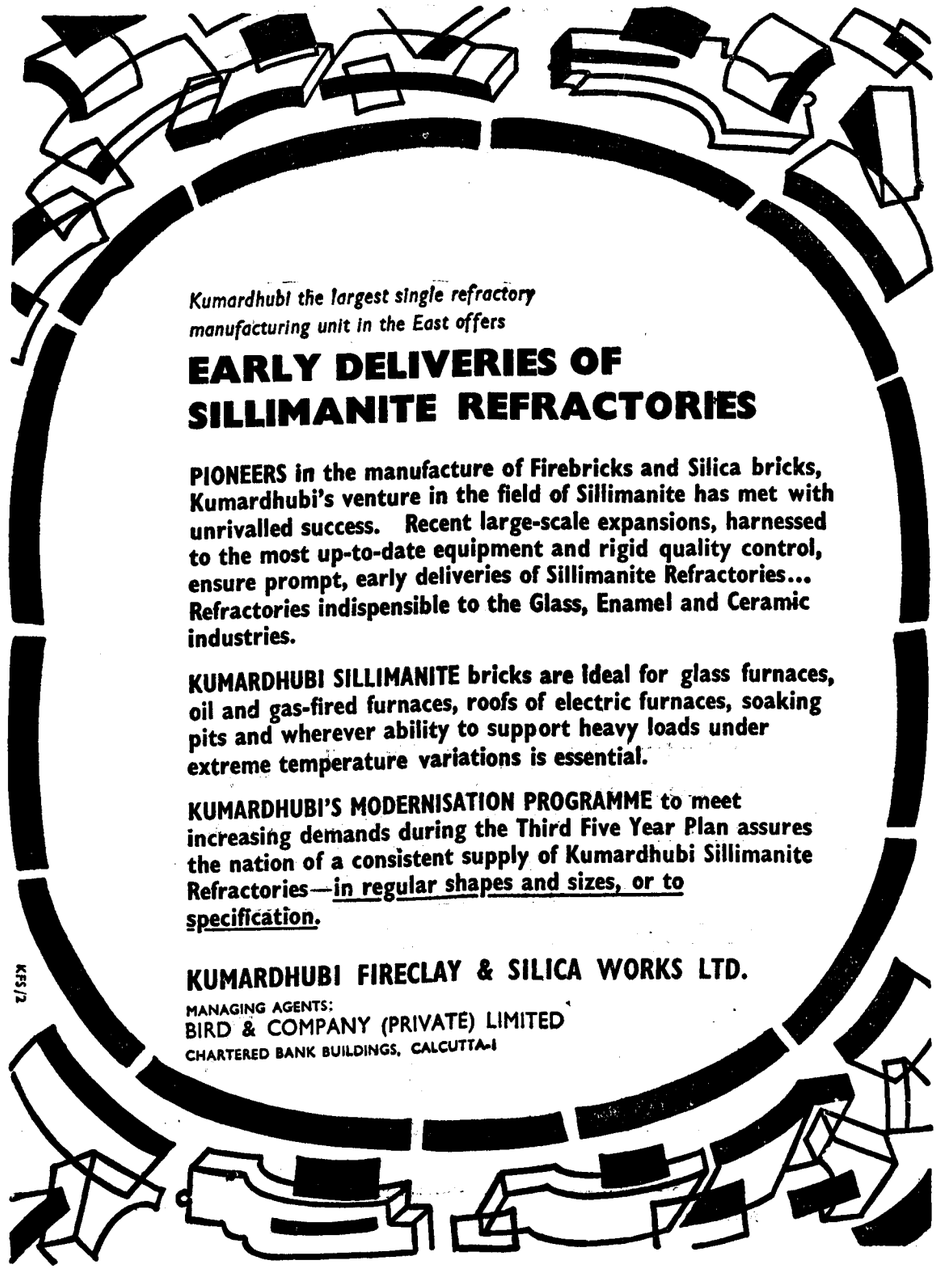
An American firm, Union Oil of California, has signed a contract with the Thai Government for an oil survey in North-East Thailand.

•

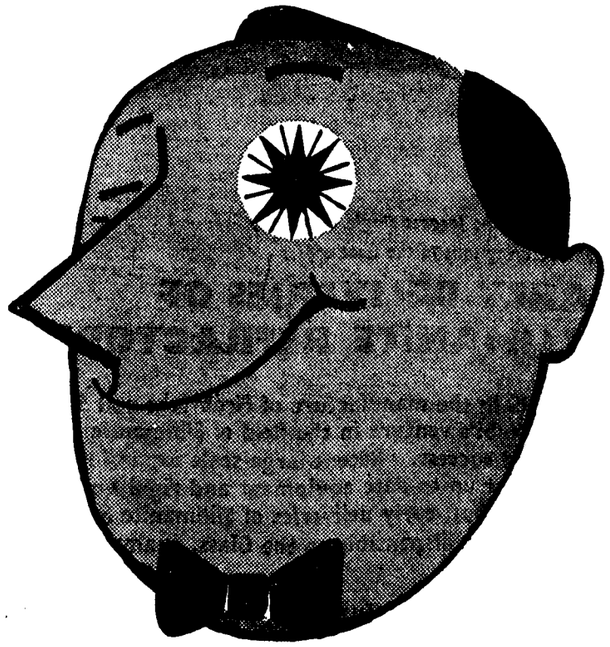
An agreement recently signed by the Soviet Union and Ceylon provides for Soviet Technical Assistance in clearing and planting 2,000 acres of cotton in the Hambantota district of Ceylon at an estimated cost of Rs. 1.89 lakhs.

•

The Honda Company of Japan will establish a plant for assembling their motor-cycles in Belgium.



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COMPANY AFFAIRS

BIRD GROUP JUTE MILLS

All the five companies for which the annual reports have now been made available for the period of financial year 1961-62, give plain indication that the year for the jute industry was rather bleak. As the Directors of Kinnison Jute say, "the year ended March 1962, will long be remembered as one of the most difficult in the long history of the Indian Jute Mill Industry. The reason for this has been the inadequate supply of fibre consequent on two successive short crops which in turn resulted in a period of heavy financial losses due to the disparity in prices between raw jute and manufactured goods. The short crop of 1959-60 due to inadequate sowing was followed by a poor harvest in 1960-61 caused by drought and mills found themselves with insufficient fibre to carry them through the season until the new crop arrived in August1September. Prices for fibre advanced rapidly and with overseas markets resisting the rise in prices for manufactured goods, the disparity widened to such an extent that at one period for every ton of goods produced the mills suffered a loss of Rs. 300 on simultaneous business."

As these reports level, the IJMA introduced maximum quota schemes which remained in force until August 1961. The object of this was to regulate purchases and avoid a scramble for fibre which would have forced prices to even more uneconomic levels. In conjunction with this quota system a price agreement which laid down maximum price for the mills' purchases had the effect of minimising the losses created by the disparity between raw jute and manufactured goods. It was only in September when raw jute arrived in increasing volume that mills stepped up weekly working hours to 45 and soon by the middle of October the working hours were raised to 48. This was followed by bringing more looms into commission and by December 31, 1961 the industry had reduced its sealed loomage to just 7 per cent.

The reports further reveal that the trade estimates for 1961-62 raw jute crop were in the region of 84 lakhs of bales and with prospects of a similar sized crop in Pakistan there was considerable apprehension among growers as to how this huge crop could be marketed at economic prices. With the rapid drop in raw jute prices during July and August it was feared that unless steps were taken to arrest the fall, ryots would switch a greater acreage to the cultivation of paddy in the ensuing season. The IJMA therefore introduced its price support scheme which included purchase quotas at a minimum price level of Rs. 30 per maund basis for Assam Bottoms. Early in January, 1962, the Agricultural Department of the West Bengal Government issued a report that the total outturn of raw jute (excluding Mesta) in West Bengal would be 167 lakh maunds in the 1961-62 season against the previous season's figure of 95 lakh maunds. This announcement started off a wave of selling pressure and the IJMA with its price support scheme increased Mills's quotas to restore confidence in the market. In January, 1962, the jute Buffer Stock Association was registered under the Indian Trade Unions Act and its first purchases were made early in April, 1962. Till the middle of August, 1962 the total quantity purchased amounted to 11.25 lakh maunds.

The prospects of exports in respect of hessian and sacking were rather unattractive in terms of quantity although in terms of price earned was comparatively better. This earning through higher prices can ultimately be harmful because there is every possibility of ultimate users turning to substitutes. In this context the severe competition from Pakistan has to be reckoned with.

Of the five companies, two—Landsdown Jute and Kinnison Jute—reported actual losses. Loss in the case of **Kinnison Jute** was to the extent of Rs. 14.20 lakhs. Taking into account the depreciation provided to the extent of Rs. 8.32 lakhs, the actual deficit balance is Rs. 22.52 lakhs. A sum of Rs. 1.37 lakhs was transferred from General Reserve and nearly the same amount was paid as dividend on cumulative preference shares at the rate of 9.10 per cent per annum subject to deduction of tax. No dividend was declared on ordinary shares.

Landsdown Jute Company recorded a loss of Rs. 11.54 lakhs after separating Rs. 3.98 lakhs towards depreciation. Taking into account an amount brought forward from the previous year of Rs. 3.54 lakhs deficit balance was of the order of Rs. 19.13 lakhs. A sum of Rs. 9.57 lakhs was transferred from General Reserve, Rs. 1 lakh from Debenture Redemption Reserve and some more money from Statutory Development Rebate Reserve. The net result was that the debit balance was Rs. 6.84 lakhs which was carried forward to the next year.

Dalhousie Jute Company, in spite of these adverse conditions, recorded a profit of Rs. 5.89 lakhs. Taking into account depreciation of Rs. 6.49 lakhs, and Debenture Redemption Reserve of Rs. 1 lakh, the Directors have proposed to transfer Rs. 1.37 lakhs from General Reserve and Rs. 86,740 from Statutory Development Rebate Reserve. After the payment of a dividend on Cumulative Preference Shares at the rate of 9.10 per cent per annum subject to deduction of tax, there was debit balance of Rs. 62,456 which was carried forward.

Northbrook Jute Company, recorded a profit of Rs. 16.53 lakhs out of which a sum of Rs. 6.29 lakhs was separated towards depreciation and Rs. 6.18 lakhs towards taxation. A sum of Rs. 1 lakh was transferred from taxation contingencies reserve. The Directors have proposed the payment of a dividend on Cumulative Preference Shares at the rate of 7.15 per cent per annum and on ordinary shares at the rate of Rs. 2 per share.

Union Jute Company Limited recorded a profit of Rs. 6.43 lakhs. After taking out Rs. 4.71 lakhs for depreciation and Rs. 1.17 lakhs for taxation, a sum of Rs. 40,751 was transferred to Statutory Development Rebate Reserve. A sum of Rs. 50,000 was transferred from General Reserve. A dividend on Cumulative Preference Shares was paid at the rate of 9.10 per cent per annum which absorbed Rs. 54,600. A sum of Rs. 18,317 was carried forward to the next year.

It may be added that power cut from the month of February 1961 upset the working of all these mills and this continued till the end of May, 1961. As a consequence all the mills declared Monday as their weekly non-working day. These companies also are waiting for the Wage Board decision which has not yet completed its investigation into the wage structure for jute mills workers. An interim relief amounting Rs. 3.42 per month continues to be paid to the workers.

Company Meetings

THE IMPERIAL TOBACCO COMPANY OF INDIA LTD.

Speech by the Chairman, Mr. F. A. Collett, at the Fifty-first Annual General Meeting of the Company on 25th September 1962.

BOARD OF DIRECTORS

Mr. E. G. Willis retired from the Board on 31st March this year. He originally came to India in 1934 and has been on the Board since 1956, bringing a particular knowledge of the leaf tobacco growing side of the business. He leaves behind many friends both inside and outside the Company, and we wish him a long and happy well-earned retirement in England.

Mr. W. K. Foster was appointed to the Board on 1st October, 1961 with particular responsibility for our marketing problems. Mr. Foster has been in the tobacco business all his working life, most of it in Asia. He came to India in 1959 and we have already begun to derive benefit from his experience.

ACCOUNTS

When I addressed you a year ago I told you that your Board did not feel justified in increasing selling prices to cover the additional duties imposed by the Finance Act of 1961.

In deciding price policy, it is necessary to strike a balance between the reasonable profitability of the business on the one hand, and the rights and purchasing power of the consumer on the other. Ours is essentially an industry depending on volume, and it is usually sound business to accept a relatively small unit profit for the sake of maintaining a large and increasing volume of sales. The cigarette consumer, particularly in the middle and lower economic ranges, has always shown considerable reluctance to increase his outlay per unit of cigarettes; and in the face of frequent tax increases over the years he has seemed often willing to do without rather than pay more, or at least to have recourse to even cheaper forms of smoking.

The policy of restraint I referred to last year would itself have involved some decrease in the Company's nett profits but we did not at that time envisage that the Finance Minister in his 1962-63 Budget would retroactively increase corporate taxation to 50 per cent. This has reduced the Company's profits by a further Rs. 18 lakhs.

The overall effect of the increase in Customs and Excise Duties and the increase in Corporation Tax has been to reduce the Company's nett profit after tax from last year's figure of Rs. 188 lakhs to Rs. 146 lakhs. In the 1962-63 Budget the Finance Minister imposed still further increases in Excise Duties on tobacco products, estimated to yield him a further Rs. 5 crores per annum. These factors, combined with the normal increases in costs, have swung the balance strongly in favour of a price increase and in April this year your Board felt compelled to increase the selling prices of a number of its leading brands.

You will have seen from the Directors' Report that despite the reduction in nett profits by Rs. 42 lakhs, they recommend maintaining the total dividend at last year's level. This will involve reducing the appropriation to reserves to a figure below that which we normally consider prudent. We feel justified in making this recommendation because the increased prices are expected to restore profits to a more reasonable level. Although there was an initial drop in consumption immediately after the price increase, there are already some signs of recovery in total demand, and we are confident that, unless unforeseen circumstances arise, profits in the current year will be sufficient to enable the Board to maintain the dividend at the same rate and to appropriate an adequate sum to reserves.

PRODUCTION AND PRODUCTIVITY

It has been my practice in previous years to enlarge on a particular aspect of your Company's business, and this year, in which the cigarette factories and the printing factory in Madras have achieved record outputs, it seems appropriate to give special mention to our Production Department.

This department works under certain particular difficulties. Your Company was one of the first to embark on large-scale manufacture in this country, and consequently most of the factories were designed and built a good many years ago. The cigarette industry is at present on the list of those for which major expansion is not allowed. For some years foreign exchange difficulties have restricted the importation of modern machinery, and partly in consequence of this and partly due to the employment situation in India at large, the labour density in our factories in unduly high by international standards.

Nevertheless, over the years we have been able to achieve a fair degree of streamlining and modernisation, one aspect of which is depicted in the photograph in the Annual Report of the Bangalore factory as it is today. In consequence of this our factories are all, without exception, producing more cigarettes today than their original designers could have deemed possible. There is still room for further progress as and when the opportunity arises to acquire fully up-to-date machines.

When the pressure on factories is for maximum volume it is necessary to pay particular attention to ensuring that the quality of the product does not suffer. This is partly a matter of technique, and we are constantly revising our manufacturing processes in the light of modern developments, either evolved by our own experimentation or borrowed from overseas sources (and in this connection I might mention the valuable technical assistance which we continue to receive from our associates in the United Kingdom). Our own Research Department has played no small part in the development and improvement of indigenous raw materials required in the industry.

New ideas need to be widely understood if they are to be efficiently implemented and to this end we run a regular series of courses and conferences for all levels of management. These courses are complemented by frequent visits by senior members of the Head Office management to the branches. We also send selected members of management overseas for training, when availability of foreign exchange permits, to enable them to widen their knowledge and measure their performance against world standards.

At the same time we have been able to intensify the training of the clerical and factory workers themselves, on whose efforts the quality of our products ultimately depends. This training not only makes the day-to-day jobs more interesting to those who do them but is increasingly making it possible for us to bridge the gap between ordinary workers and management and to fill at least junior management posts from the clerk's desk or the factory floor.

I think it is widely recognised that our working conditions and labour amenities are second to none and I can report another year of generally cordial relations with our unions. I should, however, perhaps mention one rather disturbing tendency. This is the trend to a multiplicity of unions within a single factory, based usually on political affiliations, with consequent internal rivalry between them. I do not wish to question the right of workers to belong to the union of their choice, but there is no doubt that this disharmony on the union side can complicate negotiations between the Company and the workers and cause unfortunate delays in the settlement of outstanding differences of opinion.

I am glad to be able to report that our Productivity Payment scheme, now adopted in all our factories, is causing increasing awareness among labour that better work, and improved productivity, are reflected in the pay packet and are ultimately to the advantage of the Worker, the Manager and the shareholder alike.

I indicated earlier that the Production Department was hampered to some extent, in its task of extracting the optimum output from its existing establishments, by inability at the present time to acquire all the machines it would like to install. It is not always fully understood that it is in the interest, not only of all concerned in our industry, but also of all concerned in the prosperity of the country at large, that existing assets should be utilised to the maximum and kept up-to-date and that resources of manpower should also be so utilised. As consumption in India grows, so must productivity per man-hour increase also, and this calls both for progressive management and for a progressive attitude of mind on the part of the men who work the machines.

PROSPECTS

I said last year that I considered that, provided the various items of increased cost did not outstrip the gains from increased productivity, we might look forward to the future with moderate optimism. I think you will agree that, insofar as the commercial operation of your Company is concerned, that somewhat cautious prophecy has been justified. Our volume of sales has increased considerably, but so has taxation and the cost of many materials which we use. The tobacco trade in India is increasingly competitive but on the whole we are holding our own. I have already discussed the reasons which led us to increase prices, and these price increases have, of course, militated against the steady increase in sales volume to which we look to counteract the ever-growing pressures on profit margins provided by rising costs on the one hand and vigorous competition on the other.

Nevertheless, as I have already indicated, I am confident that, taking all foreseeable factors into account, we shall be able to maintain our present rate of dividend during the current year after making adequate appropriations to reserves.

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

THE MYSORE PAPER MILLS, LIMITED

Speech delivered by Sri M. D. Shivananjappa, I.A.S., Chairman and Managing Director, at the Twenty-seventh Ordinary General Meeting of the Company held at Bangalore on Wednesday the 26th September, 1962.

Ladies and Gentlemen,

I have very great pleasure to welcome you all to this 27th Ordinary General Meeting of the Shareholders and particularly those who have become members for the first time by acquisition of new Equity Shares issued recently. As usual the Report of the Directors and the Audited Balance Sheet for the year ended 31-3-1962 have been circulated already and with your permission I shall take them as read and before requesting your approval to them I would like to review the main features of the year's operations.

In exercise of the right to appoint a Director on our Board as provided in their Agreement with us, the I.F.C.I. have appointed Padmabhushan Sri V. Narahari Rao, C.S.I., C.I.E., Retd. Comptroller and Auditor General of India, as a Director on our Board. I welcome him and I am sure his wide knowledge and administrative experience will be of great advantage to the Company.

I am glad to inform you that production of paper during the year under review was higher than last year by 172 tonnes. However, sales realisation was Rs. 119,30,299 as against Rs. 123,21,728 last year. As indicated in your Directors' Report, the slight fall in turnover was due to the manufacturing of large quantities of lower priced paper owing to inadequate supply of wood pulp due to import restrictions. In this connection, I wish to point out that with the installation of the Recausticising Unit there has been much improvement in the working conditions of the Soda Recovery Plant resulting in smooth operations in the Bamboo Pulp Plant and this has contributed to increased production and higer efficiency reducing production costs. It is this increased production and higher efficiency that has helped to maintain financial result about the same level as that of last year. Last year while telling you that the efforts of the Paper Industry to move the Government of India for a suitable revision of prices had not borne fruit, I expressed, the hope that the Government of India would view this question with sympathy. The Indian Paper Industry as a whole and more particularly the smaller and unfavourably situated Mills like ours which are working on progressively diminishing margins attach very great importance to the question of increase in the selling prices of paper to correspond with increased costs of labour, materials, chemicals and spare parts which have all risen steeply and continue to rise. I am glad to say that the Government of India have sanctioned an ad hoc increase of 6 nP. per kg. on all qualities of paper and boards for both Government and Civil supplies effective from 21st June, 1962 and have also discontinued the rebate of 4 nP. on reels. I should state this this small increase is not adequate in view of the mounting manufacturing costs. However, this slight enhancement will increase our turnover during the running year to some extent. I am grateful to Go-

vernment of India for their awareness to Industry's needs and I take this opportunity to impress on them the necessity for periodical revisions of prices so as to absorb such increases in costs over which the Industry has no control.

In regard to Balance-Sheet, I have to mention that provision has been made for depreciation on fixed assets calculated in accordance with the rates allowed for normal depreciation and extra shift allowances as per Income-tax Act, amounting to Rs. 6,67,750, Rs. 50,200; towards Development Rebate and a further sum of Rs. 50,000 towards Retirement Gratuity. A provision of Rs. 6,00,000 has been made towards taxation.

In regard to disposal of surplus, namely Rs. 672,432 including carry over of last year which stood at Rs. 36,664 your Directors have decided to transfer Rs. 87,500 to Dividend Equalisation Reserve, which fund now stands at Rs. 3,12,500. Further, your Directors, after a careful consideration of all relevant factors and having regard to the satisfactory working result, have recommended declaration of dividend at 15 per cent or Rs. 1-50 nP. subject to deduction of tax, on every Share of Rs. 10 each fully paid up for the year and proportionate dividend on partly paid up Shares of Rs. 2-50 each for the proportionate period subject to deduction of tax, absorbing Rs. 5,46,500, the balance being carried forward and I am confident these proposals will meet with your approval.

The Industrial Finance Corporation of India have communicated their approval to our declaration of 15 per cent dividend subject to tax in terms of the Agreement for which I am grateful to them.

I am very happy to inform you that the Labour-Management relations continue to be cordial. Your Directors have been pleased to sanction a bonus of four months' salary or wages to the Employees of the Mysore Paper Mills for the year ended 31-3-1962 and the same has been disbursed. Further, your Directors in accordance with their policy to provide all necessary amenities to our employees have taken steps to start a High School of our own to meet the growing needs of our Paper Town.

You will certainly be interested to hear the progress made since we met last in the implementation of the Expansion Scheme. It is a matter of gratification to me and to my colleagues on the Board and I have no doubt it will be to you also, that I am able to report that all agreements and arrangements with the Lending Institutions for financing the expansion scheme have been completed. In terms of the Agreement with the Commonwealth Development Finance Co., Ltd., London and the Industrial Credit and Investment Corporation of India Ltd., Bombay and the Industrial Finance Corporation of India, a Debenture Trust Deed has been executed and registered and the State Bank of Mysore have been appointed Trustees who will look after the interests of the three Lending Institutions.

Arrangements have been made to secure a complete range of equipments necessary to step up production to 18,000 tons. Contracts have been concluded with M/s. J. M. Voith, West Germany, original Suppliers of our Plant and Machinery for the supply of Pulp Plant with a capacity to produce 10,800 tons of Bamboo Pulp which together with the present capacity will be sufficient to feed all the three Paper Machines. Besides, contracts have been concluded with Messrs. Escher Wyss Ravensburg, Germany, a firm of International repute for supply of Paper Machine and Stock and Chemical Preparation Plant with a capacity to manufacture 35/40 tonnes of paper per day of 24 hours. Likewise, contracts have been entered into with the well known firms of Messrs. Millspaugh, Sheffield, England, for supply of Modern Stock-Makers, with Messrs. Babcock & Wilcox, London, for supply of Boiler and Black Liquor Recovery Unit, with Messrs. Ernest Scott and Co., Laven-Fife, Scotland, for supply of Standard Vacuum Evaporators, with Messrs. Masson Scott and Co., Ltd., London, for supply of Duplex Super Cutter and with Messrs. Dorr Oliver Co. Ltd., Surrey, for Save-all Filter. The value of the orders placed in U.K. is to the tune of Rs. 58 lakhs and in Germany to the tune of Rs. 66 lakhs and the two loans from CDFC and ICICI would provide the necessary funds for these purchases. Of the equipments ordered, the first shipment of Coal Fired Boiler has already reached the Mills' site and part of Soda Recovery Plant and Oil Fired Boiler are on their way from Madras Harbour to Bhadravati. The bulk of the remaining equipments is scheduled to reach the Mills at Bhadravati by about June-July 1963. The Civil Engineering works at the Mills are making satisfactory progress.

It is hoped that the work of erection and installation would be completed by the end of 1963 and operations commenced. In August this year I and our General Manager, Sri B. K. Swamy visited U.K. and Germany for purposes of clarifying and settling certain outstanding matters with CDFC arranging advance delivery of certain equipment from Germany and to check up drawings and designs of the Plant and Machinery with a view to ensure that they answered our local requirements. I am happy to say that all outstanding matters have been settled with he CDFC. Messrs. J. M. Voiths of Germany have agreed to advance the date of delivery of Pulp Plant. We visited several of the Workshops in U.K. and Germany, where our Plant and Machinery are being manufactured and were happy to see that the work was progressing satisfactorily.

As you are aware, last year with the consent of the Controller of Capital issues, Government of India New Delhi, 10 lakhs Equity Shares of Rs. 10 each attaching a premium of Rs. 2 per share were offered to the existing shareholders and I am glad to acknowledge that the response was good. At the time of seeking your Approval to the increase of authorised capital to Rs. 1 crore and 50 lakhs, I informed you that the amount would be collected as and when necessity for funds arose. In October last, we have collected a sum of Rs. 3 (being the application and allotment money and part of premium) and further calls will be made in the next few months, having regard to the expenditure to be incurred in the implementation of the expansion scheme I have proposed to fix the dates of the next calls well ahead and publish the same to enable shareholders to arrange for payment as and when the calls fall due. I hope you will agree with me that ample time is being given to the shareholders to make payments without undue strain or stress.

A sum of Rs. 1,500 has been contributed towards the Chief Minister's Flood Relief Fund and I hope you will appreciate and approve the same.

On behalf of the Company, I should express my grateful thanks to the Government of India and the Government of Mysore for their abiding interest in the progress of the Company. On behalf of the Company, I should also express my grateful thanks to the Board of Directors of the CDFC, London, ICICI, Bombay and IFCI, New Delhi, the State Bank of Mysore, and the Canara Banking Corporation Limited, for having rendered valuable aid and assistance in making satisfactory arrangements for financing the scheme of expansion.

I am grateful to my colleagues on the Board for the uniform courtesy, consideration and valuable guidance I have been receiving. I wish also to express on behalf of the Directors and myself our warm appreciation of the willing and efficient co-operation of our employees.

Last, but not the least, it is my pleasant duty to thank you all for your support and encouragement in the implementation of the Scheme of Expansion, and I look forward with confidence for a full measure of support in the years to come.

Ladies and Gentlemen, I now move that the Director's Report and the Audited Balance Sheet and the Profit and Loss Account for the year ended 31-3-1962 be APPROVED AND ADOPTED.

N.B.: This does not purport to be a Report of the Proceedings of the Shareholders' Meeting, a copy of which will be sent to the shareholders separately.

PARRYS CONFECTIONERY LIMITED

Eighth Annual General Meeting

MR. H. V. R. IENGAR'S REVIEW

Presiding over the Eighth Annual General Meeting of the Shareholders of the Company held on the 29th September 1962, Mr H. V. R. Iengar, Chairman, said:

I am this year taking the step of having the speech from the Chair printed and sent with the Accounts. I hope shareholders will agree that this is a useful innovation.

My first duty is to record my profound regret that this, the First Annual General Meeting of the Company over which I shall preside, should be without the presence of the previous Chairman, Mr. C. R. Srinivasan, B.A., who passed away on 29th January, 1962.

It is also my unfortunate duty to record the death on 24th November, 1961, of Mr. H. I. Wonfor, C.B.E., F.C.A., who was a Director of this Company since its inception.

Both Mr. C. R. Srinivasan and Mr. H. I. Wonfor played a vital part in the development of the Company and in pioneering many new ideas introduced over the years.

As some of you may be aware, Mr. P. Hadfield retired from active service in India earlier this year for permanent residence in the U.K. following upon which he requested the Board to accept his resignation as Director of the Company from such date as may be convenient to the Board.

Your Directors have accepted Mr. P. Hadfield's resignation from the Board with effect from the 15th September, 1962, and I am sure you will join me in recording our thanks to Mr. P. Hadfield for the valuable service which he rendered to the Company during his tenure of office as a Director from 9th July, 1959.

In connection with the Accounts, the points of greatest interest to shareholders are probably the Rights Issue during the year and the very recent bonus issue. The result of the Rights Issue was to increase the Issued Share Capital to Rs. 15 lakhs, and, in addition, the premium on the Rights Shares brought in a further Rs. 5 lakhs which has been shown as a reserve under the heading of Share Premium Account. At the Directors' Meeting held on 17th August, 1962 it was decided that the Share Premium Account should be utilised for issuing bonus shares in the ratio of the bonus share for every existing three shares held.

The interim dividend paid for the year was at the rate of 10 per cent on the Share Capital of Rs. 15 lakhs while the final dividend, which will be proposed later at this Meeting, will be payable on the increased share capital of Rs. 20 lakhs. You will see that the total quantum of dividend proposed for the year is larger than in the previous year.

The net profit after taxation, which includes the provision of Rs. 62,500 for Super Tax on the bonus shares, stands at Rs. 5.25 lakhs as compared with last year's figure of Rs. 5.80 lakhs. From this profit and the "brought forward" of Rs. 1,81,361, appropriations have been made or are proposed totalling Rs. 5.50 lakhs. This figure includes an amount of Rs. 50,000 placed to General Reserve and Rs. 30,000 transferred to the Development Rebate Reserve. The carry forward to next year stands at Rs. 1,56,302.

The operations of the Company during the year under review were satisfactory. You will have noted from the Report of the Directors that the sales turnover of Rs. 1.34 crores constituted a new record, the increase over the previous year being 14 per cent in value as well as volume. A noteworthy feature is that approximately 50 per cent of the increase in sales occurred in North India. Considering that this is an area away from what has been traditionally considered to be our normal area of operations, this is an encouraging sign and augurs well for the future.

Yet another encouraging feature of the sales in the year under review is the increased volume achieved from sales of wrapped varieties. In consonance with the steady rise in the living standards of the people, there is undoubtedly more discriminative buying on the part of consumers who attach increasing importance to hygienic packing and quality, and our progress is in keeping with this development.

During the year, supply of sugar continued to be easier and it was available at lower prices than previously. However, costs of other raw materials, notably items for which we still depend on imports have been rising with the consequence that we have been forced to make some price increases. I see no prospect in the near future of prices of raw materials coming down. On the other hand, the position has since worsened as, from the beginning of the current financial year, the price of sugar has substantially moved up and new tax levies have added to the cost of tin containers and packing materials. Owing to the rise in price of sugar alone, our costs of production this year will increase by over Rs. 1 lakh. Due to the additional tax levies on tin and aluminium foil, our packing costs will go up by approximately Rs. 0.5 lakhs. In addition, our wage bill will raise by Rs. 0.5 lakhs. Against this background of rising costs, it becomes specially important that we achieve, higher turnover and, whenever possible, operating economies.

In response to the Government's call to step up exports to augment the country's foreign exchange earnings, your Company is intensifying its efforts in this direction and will naturally do everything possible to co-operate with Government.

While the Industry is grateful to Government for the incentives afforded for export promotion by way of rebates of Excise and Customs duties, it is pertinent to observe that even with these incentives the net prices

which can be realised from exports are so low that the resultant loss is still too heavy a burden for the Industry to bear. It is therefore necessary to ask for further measures of assistance. The Industry is aware that Government have been considering supply of sugar at the international price for manufacture of confectionery for exports, and an early decision on this question will be welcome. Apart from the question of price, the quality of sweets offered for export must stand comparison with those offered by other exporting countries and we have therefore to keep pace with refinements in manufacture, using up-to-date machinery. Owing to the difficult foreign exchange situation obtaining over the last few years, the Industry has been facing difficulties in importing machinery required for replacement and rehabilitation. I would urge the authorities to view this problem with sympathy and, if necessary, link the import of machinery, with exports, fixing a reasonable ratio between the two.

During the year under review our relations with staff and labour have been most cordial and I take this opportunity to record our sincere appreciation of the excellent work done by them.

The Report and Accounts for the year ended 31st March, 1962, were unanimously adopted and a final dividend for that year at the rate of 16 per cent, subject to deduction of tax, on the Company's Ordinary Share Capital (as increased by the Bonus Issue made on 17th August, 1962), was declared payable on the 29th September, 1962.

The retiring Directors, Messrs. H. V. R. Iengar, M. J. Edwards and G. N. Noel-Tod, were re-elected and the retiring Auditors, Messrs. Lovelock & Lewes, were re-appointed.

N.B.: This does not purport to be a report of the proceedings of the General Meeting.

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MR. CHARAT RAM STRESSES EXPORT NEEDS

Speech delivered by Lala Charat Ram, Chairman, at the 25th Annual General Meeting of Shareholders on 27th September, 1962

Gentlemen,

I have great pleasure in welcoming you to the Twenty-Fifth Annual General Meeting of the Company.

At the last meeting I had deputized for my father, Sir Shri Ram ji, on account of his indisposition. Sir Shri Ram Ji has continued to guide the affairs of the Company so far inspite of keeping indifferent health for sometime now, and he has now requested the Board to relieve him of the responsibilities of the Chairman's position; he has however assured us all, if an assurance were at all needed, that he will continue to be a part of us all, remain on the Board of the Company and guide our steps as heretofore. It is a solemn occasion for me, and one of no little apprehension at stepping into shoes that had hereto been filled by such an eminent personage. In all humility I pray for being able to serve this Company well, which is so near to Sir Shri Ramji's heart.

During the year, your Company—as indeed the whole of India—lost its great friend, Dr. B. C. Roy. Dr. Roy's services to West Bengal and particularly to its Industry—need no repetition. Your Company had the privilege of his special patronage and we feel his loss greatly.

The Annual Report of the Company for the year ended March 1962 has been with you for some time now; with your permission I shall take it as read. As usual, there have been some areas of gains, and some other areas which must cause us all concern. I would like to highlight some of these here.

HIGHER PROFITS

The gross profit has been marginally higher at Rs. 91 lakhs as against 88 lakhs last year. This profit however is on increased capital and reflects a lower capital productivity i.e. return on the capital employed. The decline is explainable somewhat by increasing investments in our Hyderabad factory, which will necessarily take some more time before it begins to contribute to the profits of the Company. The profits were also affected by frequent power shedding in Calcutta, increased excise levies on copper, winding wires and special steels, considerably higher transport charges on coke on account of rail transport not being available, and very much higher price paid for America silicon sheets due to restricted import licensing from other countries. The incidence of actual cost due to these causes has been considerable. Your Company however has refrained from increasing the prices of its finished products, in keeping with its traditional policy of avoiding increases in selling prices so far as is at all possible.

The equity dividend proposed to be disbursed this year amounts to Rs. 22.8 lakhs against Rs. 18.4 lakhs last year, being 15 per cent this year on enlarged share capital as against 17.15 per cent last year on smaller capital. In the face of continuous increase in costs, which are beyond the management's scope of control, it is requiring all the management effort in keeping down costs by expansion of production and reduction of expenditure. We launching this year on a plan of economies in all directions, and it is hoped that with this effort, and the contribution which the Hyderabad unit might make, profitability will show improvement.

Increases in production have been less this year than previously. Whereas the rate of expansion necessarily slows down as higher levels of output are achieved, nonetheless the production would certainly have been better, but for the dislocation caused by frequent power shedding in Calcutta.

EXPORTS: A BUSINESS PHILOSOPHY

Exports have been for your Company a matter of social and business philosophy and our efforts have been continuing for an expanding organisation to meet the targets of higher export figures. I referred last year to the proposal for the setting up of foreign subsidiaries as a part of our export promotion drive. Your Company has now started the manufacture of sewing machines in Ceylon in collaboration with the people of that country. Authorisation has also been obtained for starting a manufacturing unit in Burma. There has been an unfortunate decline in exports from Rs. 113 lakhs to Rs. 91 lakhs in the preceding year; the fall is accounted for by the import restrictions imposed by the Governments of Yugoslavia, Burma, Ceylon and Egypt, resulting in a decline of Rs. 33 lakhs, from Rs. 52 lakhs to Rs. 19 lakhs. On the other hand, our exports to industrially developed countries such as USA, Germany, UK and others are increasing.

The matter of rising cost of manufacture is one of great alarm. Criticism is voiced, and rightly too, against increase in selling prices of goods, and the steady inching up of living costs. But if manufacturing costs continue to mount up, they must sooner or later be reflected in increased selling prices. It would appear however that those people who represent against this trend, pay only lip sympathy to the cause. Organised labour which represents an important mass of consumer group, ceaselessly strives in the factory for higher remuneration in one form or the other, while agitating in the market place for lower prices—a contradiction in terms. Governmental authorities wish to keep prices down, as any good Government must, and yet as a consequence of one or the other imposts, costs of transport,materials, power etc. keep on going up. Management personnel have an important role to play in this area; without implying that the material efficiency in Indian industry is not capable of improvement, the fact needs to be faced that tirading against industry as distinct from trade may meet political objectives, but will not provide solutions to the problem. To the extent that the ratio of return on capital in an industry shows a decline in the face of increasing production, it is a demonstration of the fact that the management has not increased its selling prices to match rising costs. The matter however is much too serious to permit of mutual mud-slinging; it is a matter of joint responsibility of the management personnel in industry, its operating personnel in plants and offices, and of the Government. Each of these groups needs to work whole-heartedly in their own areas of responsibility for keeping unit costs down. This matter of keeping unit costs low is of vital importance for our export trade, for it is on our export earnings that our very future hangs. I am glad to be able to report to you, as I have said earlier, that in the face of rising costs, your Company has refrained from any increases in the selling prices of its sewing machines and fans.

TRADE IN SAFE HANDS

It is heartening to note that the Prime Minister has thought it fit to give the portfolio of International Trade in the Union Government in the very energetic hands of Shri Manubhai Shah. However, apart from some assistance in the shape of elimination of bottle-necks, which the Government might render, I consider that it is in the enlightened self-interest of Indian industry itself that it realises the absolute importance of self-reliance and maximum individual export effort. Every one must be aware of the country's very difficult foreign exchange situation and its impact on the country's economic plans. If the retardation in the growth of our economy continues to take place, as has been evident from several recent studies, this would necessarily have an impact on employment opportunities. In this context I may briefly state here what may be termed as "the economics of export", in the light I understand it. It is only a truism that the cost structure for most of our country's products is higher than in other countries. It is also correct that management personnel and operating personnel owe a duty towards a constant reduction in cost, and I hope that we are all attempting to work towards this objective. However it would be unrealistic to wait for working aggresively for exports till such time as our costs become comparable to those of other countries. The selling prices in export markets bear little relationship to the costs of manufacture, even as they do not in the domestic market, and exports will need to be done only at competitive prices ,and very often at prices below costs. Almost all countries follow a dual price policy, there being a much lower price for the export market than for the domestic market, the former being subsidised by the consumer in the domestic market. The incidence of all export loss has to be borne by the home consumer through increases in domestic prices; there is no escape from this situation. However, the incidence of loss on exports is not as frightening as it is made out to be very often. For the loss of every rupee in export, about half is contributed by the Government by way of loss in taxes, partly it is borne by the workers in the shape of reduction in bonus; partly by the management in the shape of reduced remuneration; and partly by the shareholders in the shape of reduced dividends. The consumer shares his bit by marginal increases in the domestic selling prices: If we also consider the reduction in costs, which higher output on account of export leads to, the loss to any Company in its net retained profits would be negligible indeed. Let me repeat that export effort is necessary now as a patriotic effort for national development, irrespective of short term, real or imaginary self interest.

But export sales need, not only patriotism, but a good marketing organisation. As one of the major exporters in the engineering group of industries, it might be of some interest, if I was to give a brief account of the export marketing experience of your Company. All sales of your Company are now handled through a separate marketing company which was set up a few years ago. This was done with the conscious knowledge that the manufacturing activities had grown to such large proportions, that for the satisfactory marketing of these goods, an independent organisation, free from the problems of factory and production, was needed. This step, taken initially with some apprehension, has been fully justified by subsequent results. In fact it will be correct to state that the high rates of output being achieved by the factory might not have been possible without a distinct marketing organisation, planned for selling all the output. This marketing Company makes a constant study of the market potential in India and abroad, and keeps a constant watch on the designs, quality and prices of our competititors' products in the foreign markets. Every year, export targets are set for each country, and the achievement of these targets becomes the responsibility of the sales organisation personnel as a whole. More often than not, we have been able to meet and even surpass these goals. The proper location and expansion of distribution channels is extremely important for any marketing activity. We have distributors located strategically in various parts of the world. The Annual Report which is in your hands gives a list of the 40 odd countries, where the products of your Company are distributed. Basically there are two alternatives available for the development of distribution in the foreign markets, i.e. either to establish a foreign branch of the Company or to appoint local distributors; the choice ultimately depends partly upon the extent of the market and partly the extent to which we have resources for running a departmental distribution system in a foreign country. However, there is no doubt that a branch of the Company is in almost all cases far more effective than local distributionship. The combination of these two exists however in the sense that while work of physical distribution is the responsibility of local people, the sales promotion effort is largely planned and directed by our own representatives.

STRESS ON QUALITY

The development of distribution channels is only a part of the big effort needed for the promotion of exports. Unflagging heed to quality maintenance is a must for any exporter of engineering goods. Traditionally the Indian producer has not been as quality-minded as is needed. Japan has made a remarkable recovery in

this matter in the post-war era. Its exports have increased in the last 10 years by 300 per cent to the staggering figure of over Rs. 2,500 crores per year, as against our annual rate of only Rs. 650 crores. This increase is largely due to the comparable if not better quality goods that Japan now offers at highly competitive prices. These handicaps however are bound to wear off as we gain experience and your Company is meeting the challenge of quality and design constantly in a fast changing world market.

Yet another matter which an exporter has now to pay increasing attention to, is one of credit extension. This involves the raising of funds, and of covering the inherent risks involved in bad debts. Unfortunately refinancing facilities for exporters are still inadequate in India. In this connection the however in the sense that while work of physical distribution is the responsibility of local people, the sales promotion effort is largely planned and directed by our own representatives.

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CREDIT EXTENSION

Yet another matter which an exporter has now to pay increasing attention to , is one of credit extension. This involves the raising of funds, and of covering the inherent risks involved in bad debts. Unfortunately refinancing facilities for exporters are still inadequate in India. In this connection the Mathrani Study Group recommendation for the establishment of an Indian Export-Import Bank is most welcome. The risk of bad debts is now somewhat covered by the Export Risks Insurance Corporation. It is however necessary to liberalise the terms of insurance on the basis that a little more than reasonable risk is worth taking if the real objective of export insurance is to be attained.

The provision of "technical service-after-sales" is of imperative importance in the marketing of engineering goods. This applies not only to industrial products, but also to consumer products such as Sewing Machines and Facts. Unless adequate servicing arrangements go hand in hand with sales arrangements, the export venture is likely to end in distress. We have always assigned the highest importance to this aspect and the success that we have had in exports is attributable in no small measure to emphasis on this matter.

Finally I would refer to an aspect of export sales which is abstract rather than tangible, but none the less significant. It is the "image" that the exporter creates in the foreign market. Business has always to be responsive to community needs in any area; it becomes much more important when doing business in a foreign country. The newcomer is always suspect, and a natural impression is created that he is there for his own ends, at the expense of the receiving country. The exporter has to create confidence, to generate a feeling of community of interest and to establish himself not as a self-seeker but as one who is there to contribute to the welfare of the society in which he is operating. This aspect can present considerable difficulties and much unintended offence can be caused. We have attempted always to pay great attention to local susceptibilities, and to create an image of "USHA" which evokes respect and comaraderie. This has helped us a great deal.

I am sorry that I have taken so much of your time in attempting to place before you some of the points that our Company emphasizes in developing the export business; basically there is nothing new in any of these points yet this has been done in the hope that it may possibly provide some guidance to the willing and young exporter of this country. I believe that such pooling of experience will be of great advantage to the country's export trade.

In closing, I wish to briefly say a few words on my understanding of the real difficulty in the way of exports and what is needed to be done about it. I believe that in the existing economic situation in our country, there is scarcely any alternative to a programme of mandatory exports. Incentives and persuasion have been tried for many years now, but with disappointing results. The vast increase in volume and spread of purchasing power makes this country of 400 million people a fabulous market for any producer. It would be a foolish producer who would seek out difficult markets and at a loss. Banking on patriotism is in my opinion banking on a weak staff. Many arguments are placed against mandatory exports; however the opponents of this scheme are not able to place any positive alternative scheme of expansion of exports. There is no objection in trying for some more time the instrument of persuasion, but I hope that ideological opposition will not be permitted to come in the way of expansion of export earnings for much longer; our country cannot afford the time. This, however, is my own personal view and I would be very happy to see myself proved wrong.

I thank you for the patience with which you have heard me. I am very proud of this opportunity of addressing you today, and I hope that the operations of the Company in the year have been a matter of general satisfaction to you.

Thank you.

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

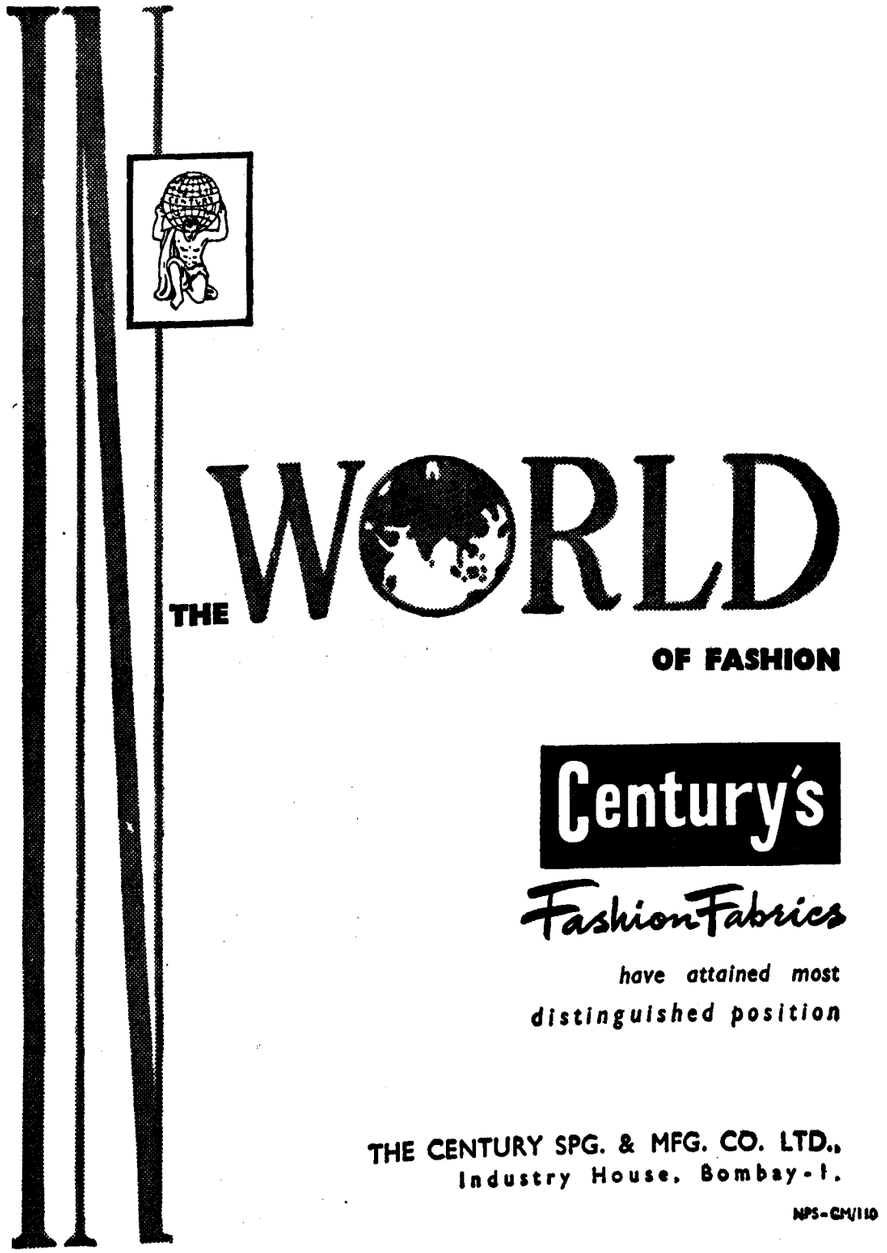
INDUSTRIAL FINANCE CORPORATION OF INDIA

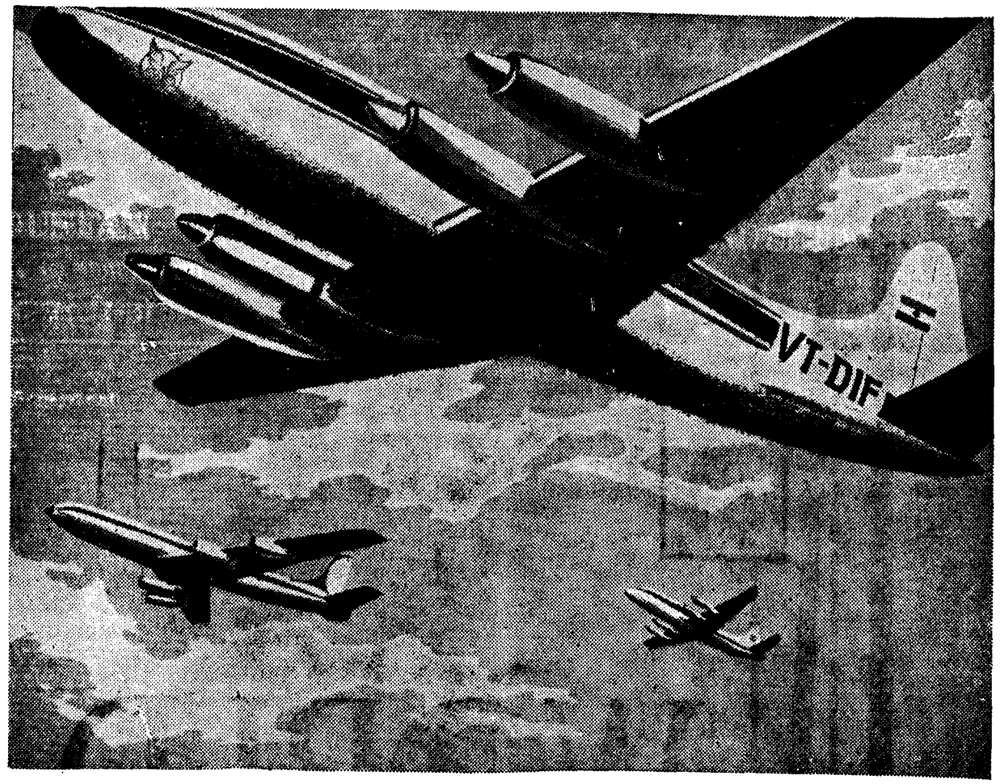
Speech delivered by Shri K. P. Mathrani, I.C.S., Chairman, at the Fourteenth Annual General Meeting of the Corporat ion held on 28th September, 1962

Gentlemen,

I have great pleasure in welcoming you and placing before you the Fourteenth Annual Report of the Board of Directors and the Accounts for the year ended the 30th June, 1962. The printed copies of the report have been circulated to all the shareholders and I shall, with your permission, take them as read.

2. The year under report almost coincides with the first year of the third Five-Year Plan. As the lending policies of your Corporation are closely integrated with the country's Five-Year Plans, we have, as in the past, made during the year under review, a useful contribution towards the successful implementation of the objectives of the Plan viz. to create conditions for the maximum production and employment and the develop-





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ment of human resources. Your Corporation has, during the year, sanctioned loans of the order of Rs. 24.45 crores and has disbursed loans of the value of Rs. 10.78 crores. These are the highest figures for loans sanctioned as also disbursed in any single year of the working of the Corporation and thus constitute fresh landmarks in the history of the Corporation.

3. The year under review has been another successful year in the life of the Corporation. Our gross income during the year was Rs. 3.04 crores which is the highest figure reached so far and shows an increase of Rs. 5.32 lakhs over that of the previous year. This has been achieved in spite of the fact that the income of the preceding year included a profit of Rs. 22.62 lakhs realised by the Corporation on the sale of its investments, a factor which did not operate during the current year as no investment were sold by us during the year. Our gross profit, subject to provision for taxation, was Rs. 130.71 lakhs as against Rs. 139.35 lakhs for the previous year. If the profit on the sale of investments is excluded, the profit for the year under review is higher by Rs. 13.98 lakhs than that for the preceding year. The Corporation has also had to make a larger provision for taxation as a result of the increase in the rate of income-tax from 45 per cent to 50 per cent in the current year.

4. As the shareholders are no doubt aware the Government of India had, during the first eight years of the career of the Corporation, to make subvention of the order of Rs. 53.45 lakhs to enable the Corporation to pay the minimum guaranteed dividend of 2¾ per cent per annum on its share capital of Rs. 5.00 crores. With the progressive improvements in our working results, we have repaid so far a sum of Rs. 35.45 lakhs during the last four years and the balance of subvention outstanding at present is Rs. 18 lakhs. We have decided to repay this amount from the profits of the year under review and thus liquidate finally the Corporation's liability in this behalf—a step which I have no doubt will receive the whole-hearted support of the shareholders. With the discharge of this statutory liability, the Corporation may now claim to have come of age—as an institution depending more and more on its own strength in its task of promoting the industrial development of the Country.

5. I had mentioned in my speech at the last Annual General Meeting that in the Finance Act, 1961, the Government of India had made an amendment to the Income-tax Act, which gave a relief to the financial corporations approved by Government by enabling them to claim a rebate in income-tax in respect of the amounts, not exceeding 10 per cent of the total income of each year, transferred by them to a Special Reserve Fund. I am glad to say that the Central Government have approved the Corporation for the purpose of availing itself of the benefit of this rebate from the year ended the 30th June, 1960. As required under Section 36(1) (viii) of the Income-tax Act, 1961, we have created a Special Reserve Fund and have transferred a sum of Rs. 24.82 lakhs to this account in respect of the accounting years ended the 30th June, 1960 and 1961 from our General Reserve Fund. Out of the current year's profits, we have transferred a sum of Rs. 13.21 lakhs to this Fund in order to qualify for the maximum admissible rebate in income-tax. The total amount thus transferred to this Special Reserve Fund amounts to Rs. 38.03 lakhs. As a result of these transfers, we have secured a relief to the extent of Rs. 11.84 lakhs in our income-tax assessments for the accounting years 1959-60 and 1960-61. We expect to get a rebate of Rs. 6.60 lakhs in respect of the year under report.

6. A review of our loan accounts has shown a further improvement in the position regarding bad and doubtful debts. It is a matter of gratification that not only have there been no accretions to bad debts but on the other hand some of our loan accounts, in regard to which we were anticipating shortfalls, have been fully liquidated and the rest are in the process of being cleared. No additional provision was, therefore, considered necessary by your directors towards the Reserve for Bad and Doubtful debts, the balance in which now stands at Rs. 14.47 lakhs.

7. As a result of our underwriting operations both in respect of preference and equity shares, our investment portfolio has been slowly enlarging and we held, at the end of the year, investments of the paid-up value of Rs. 106.44 lakhs. A majority of the shares held by the Corporation are redeemable cumulative preference shares carrying fixed rates of dividend. The share issues have been underwritten by the Corporation as a part of its promotional activities and the role of the Corporation has been that of a catalytic agent rather than as an investor. We have, however, as a measure of caution, transferred a sum of Rs. 2.00 lakhs to the Reserve for Depreciation on Investments.

8. We have transferred a sum of Rs. 26 lakhs out of the net profits for the year under review to the General Reserve Fund which now stands at Rs. 134.08 lakhs. Our Special Reserve Fund under Section 32-A, to which are credited all the dividends on the shares of the Corporation held by the Central Government and the Reserve Bank of India, now stands at Rs. 41.05 lakhs. The total of the balances now standing in General Reserve, the Special Reserve Funds and other Reserves comes to Rs. 230.63 lakhs, which may be regarded as a creditable performance.

9. I had mentioned at the last Annual General Meeting that the Board of Directors of the Corporation had under their consideration the issue of further share capital to the extent of Rs. 2 crores carrying a minimum guaranteed dividend of 4 per cent per annum, for which the approval of the Central Government had been obtained. We entered the market in March this year and I am glad to say that the issue was a success and in fact the quota reserved for the institutional investors, including the co-operative banks, was over-subscribed. On behalf of the Board of Directors and myself I should like to thank you all for your response to this issue and to welcome to our fold those investors who have subscribed to our shares for the first time. The dividend on our shares has, in view of the restriction contained in Section 31(2) of the I.F.C. Act, to be limited to the minimum guaranteed by the Central Government viz. 4 per cent per annum in respect of the recent issue of Rs. 2 crores and 2¾ per cent per annum in respect of the original issue of Rs. 5 crores. I am aware of the feeling of our shareholders in regard to the dividend in respect of our first issue. An alteration of this position, however, requires an amendment to the I.F.C. Act which is under the active consideration of the Government of India. We have set aside a sum of Rs. 13.68 lacs for the payment of the guaranteed dividend to our shareholders for the year under report. The dividend in respect of the second issue is, in accordance with the terms of the issue, payable from the 12th March, 1962, i.e. the date when the issue was launched on the market.

10. The Corporation received during the year 59 loan applications for an aggregate amount of Rs. 31.40 crores as against 76 applications for an aggregate amount of Rs. 36.86 crores received in the preceding year. The fall in the number of applications could be attributed partly to the restrictions on the import of plant and machinery on deferred payment terms and also the curtailment of the grant of industrial licences, for the establishment of new sugar factories. Moreover, during the recent months we have been advising the parties coming to us for assistance to obtain, as far as practicable, the various statutory permits and clearances such as those relating the grant of industrial licences, the permission of the Capital Goods Committee and the

Foreign Agreements Committee and the consent of the Controller of Capital Issues before making a formal application to us. This may also partially responsible for a fall in the number of applications. But you will appreciate that the revised procedure saves a good deal of infructuous or avoidable labour on the part of our beneficiaries and substantially shortens the period during which applications have to be kept pending. It would, therefore, be of advantage all round in the long run. However, during the intervening period we continue to have informal discussions with them in order to enable them to submit to us their applications in as complete a form as practicable.

11. Out of the total loans of Rs. 130.27 crores approved by the Corporation during the last 14 years, loans aggregating Rs. 24.09 crores were either declined by the applicant concerns or were not made available to them for various reasons, and loans amounting to Rs. 7.86 crores were pending approval of the Government of India or the AID. The firm commitments of the Corporation for the grant of loans thus aggregate Rs. 98.32 crores, out of which a sum of Rs. 68.14 crores i.e. about 70 per cent of the commitments, was disbursed. These results may be regarded as satisfactory and have been achieved as a result of the various measures which the Corporation has taken from time to time to expedite the attendant formalities on the part of the Corporation prior to the disbursement of the loans. In order to meet the immediate requirements of our borrower concerns, we also continue to grant interim loans in cases where a prima facie valid title to their properties has been established, and during the year, we disbursed interim loans to the tune of Rs. 5.73 crores.

12. While the loans in rupee will constitute the bulk of our lending operations, the Corporation has also, since last year, been sanctioning sub-loans in foreign currencies. The first dollar loan of 10 million dollars (Rs. 4.76 crores) obtained from the D.L.F. (now merged in A.I.D.) was completely committed early this year. I am glad to say that we have received a second loan of 20 million dollars (Rs. 9.52 crores) from the A.I.D. and a formal agreement in this behalf was executed in June 1962. A sum of 4.8 million dollars (Rs. 2.29 crores) has already been committed from the second loan and I believe that the balance of the loan will be put to fruitful use in not too distant future. As the first dollar loan was largely and the second dollar loan is completely tied to purchases in the United States it has been our endeavour to obtain in addition lines of credit from other countries. These efforts have now borne some fruit and we have been sanctioned a line of credit in the West German Currency to the extent of 15 million D.M. (Rs. 1.79 crores) from Kreditanstalt ful Wiederaufbau Frankfurt | Main (German Bank for Reconstruction) out of which a sum of 1.92 million D.M. (Rs. 22.86 lacs) has already been committed in the form of sub-loans. I may add that there are indications that an additional loan in the same currency will be available to the Corporation in the near future. The Government of India have also further decided to make an allocation to the Corporation of the Yen equivalent of a sum of 2 million U.S. dollars from the Yen available with them. Lastly we have recently been informed of the sanction to I.F.C. of a line of equipment credit in French currency to the extent of 50 million new francs (Rs. 5 crores) through a French commercial bank and the terms and conditions of the credit are now in the process of negotiation. These you will agree, are welcome developments as they will go to meet, though to a limited extent, the needs of our borrower concerns in respect of foreign currencies. In view, however, of the fact that except for the West German loan, these credits are tied to purchases in those countries, the need for a more substantial line of credit in convertible currency for meeting the foreign exchange requirements of industries in the private sector is obvious.

13. Coming to our loan operations the sugar industry continues to lead the list of loans approved by the Corporation. During the year, we sanctioned loans of the order of Rs. 7.52 crores to 13 sugar mills of which there were 12 sugar co-operatives. This brings the total amount of loans approved to Rs. 30.4 crores to sugar co-operatives numbering 45 which are distributed all over the country. Besides, the Corporation has sanctioned loans of the order of Rs. 1.02 crores to three co-operative spinning units and one co-operative unit for the manufacture of vegetable oils. The loans approved by the Corporation to co-operative units represent 24.1 per cent of the total loans approved, and is indicative of the high priority given by the Corporation to the development of the co-operative sector. These co-operatives, I am glad to say, have, by and large, shown satisfactory working results.

14. Chemical industry to whom loans aggregating Rs. 6.28 crores were sanctioned during the year has, for the first time, occupied the second place while the third place is taken by the electric machinery manufacturing industry to whom loans of the value of Rs. 3.14 crores were sanctioned. For the first time, the Corporation has sanctioned to a concern in Mahe in Pondicherry for setting up a textile mill a loan of Rs. 35 lacs in addition to a guarantee for deferred payments to the extent of Rs. 5.62 lacs. The Corporation has also for the first time sanctioned a loan of Rs. 1.09 crores to a concern engaged in the production of industrial and medical gases.

15. For sometime past the problem of modernisation and expansion of the coal mining industry in the private sector has been engaging the attention of the Central Government which has been sanctioned a loan of 35 million dollars by the World Bank for the import of coal mining equipment and spares in order to achieve this purpose. The coal mining projects to be financed out of this credit have been examined by high level screening committees set up by the Government of India, with which our Corporation has been associated. While the foreign exchange requirements of these projects would be met out of the World Bank credit, the rupee finance has to be arranged by the undertakings concerned either from their own resources or through the various institutional channels. In view of the vital nature of this industry in the present context, the Corporation has agreed to assist in this direction and has so far sanctioned loans to 3 such concerns of an aggregate amount of Rs. 82 lacs.

16. Although our approach to underwriting has been somewhat cautious, we are continuing to enlarge our activity in this field in order to meet the increasing requests of our clients. In view, however, of the fact that in most of these cases Corporation has sanctioned loans for substantial amounts, the underwriting commitments of the Corporation in respect of such concerns are generally of a token nature. During the year, we had approved 11 proposals for underwriting facilities to the extent of Rs. 62 lacs in equity shares and Rs. 10.5 lacs in preference shares. The applications approved cover a wide range of industries such as pottery, china and earthen-ware, basic industrial chemicals and fertilisers, textiles, metal products, electrical and other machinery, paper and mining. Since December, 1956 when the Corporation started underwriting business, we have underwritten 18 issues of capital for an aggregate amount of Rs. 4.92 crores. As a result of amendments to the I.F.C. Act in December, 1960, the Corporation has also been authorised to subscribe directly to the stocks and shares of industrial concerns. Having regard to the experience gained by the Corporation in the field of underwriting in the past few years, it is expected that the Corporation will be able to make a fruitful contribution in this direction.

17. There was a reduction in the requests for guarantees of deferred payment arrangements owing to the restrictive policy of Government in this behalf. We approved three applications for such guarantees of the value of Rs. 43.61 lacs during the year, bringing the total value of guarantees approved by the Corporation to Rs. 27.6 crores.

18. The periodical inspections carried out by us and the progress reports received from our borrower concerns have shown that many of them earned sizable profits and 37 such concerns have, during the year, declared, with our prior approval, dividend in excess of 8 per cent. There has been a further reduction in defaults in the payment of interest by our loanee concerns. The percentage of defaults in the repayment of principal has declined from 2.34 in 1960-61 to 1.24 in 1961-62 while in regard to interest it has come down from 0.25 to 0.18.

19. The resources position of the Corporation continued to be comfortable during the year. The capital outgoings in rupees amounted to Rs. 10.78 crores (inclusive of investments in shares to the extent of Rs. 26 lacs). We met these commitments from the proceeds of the further issue of share capital of Rs. 2 crores and borrowings from the Government of India to the extent of Rs. 4½ crores in addition to our own internal resources of the order of Rs. 4.28 crores inclusive of the repayments of loans due to the Corporation. We did not therefore enter the market for a fresh issue of bonds during the year. We have, however, decided to go in for a fresh issue of bonds to the extent of Rs. 6 crores to enable us to strengthen our resources further in order to meet the likely demands of industry during the year. These bonds which are for a period of 12 years will carry rate of interest @ 4½ per cent per annum the issue price being Rs. 99.5. The terms are similar to those on which the State Governments recently floated their loans and are, I believe, sufficiently attractive for the investors. I am sure I can count upon your generous support, as in the previous year, to make the issue a success. It is a matter of coincidence that the issue has been opened to public for subscription from today.

20. The rate of interest charged by the Corporation from its borrower concerns had remained constant at 6½ per cent per annum net for the last five years. Our lending rate is, however, dependent on our borrowing rate as also the general monetary and economic conditions. During the last year there was a gradual increase in the rates of interest charged by the scheduled banks and we had reached an anomalous position where our rate for medium and long-term loans was lower than that charged by many commercial banks for their short-term loans. Further, the Government of India and the State Governments offered higher yields in respect of their recent issues of public loans as compared to their market floatations in the previous year. This has had its repercussion on the rate at which the Corporation is able to borrow from the market and we have had to offer a rate of 4½ per cent on our bonds as against 4 per cent in 1959. Having regard to these circumstances as also the general economic conditions, the Corporation after careful consideration, came to the conclusion that an increase of ½ per cent in the rate of interest would be appropriate. According, the Corporation, with the approval of the Central Government raised, with effect from the 19th July, 1962, its rate of interest from 7 per cent per annum to 7½ per cent per annum with the usual rebate of ½ per cent for punctual payments i.e. a net rate of 7 per cent per annum. The Corporation has not, however, made this rate applicable to the concerns which had fully or partially availed themselves of the loans sanctioned to them prior to this date.

21. The Corporation's efforts to promote joint financing of large projects in collaboration with other credit institutions and banks gathered further momentum during the year. In pursuance of this policy, the Corporation convened at Bombay in January 1962 a conference of the representatives of institutional investors like the Life Insurance Corporation of India, the Industrial Credit and Investment Corporation of India, Ltd., the State Bank of India and other leading commercial banks, with a view to formulating common approach in regard to joint participation. The proposal received wide support. It was appreciated that such joint participation by different financial institutions would help in establishing healthy practices regarding the scrutiny of applications, coverage of loans and the follow-up operations. Requests in respect of large projects are being processed in the light of these deliberations. In this context, I might mention that international institutions such as the International Finance Corporation, Washington, have also expressed their interest in co-operating with I.F.C. and other Indian institutions in this manner.

22. A conference of Development Banks in Asia was held in Bombay towards the end of March 1962 under the auspices of the Industrial Credit and Investment Corporation of India Ltd. to discuss the various problems of development banks. The General Manager and a senior Manager represented the Corporation at the deliberations and I also participated in some of the sessions which, by and large, proved useful and instructive.

23. Our relations with the various Chambers of Commerce and with out loanee concerns continue to be cordial. We have nominated more non-officials on the Boards of our loanee concerns and I take this opportunity to thank them on behalf of the Board of Directors for the keen interest they have taken in the work.

24. During the year, we have reconstituted our Advisory Committees and have enlarged them by nominating some additional members having considerable experience in their respective fields of activity. I should also like to convey on behalf of the Board of Directors our sincere thanks to the members of our Advisory Committees for the able and effective assistance they have given to the Corporation.

25. Before concluding I should like to express the thanks of the Corporation for the assistance and co-operation accorded to us by the United States of America Agency for International Development, with whom our relations have been very cordial and who have recently sanctioned to us a further line of credit of 20 million dollars. Our appreciation is also due to Kreditanstalt fur Wiederaufbau, and also to the French authorities for their agreeing to sanction loans in foreign currencies and we look forward to a period of useful association with them. I should also like to convey my heartfelt thanks to my colleagues on the Board for their valuable co-operation and wise counsels. In particular, I should like to make a reference to Prof. S. K. Basu and Shri G. D. Ambekar who ceased to be Directors of the Corporation from the 19th February, 1962, and the 12th April, 1962, respectively. The Corporation benefited much by their active participation and sound advice during their association with it. Finally, I have great pleasure in conveying the thanks of the Board of Directors as well as my own to the General Manager and the entire staff of the Corporation for their loyal and devoted service to the Corporation during the year.

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

THE INDIAN SMELTING & REFINING COMPANY, LIMITED

'Industry House' 159, Churchgate Reclamation, BOMBAY-1.

Cable : 'ISARC'

Phone : 245006 & 246261/2

Manufacturers of

1. ALLOYING & CASTING DIVISION

* Antifriction Bearing Metals
* Gunmetals
* Leaded Bronzes
* Phosphor Bronzes
* Brazing Solders
* Type Metals
* Tin Solders
* Fine Zinc Die Casting Alloys — 'ISMAK-3'
* Cupro Manganese
* Aluminium Base Die Casting Alloys
* Brass & Bronze Rods—Solid & Cored
* Finished Castings—rough & machined.

2. HOT ROLLING DIVISION

* Commercial Quality Brass Sheets
* Commercial Quality Copper Sheets
* Brass & Copper Heavy Base Plates
* Copper Anodes

3. COLD ROLLING DIVISION

* Cold Rolled Industrial Quality Brass Sheathings, Strips & Coils (from 10 SWG to 45 SWG) in width from 7 mm to 355 mm.
* Cold Rolled Industrial Quality Copper Sheathings, Strips & Coils (from 10 SWG to 45 SWG) in width from 7 mm to 355 mm.

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										
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
April „	927,18	1,240,90	2,132,08	51,77	83,78	6.36	1,198,27	229,73	66.96	592,07
May „	920,22	1,230,84	2,151,06	52,43	83,85	6.34	1,216,77	220,89	66.83	580,32
June „	911,54	1,266,78	2,178,32	53 30	84,92	6.35	1,235,93	197,66	65.81	584,76
July „	909,70	1,288,13	2,197,83	51,28	99,24	6.85	1,240,45	169,86	64.17	613,11
August „	915,52	1,305,73	2,221,21	50,04	90,22	6.30	1,213,47	180,08	62.74	678,24
Week Ending										
17-8-1962 ..	912,72	1,311,26	2,223,98	53,43	90,93	6.49	1,215,63	177,03†	62.62	668,63
24-8-1962 ..	920,72	1,311,54	2,232,26	52,21	98,78	6.76	1,202,28	179,13†	61.88	680,84
31-8-1962 ..	923,92	1,287,56	2,211,48	48,57	77,06	5.61	1,213,31	190,68†	63.48	699.35
7-9-1962 ..	904,95	1,280,11	2,185,06	49,04	87,28	6.24	1,219,46	199,98†	64.96	678,63
14-9-1962 ..	913,46	1,280,82	2,194,28	49,75	80,37	5.93	1,212,31	195,96†	64.18	662,13
21-9-1962 ..	915,86	1,286,17	2,202,03	47,96	81,83	5.89	1,193,99	196,35†	63.14	683,82

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(REVISED SERIES)

(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)
1951-52 ..	1,849,96	1,285,51	564,45	544,85	19,60	—159,82
1955-56 ..	2,219,92	1,571,01	648,91	636,90	12,01	+262,53
1956-57 ..	2,345,30	1,622,73	722,57	710,92	11,65	+125,38
1957-58 ..	2,417,00	1,674,07	742,93	723,06	19,87	+ 71,70
1958-59 ..	2,530,27	1,792,02	738,25	719,00	19,25	+113,27
1959-60 ..	2,725,04	1,930,86	794,18	772,39	21,79	+194,77
1960-61 ..	2,874,11	2,098,05	776,06	757,10	18,96	+199,84
1961-62 ..	3,049,45	2,201,79	847,66	824,26	23,41	+175,34
November* 1961 ..	2,800,11	2,021,77	778,34	757,72	20,62	+ 18,73
December* „ ..	2,840,48	2,059,62	780,86	761,95	18,92	+ 40,37
January* 1962 ..	2,900,10	2,105,11	794,99	774,89	20,10	+ 59,62
February* „ ..	2,954,85	2,154,75	800,10	781,08	19,02	+ 54,75
March* „ ..	3,049,45	2,201,79	847,66	824,26	23,41	+ 94,60
April* „ ..	3,104,88	2,254,14	850,74	826,65	24,09	+ 55,43
May* „ ..	3,096,73	2,256,18	840,54	819,27	21,27	— 8,15
June* „ ..	3,046,80	2,202,65	844,15	823,89	20,26	— 49,93
July* „ ..	3,025,00	2,168,84	856,16	833,47	22,69	— 21,80

* Provisional. † Excluding balances held on I.M.F. Amount No. 1 and other extraordinary items.

Source: Monthly Bulletin of Reserve Bank.

RATES OF GROWTH OF POPULATION AND G.N.P.: 1950 — 70

Region/Country	Population		G.N.P.			G.N.P. (Per capita)		
	1950-59	1958-70	1950-59	1958-70		1950-59	1958-70	
				L	H		L	H
	Per cent per year (compound rate)							
I. High-Income Countries ..	1.3	1.2	4.3	3.9	5.0	3.0	2.6	3.8
(a) **North America** ..	1.9	1.8	3.1	3.1	4.4	1.2	1.3	2.5
Canada ..	2.7	2.1	3.9	3.4	4.8	1.2	1.3	2.5
U.S.A. ..	1.8	1.7	3.0	3.0	4.3	1.2	1.3	2.5
(b) **Oceania** ..	2.3	2.0	3.9	3.0	4.0	1.6	1.0	2.0
Australia ..	2.3	2.0	4.3	3.0	4.0	1.9	1.0	2.0
New Zealand ..	2.3	1.9	2.1	2.9	3.9	—0.2	1.0	2.0
(c) **Western Europe** ..	0.8	0.7	5.0	4.2	5.2	4.2	3.5	4.5
E.E.C. ..	0.9	0.7	5.8	4.7	5.5	4.9	3.9	4.7
of which: France ..	0.9	0.8	4.3	4.4	5.2	3.4	3.6	4.4
West Germany ..	1.1	0.9	7.6	4.9	5.7	6.5	4.0	4.8
Italy ..	0.6	0.6	5.6	5.0	5.9	5.0	4.4	5.2
Netherlands ..	1.3	1.0	4.9	5.1	5.9	3.6	4.1	4.9
Other West European Countries	0.5	0.4	3.1	2.7	3.7	2.6	2.3	3.3
United Kingdom ..	0.4	0.4	2.5	2.4	3.4	2.1	2.0	3.0
Norway ..	0.9	0.9	3.3	2.9	3.9	2.4	2.0	3.0
Sweden ..	0.6	0.6	3.5	3.1	4.1	2.9	2.5	3.5
Switzerland ..	1.2	0.6	5.5	3.6	4.6	4.3	3.0	4.0
Denmark ..	0.7	0.6	2.9	2.6	3.6	2.2	2.0	3.0
Mediterranean Countries ..	1.0	1.0	6.9	4.9	6.2	5.9	3.9	5.2
Spain ..	0.8	0.9	6.1	4.9	5.9	5.3	4.0	5.0
Yugoslavia ..	1.3	1.2	8.9	5.7	7.2	7.6	4.5	6.0
(d) Japan ..	1.3	0.7	7.5	6.0	7.0	6.1	5.3	6.3
(e) South Africa ..	1.9	1.9	5.0	3.4	5.0	3.1	1.5	3.0
(f) Argentina & Uruguay	2.0	1.7	2.1	3.0	3.7	0.1	1.3	2.0
II. Low-income Countries ..	2.2	2.4	..	4.1	5.2	..	1.7	2.7
Latin America ..	2.5	2.7	4.9	4.7	5.5	2.4	2.0	2.8
Brazil, Paraguay ..	2.4	2.5	4.9	4.2	5.1	2.5	1.7	2.5
Mexico ..	2.9	3.0	5.7	5.4	6.3	2.8	2.3	3.2
Central America ..	2.4	2.6	3.9	4.2	5.0	1.5	1.5	2.3
Asia and Far East ..	2.1	2.3	3.5	3.6	4.9	1.4	1.3	2.5
Burma ..	1.8	2.4	4.7	4.0	5.0	2.8	1.6	2.5
Ceylon ..	2.8	2.9	3.1	3.5	4.5	0.3	0.6	1.6
India ..	2.0	2.3	3.3	3.9	5.3	1.6	1.6	2.9
Indonesia ..	1.8	2.1	3.9	3.0	4.5	1.1	0.9	2.3
Pakistan ..	2.2	2.3	2.1	2.5	3.8	—0.1	0.1	1.4
Philippines ..	3.2	3.2	5.7	4.5	6.0	2.4	1.3	2.7
Taiwan ..	3.4	3.4	6.1	5.0	6.5	2.6	1.5	3.0
Thailand ..	2.9	2.9	3.3	4.0	5.0	0.4	1.1	2.1
South Korea ..	2.7	2.7	4.8	4.0	5.0	2.0	1.3	2.3
Vietnam ..	2.2	2.4	2.5	2.5	3.5	0.3	0.1	1.1
Near East and Africa ..	2.3	2.5	..	4.0	5.3	..	1.5	2.8
North Africa .. (Algeria, Egypt, Libya, Morocco, Tunisia)	2.2	2.5	4.5	4.0	5.6	2.3	1.5	3.0
Other Africa .. (Excluding South Africa)	2.2	2.4	..	3.7	5.0	..	1.3	2.5

L = A low one based on past trends.
H = A high one related to economic plans.

Source: F O.A.

INDIA'S EXPORTS OF MAJOR CHEMICALS AND CHEMICAL PRODUCTS: 1959-60 — 1961-62

(Rs. thousands)

Item	1959-60	1960-61	1961-62
Glycerine B.P.	365.5	268.8	203.4
Vitamin B Complex	560.0	403.1	619.9
Multi-vitamin and Yeast Preparations	291.8	216.5	317.4
Other Vitamin Preparations	265.8	221.1	229.5
Bacteriological Products	177.5	240.6	425.7
Penicillin, Streptomycin and other Anti-biotics	244.9	393.8	143.7
Codeine Phosphate	0.1	57.1	124.6
Ayurvedic and Unani Medicines	1219.7	969.6	943.2
Absorbent Cotton Sterile	1655.6	1193.9	624.7
Lint Medicated	72.7	14.0	17.1
Botanical Drugs & Derivatives	797.8	987.6	657.9
Liver Extract	432.7	400.0	488.2
Antacid and Digestive Preparations	74.3	63.2	23.0
Cold, Cough and Bronchial Preparations	341.2	345.0	386.6
Gripe Water	87.7	56.2	48.7
Headache Nauralgia and Pain Remedies	231.4	237.2	266.2
Salves Ointment for Burns, Cuts etc.	87.2	146.8	67.9
Blood Purifiers Emulsion	661.3	660.0	540.8
Rauwolfia Serpentina	272.9	189.9	105.6
Patent and Proprietory Medicines	495.3	983.7	1171.3
Beta Ionone	..	881.1	974.4
Other Medicinal Products	1163.7	1437.1	2282.5
Horn Meal	126.8	189.9	125.1
Bone Grist	2,543	3,916	4,005
Meal Blood	47	28	..
Sulphuric Acid	113	132	79
Sodium Bicarbonate	24	5	31
Sterilized Animal Meal	1713.7	1765.0	1964.3
Bone Crushed	17,996	22,226	25,093
Sodium Siliate	27	25	14
Chlorine	79	61	24
Strychnine and Brucine preparations	123.2	789.3	422.3
Soda Ash	35	46	61
Gum Arabic	502	226	57
Gum Asafoetida	341	286	332
Gum Karaya	9,407	11,272	11,791
Gum Rosin	165	1,686	355
Other Gums	8,984	9,493	7,631
Paraffin Wax	14,353	12,437	7,704
Vanaspati	6,103	10,333	5,579
Nitrous Oxide	157	156	136
Hoff Meal	230.7	244.8	86.2
Carbonic Acid	49	8	..
Hydrogen Peroxide	0.1	0.2	99
Magnesium Chloride	18	17	15
Manganese Dioxide	97	191	204
Sodium Sulphate	20	20	..
Glycerine Crude	2024.9	1164.9	1666.9
Glycerine Refined and Chemically Pure	798.5	572.8	203.4
B. H. C.	76.2	21.8	9.7
D. D. T.	97.1	..	0.1
Glucose	75.2	136.1	64.7
Wetting Out Agents	46.7	46.8	64.5

Source: Ministry of Commerce and Industry.

INDIA'S EXPORTS OF MAJOR CHEMICALS AND CHEMICAL PRODUCTS: 1959-60 — 1961-62

(Rs Thousands)

Item	1959-60	1960-61	1961-62
Insecticides, Disinfectants etc.	864.9	478.7	332.1
Maize Gluten	931.3	448.4	92.9
Brake Fluid	247.3	174.7	106.8
Coterytic Agent	2.7	6.0	130.1
Thinner	1.5	3.4	1.7
Magnesium Oxide	115.1	..	..
Rubber Chemical Softeners	71.6	13.8	..
Tapioca Starch	97.9	275.4	187.4
Sodium Dichromate	22.9	308.5	1009.4
Tartaric Acid	11.0	54.8	17.6
Alcoholic Beverages	16.4	5.8	3.6
Ethyl Alcohol Denatured or not	2146.6	1640.9	4453.7
Common Salt	4764.1	5175.0	760.1
Salt (other Sorts)	335.4	218.9	812.2
Potassium Nitrate	77.6	51.9	12.7
Persian Gulf Red Oxide	40.7	40.5	54.9
Red Lead	0.6	39.4	109.1
White Lead	..	84.8	..
Zinc	5.4	23.6	23.6
Distempers	1.6	45.4	0.4
Other Colouring Materials	216.7	203.9	242.9
Cellulose Lacquer	47.6	48.9	3.6
Natural Resin Enamels	85.9	45.9	5.2
Synthetic Enamels	74.8	420.1	90.2
Ready Mixed Paints	607,5	326.4	133.4
Paints Containing Dangerous Petroleum	67.6	230.0	..
Varnish Paints	162.1	380.4	182.1
Natural Resin Varnishes	306.9	142.5	98.2
Synthetic Varnishes	..	117.9	..
Stiff or Paste Paint	283.6	54.6	11.8
Henna Leaves and Powder	1979.7	1849.5	1265.3
Safflower	162.4	163.5	81.1
Turmeric Bark and Root	2824.5	2584.0	4242.6
Myrobalan Whole	1517.6	1680.3	1365.8
Myrobalan Crushed	3003.0	3175.3	3810.0
Cutch Extract	310.7	748.6	540.3
Myrobalan Extract	928.7	524.4	620.6
Metanil Yellow	108.4	158.9	88.4
Other Coaltar Dyestuff	429.4	148.3	63.0
Other Dyeing and Tanning Materials	875.6	1117.2	1155.9
Face Cream	145.3	125.4	173.0
Hair Oil	1499.7	1246.8	1237.3
Talcum Powder	121.4	285.7	450.1
Tooth Powder	107.4	112.9	126.8
Toilet Soap	1414.9	1157.7	962.7
Other Soaps	177.6	572.6	680.5
Perfumes (not containing Spirit)	250.5	213.1	177.2
Tooth Paste	118.0	112.9	50.7
Bottles, Phials etc.	1469.5	1442.7	1452.7
Glass Bangles	373.9	328.4	245.9
Glass Mirrors	235.8	192.3	134.6
Scientific Glassware	84.7	83.0	142.0
Glass Beads and False Pearls	47.7	22.1	42.6
Lampwares	441.7	467.7	483.7
Tubes and Rods	107.8	156.1	134.9
Earthenware Tiles	4111.0	5030.0	2500.1
Fire Clay Bricks and Shapes	474.6	406.1	458.1
Kyanite Ore	6003.7	6425.7	7525.0

Source: Ministry of Commerce and Industry.

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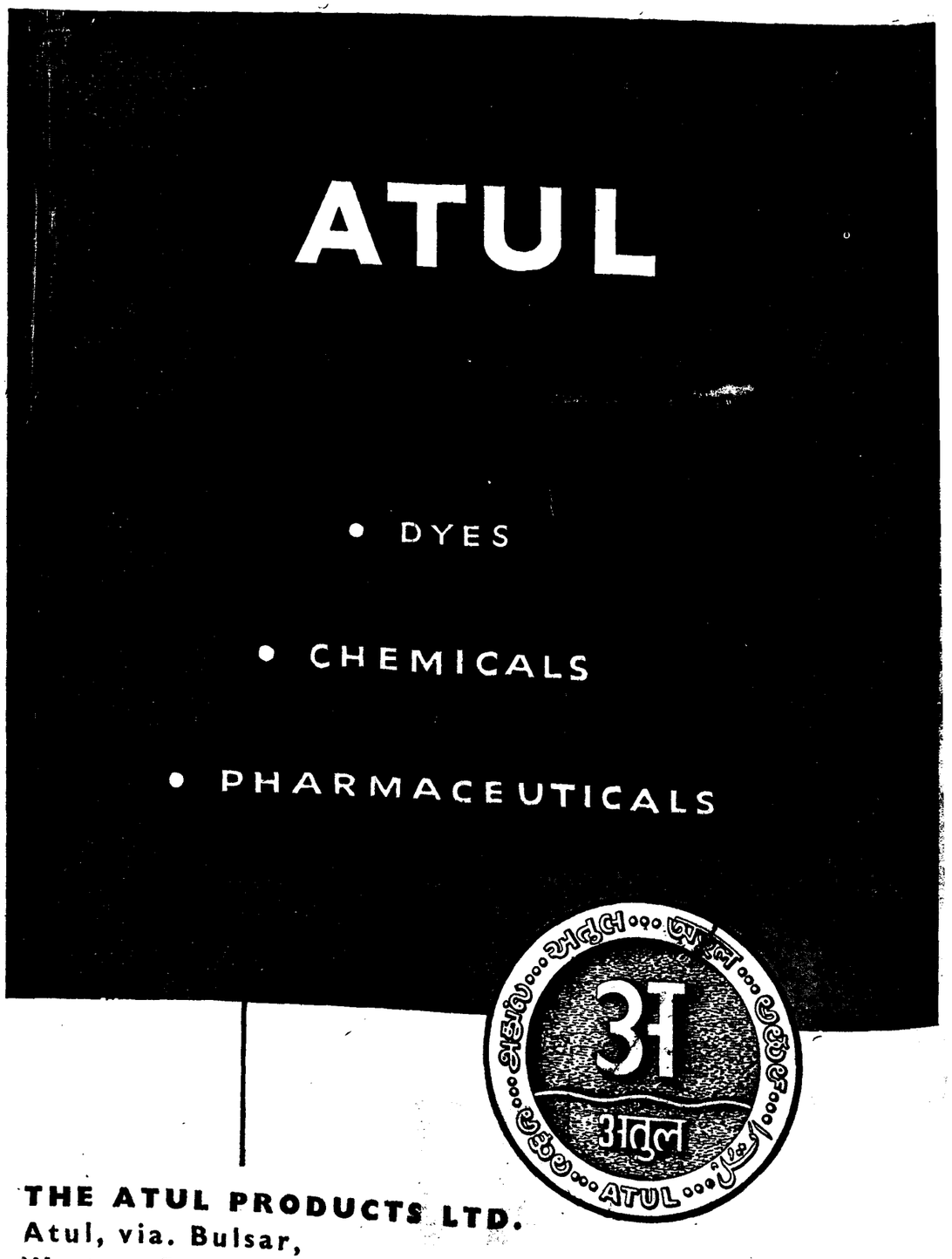
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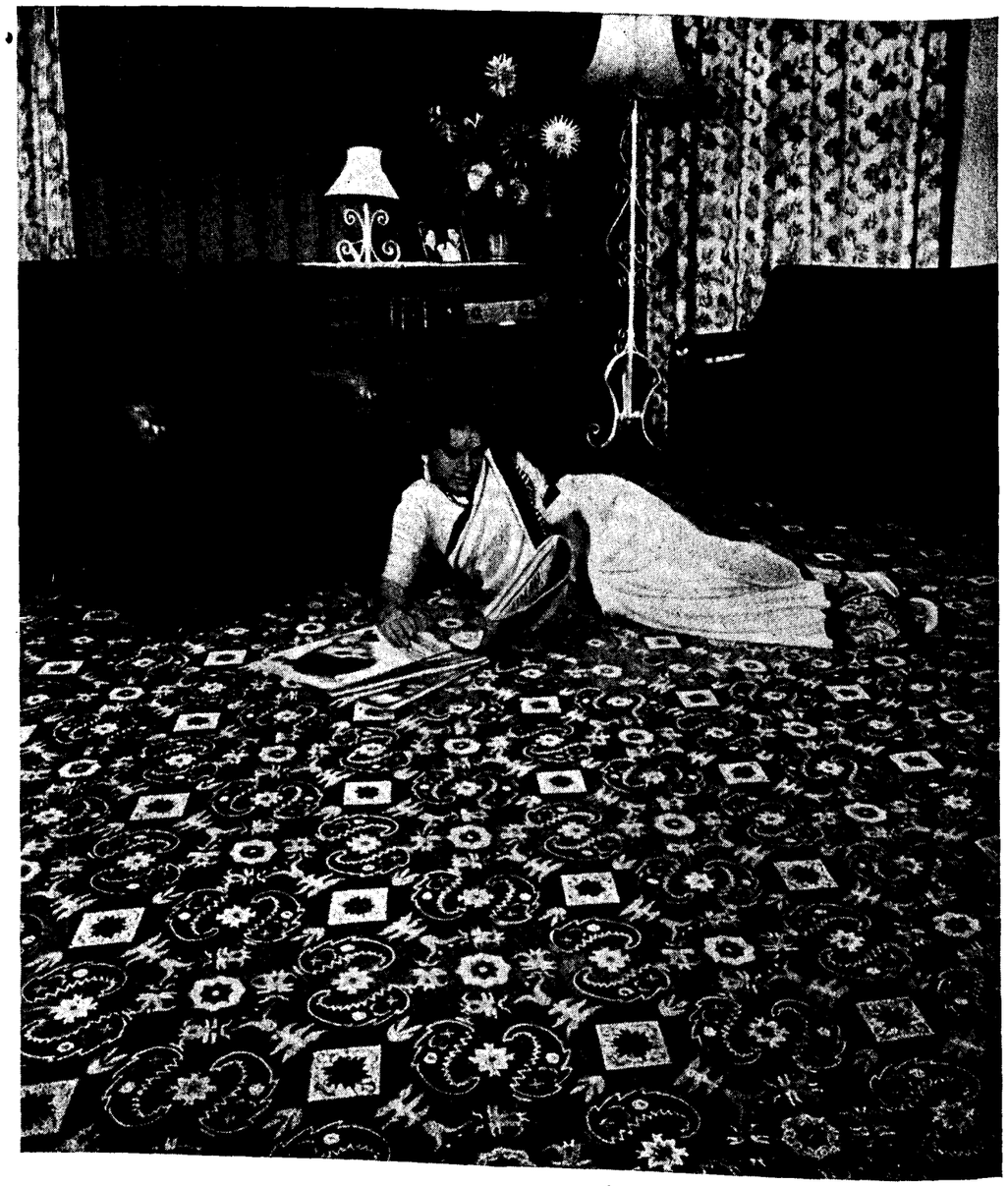
THE EASTERN ECONOMIST

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THE EASTERN ECONOMIST

OCTOBER 12, 1962.

No Compromise on NEFA

SPECULATION about the ulterior purpose of China in opening the second front of aggressive penetration in the eastern sector of the border is pointless. It is also likely to be positively misleading as the evidence of the interpretation of the Chinese move in certain responsible quarters indicates. This interpretation purports to advance the theory that China's latest intrusion in NEFA is intended to be no more than pressure tactics to impress upon India the urgency of settling the border dispute in the western sector inasmuch as China's primary, and probably sole, objective is to acquire the territory she claims as her own to link and strengthen her line of communications between Sinkiang and Tibet. This theory completly ignores China's designs on Bhutan as well as her ambition to tighten her military grip over the Himalayan border in the eastern half. Her latest overtures of assistance to Nepal against aggression, which amount to an offer of a defence pact, are part of this ambitious scheme.

It is a matter of reassurance that the Government of India has taken a determined attitude not to give quarter to China's aggressive actions in the eastern sector. For the first time, the morale of the people—which is as indispensable for total defence as the morale of the army—has been raised since the Chinese penetration in the northern border started about five years back. China's note of October 3 reiterates her crafty proposals made earlier, but India has rightly rejected them out of hand. She now insists on negotiations for the settlement and delimitation of the entire border running from west to east. She does not accept any conditions precedent attached to the negotiations and specifically asserts that the talks should be held unconditionally and forthwith. Her proposal calling upon both the sides to withdraw their armed forces 20 kilometres behind the positions occupied by them sounds like a gesture of conciliation, but in reality its object is quite sinister. That object is to seek to perpetuate the gains of aggression which China has made in Ladakh and now in the eastern sector to the south of the McMahon Line.

While the Government of India has restated in its note of October 6 its intention to stick firmly to its proposals for the reduction of the tensions recently generated to create a climate of confidence as a preliminary to the holding of the regular negotiations, it has made it clear beyond the shadow of any doubt that the talks for the settlement of the border must be restricted exclusively to the western sector. Even in this sector the restoration of the *status quo* before China grabbed Indian territory in Ladakh remains an absolute pre-condition. But under no circumstances is the Government of India agreeable to treat the border in the eastern sector as a matter in dispute and therefore an issue for negotiation. China's latest incursion into the Indian territory in this sector near the Thagla Ridge must be vacated first, since India does not recognise the existence of any dispute in this region and she cannot enter into any talks regarding the western sector under duress which is what this incursion aims at.

China's case regarding the McMahon Line has been condemned by her own action. To outward appearances she has been insisting that the McMahon Line is an arbitrary demarcation drawn at will by the British to which she is not a party and which she does not recognise. But in her settlement of her border with Burma this self-same line has been finally sanctified. Certainly it cannot be China's dual case that the McMahon Line is a recognised line redefining the traditional border in part so far as it relates to Burma and it is arbitrary and unrecognizable in so far as it relates to India. In any event, at least the evidence of conduct on the part of the Government of China clearly shows, as India's note of October 6 highlights this fact, that in its communications addressed to the Government of India, the Chinese Government has repeatedly stated that it has all along refrained from disturbing the *status quo* on the eastern sector of the boundary along the McMahon Line, though it did not formally admit its existence. No argument is necessary to restate the recognition in practice over the decades of the McMahon Line as demarcating the traditional watershed boundary between India and Tibet. It cannot now be made a matter for barter to readjust the boundary in the western sector at points where ambiguity may be discovered.

The stage has now passed when any cogent proof is required to vindicate India's stand. China's aggressive intrusion across the Thagla Ridge constitutes a danger signal. The time has been long since reached, when no relaxation of defensive action in the eastern sector can be tolerated, while proposals for talks on the western sector may be entertained. The Government of India has given sufficient indication of its determination not to compromise on the question of the eastern sector. In this determination it has the fullest support of the entire nation. At this juncture, appropriately enough, no time is being lost to take concrete measures to reinforce the defence of the frontier. The bifurcation of the armed forces in the Eastern Command — one for the eastern region and the other for NEFA—may have been conceived some time back. But the reorganisation of the corps under two GOC's at this crucial time gives the much-needed reorientation to the defensive strategy. The challenge which China has thrown in this sector need not be under-rated, but, at the same time, India's determination to fight it back cannot be held in doubt.

As we go to Press, heavy fighting — the severest so far — is reported in the Dhola area of NEFA. The casualities on the Chinese side are reported to be far greater than Indian casualties, but the indications are that our armed forces will have to keep themselves in readiness to face Chinese incursions on a bigger scale. This fighting breaks the lull which lasted for nearly the past two weeks. The meeting of the officials of the two Governments at Peking scheduled for October 15 to resume the talks is now ruled out — in fact, the tenor of India's reply to the Chinese Note had virtually ruled it out. In pursuing a calculated policy of intruding into the Indian territory, holding it by armed occupation and making overtures of negotiations for "peaceful settlement",

China means to enforce her aggressive claims by military action. It is precisely this strategy of a double deal which has exposed the true design behind her policy and stiffened India's attitude that there can be no negotiations unless aggression is vacated. It is immaterial whether China is adopting this militant posture to save face. The situation is assuming greater gravity, but there can be no compromise where the frontier is well defined and traditionally recognised.

The Outlook at Brussels

THE Ministerial meeting of the EEC, convened on Monday this week, was the first after the conclusion of the Commonwealth Prime Ministers' Conference. Considering the united voice with which the Prime Ministers spoke on the consequences of Britain's entry into the Community and the unusually strong tone of their speeches, it was only to be expected that Mr. Heath should appraise the Ministers of the Six with the outcome of the Conference at some length. A vital issue which he had to bring home to the European Ministers was the depth of the fears entertained by the Commonwealth countries in regard to the impact of Britain's entry on their exports to her in the short run. It would, however, appear from the reports in the Press that high hopes were entertained in this country about a favourable response from the Six to the suggestion made by Mr. Heath about the application of the common outer tariffs to exports from India and Pakistan. It seemed as if the readiness of the Six to accommodate the viewpoint of the two countries could be taken for granted. Much of the disappointment which is now seen is attributable to wishful expectation.

Adverting to the problems of India and Pakistan, Mr. Heath made two specific points. In the first place, he urged with a good deal of passion that the negotiations for the separate trade treaties between each of the two countries (as well as Ceylon) and the enlarged Community ought not to be deferred as long as the end of 1966. They should be commenced in earnest immediately on Britain's accession to the Community, if only because the transition between the imposition of the outer tariffs of the Community and the operation of the treaties would be minimized and the adverse effects of the transitional upsets would be reduced.

In the second place, Mr. Heath conveyed to the Six the demand of India and Pakistan for the suspension of the levy of the outer tariffs on their exports to Britain until the agreements were concluded. This was a delicate point to press. It created an embarrassing situation since no direct appeal could be made to reopen the issues settled between Britain and the Six in the agreement of July last. Mr. Heath put the suggestion in the form of a proposal for an additional declaration to be appended to the agreement. But the net effect of this declaration would have been to reopen the question to which the Six are so averse. Nevertheless, the impolitic course of brushing aside the plea summarily could not be taken.

The matter was transmitted to the deputies for a fuller examination before it could be considered at the next Ministerial session scheduled to take place from October 25 to 27. Hardly had two days passed after the reference was made, when the deputies unexpectedly announced that it was essential to refer back the issue to the Ministers themselves, implying that it needed to be tackled at the higher level, involving, as it did, considerations of practical policy. The attitude of the deputies is probably explained by the genuine apprehension that an additional declaration amounting to a variation from the terms of the agreement would set up a precedent of a special treatment on which the other Commonwealth countries with similar stakes would rely. Pressures to follow the precedent could hardly be resisted.

In particular, the undecided issues about the exports from the three temperate zone Commonwealth countries have posed difficult problems for which solutions are not within sight. The temperate zone agricultural products raise serious problems which impinge on the agricultural policy of the Community, still in the process of formulation. This is a vulnerable part of the Rome Treaty on which strong individualistic positions have been taken by the signatories. Once modifications are made in the form of an additional declaration in the provisional agreement, even if to mitigate the difficulties of the two Asian countries, a policy of non-discrimination will need to be adopted by the Six in fairness to the other Commonwealth countries. Here, it would appear, is the rub.

The negotiations for Britain's admission to the EEC may not be expected to run a smooth course, but the climate at Brussels has now improved. Mr. Macmillan's recent pamphlet, "Britain, the Commonwealth and Europe", makes the central point that the choice lies between dynamic participation and economic isolation, or between a new vigour for the economy and stagnation or at best tardy growth. The economic case for entry has been cogently argued in this pamphlet not only in relation to Britain but the rest of the Commonwealth. While, therefore, Britain's entry is a matter of time, depending on the course of the negotiations and, in particular, the attitude which France would choose to adopt, it should be clear that no pre-conditions can be attached to her participation. The issues involved in the export trade of the individual Commonwealth countries will have to be negotiated on an independent basis.

The Ministers meeting again at Brussels on October 25 are unlikely to accept the suggestion for the additional declaration which Mr. Heath has pressed and to reverse, in a real sense, the earlier decision. In plain terms, the prospect is that the levy of 20 per cent on the textile exports of India and Pakistan and of 15 per cent on the exports of their other manufactures to the enlarged Community and the phased imposition of the common tariffs at progressive rates will stay. This is for the reason that none of the Six is willing to take kindly to a revision of the settled issues.

Nevertheless, the other equally vital demand put forward by Mr. Heath in the interest of India, Pakistan and Ceylon seems assured of a helpful response from the Six. Negotiations for the trade agreements with the three will very likely be taken up soon after the outer tariffs are applied as a consequence of Britain's entry. This is some saving grace inasmuch as the strenuous phase of transition in our exports will not be prolonged until the end of the Third Plan, but it will be terminated earlier with the introduction of the agreement to be negotiated with the enlarged Community. The terms of the agreement will put to test the professions of the Community to liberalise its external trade.

The Pause in China's Economy

SUFFICIENT reliable information, inevitably of a circumstantial nature, in the absence of published official statistics, is now available about the stultified growth of the Chinese economy since the Great Leap Forward was proclaimed by the Peking regime in 1958 with all the fanfare. The latest issue of the State of Food and Agriculture, issued by the FAO, is studded with references to the setbacks experienced by Chinese agriculture during the past three years, and the slogans of consolidation, improving the quality of Chinese manufactures and development of light industries is indicative of the fact that in at least some crucial fields of industrial activity, the progress has slowed down conspicuously. The newly propagated consciousness in China about family planning is another unmistakable straw in the wind.

The years 1959 to 1961 have witnessed only poor crops in China and this has not only resulted in her rice exports falling rapidly but necessitated a resort to massive imports of wheat from Australia and Canada to feed the teeming population, traditionally accustomed to the rice diet, even to very low nutritional standards. In 1961 alone, wheat and barely imports by China amounted to over 5 million metric tons, while her rice exports to destinations other than the USSR fell to 0.35 million metric tons from 1 million metric tons in 1959. Exports of Chinese rice to the Soviet Union too have progressively gone down. From a net exporter of foodgrains, China today has become a net importer.

But there is politics in food which can deceive only the gullible. A major part of the rice exports that are currently effected by China apparently are being sustained for political considerations, and certainly not on account of any real surplus. That this is just not a presumption is evident from the fact that on the eve of Prime Minister Nehru's visit to Colombo, China has entered into a trade agreement with Ceylon involving exchange of 33,000 tons of Ceylonese rubber for 200,000 tons of Chinese rice. During the current year some improvement in Chinese agriculture is stated to have been brought about. But that it is hardly commensurate is clear from the foodgrains imports of about 3.1 million metric tons having already been contracted for. In all probability, China will be importing foodgrains during the current year approximately to the same level as in 1961.

One need not dwell upon the adverse effects that the setbacks in agriculture have produced on China's agriculture-based industries. To camouflage the issue, Peking has very cleverly contrived the slogan that improvement in quality is now more important than quantity. Crude steel output at about 21 million metric tons is also not very much higher than was claimed to be nearly three years ago. This slow growth in steel production is ostensibly due to the liquidation of the uneconomic backyard furnaces which were attempted to be established in the effervescence that marked the years 1957 and 1958. Similar is said to be the case with coal and cement; there are stated to be developing shortages of these two essential commodities.

The effect of all this and two other factors, namely, sending back home of Russian technicians and transfer of Chinese experts as well as labour from industries to rural areas with a view to strengthen the agrarian economy, can obviously be nothing but an application of brakes to industrial progress. The new stress placed on the development of light industries has probably come not only to suppress the growing discontent among the masses but also to attempt to maintain the rate of industrial growth at a respectable level. Some basic industries, helpful for agricultural development, have, of course, made progress in the last two years.

The ten-point programme of economic development during the current year, enunciated by Mr. Chou En-lai, the Chinese Prime Minister, recently, should be a clear enough manifestation of the fact that although the Chinese economy is stated to have turned the corner, all is not yet well with it. The primary objectives of this programme are to step up agricultural production and to bring about a rational correlation between the light and heavy industries. Agriculture has naturally been made the focus of all developmental activity; most of the industrial programmes of China are now geared to the needs of her agrarian economy. This is a marked deviation from the Communist pattern of development with its ruthless emphasis one heavy industries at any cost. The loss of Russian technical and economic collaboration is responsible for it.

There is a lesson that the South-East Asian countries and the new independent nations of Africa have to learn from the Chinese economic development during the past three years. So far as agriculture is concerned, the failure of Chinese food crops for the third year in succession, though primarily attributed to the vagaries of weather, is a pointer to the fact that the agrarian policies pursued by the Mao Tse Tung regime, since it seized power twelve years ago, have various inherent weaknesses, the most important of which are unbreakable regimentation and centralisation. Further, there is a limit to the capacity even of a totalitarian state to force the pace of growth.

That even Peking has come to realise this should be clear from the decentralisation effected in the system of the communes since 1959 and the economic incentives, though of a limited character, granted to induce the peasant to put in his best in his present half-famished state of health. This process of readjustment in the commune system in China has been carried a step further this year and still more authority is being vested in the village level production teams. These squads (groups of about 10 workers) have now been authorised to make their own decisions on production, rather than to follow the directions from the commune headquarters or from the brigades, as was the case previously. The revival of "free markets" in 1959 also evinces that wholesale socialisation of agriculture has not proved a success as the Chinese Communists claimed in the early years of their regime. The moral of all this is obvious: the peasants in any country can be anticipated or made to fulfil the task of raising increasingly larger outputs only through a provision of adequate economic incentives. Idealogical slogans and Party vigilence cannot sustain the tempo for all time.

So far as industrial development is concerned, the obvious lesson to be learnt from the Chinese experience is that an overwhelming emphasis on the development of heavy industries at the expense of light and consumption industries is a folly. There has to be a rational correlation between the two if undue jerks to the economy are to be avoided. This is all the more essential in the developing countries encumbered with large populations.

THE WEEK'S NOTES

Kerala

DISSOLUTION OF THE COALITION

THE DECISION of the National Executive of the Praja Socialist Party to call upon its Kerala Unit to withdraw from the Coalition Government in that State has not necessarily come as a surprise. This decision is a product as much of the resentment felt by the Party at the part of the Congress Party in inducing Mr. Pattom Thanu Pillai to quit the Kerala political scene as of the frustration which has obviously overcome it. With the loss of Mr. Pillai in the Coalition, the PSP had no alternative but to play a subordinate role, but such a role would have caused a rapid diminution of its political prestige, let alone any influence it could exercise. The rout of the Party in the municipal elections in the State was another proximate development which brought home to it the realization of the futility of holding on to office. What the Party has to do is to rehabilitate itself immediately if it has to make any impression on the electorate in the next election. For this reason, if not for any other, it is in its own interest to do nothing that would hasten the holding of the elections. This is one assurance to the Congress Ministry that it will not be embarrassed by the PSP in case its continuance is challenged. Already it has opposed the Communist sponsored no-confidence motion against the Congress Ministry. But credit must certainly be given to the PSP for holding fast to the basic political faith by which it is as much bound as the Congress Party. The resolution gives an unequivocal assurance to the people of Kerala that the PSP would do nothing which would jeopardize the principles of democracy and socialism in the State.

Mr. R. Sankar's confidence about the ability of the Congress Ministry to command a stable government apparently sounds convincing. But stability is not the only purpose for which the Government exists. It must be in a position to function effectively and on this score one cannot be quite sure. In a House of 127 members (excluding 3 vacant seats) the Congress Party commands less than 50 per cent of the strength. This fact in itself makes it dependent on the support of the PSP and some at least of the independent members in matters of crucial policy. It is in vain to pretend that it is in the same position to push through its policies as a party enjoying an absolute majority. Inside the Congress Party communal forces have grown too powerful to leave any Chief Minister free to handle the administrative affairs with an absolute measure of independence. The diverse pulls within the Party and the need to derive support from outside the Party are handicaps which can hardly be denied. The Congress Government has to make the best of the situation, giving the State a clean and efficient administration, if it is to succeed in its appeal to the electorate for a clear mandate for the next tenure.

France

FIFTH REPUBLIC: CRISIS

BY AN ironical coincidence, it was on the 5th October that the Fifth Republic was involved in its first crisis after a very arduous and strenuous lease of four years. The censure motion carried out by the National Assembly brought the end of the Pompidou Ministry. The forthright constitutional course left open for President de Gaulle was to order a fresh general election to choose the successor government. But before an open appeal could be allowed to be made to the electorate, he has taken the decision to hold on October 28 a referendum to approve his proposal for the election of the President of France by universal suffrage. Theoretically the constitutional propriety of this course has been seriously challenged, since it amounts to a subtraction from the sovereignty of Parliament to amend the constitution for this specific proposal. But President de Gaulle is too practical and farsighted a statesman to take this risk, if only for the sake of conforming to the formalities of the constitution. The repeated attempts made on his life have made it urgent that firm arrangements should be made for the election of a President who would not be subject to the fluctuations of power politics in a country where the multiplicity of parties is the bane of its political life.

President de Gaulle certainly cannot be accused of any ambitions to snatch the powers of a dictator and four years have proved that he is far from being one, although his personality and influence have naturally been quite overpowering. What influenced his decision to make the proposed referendum is to install in office a President who would derive his mandate from the people and at the same time be free from the vagaries of the shifting policies of the numerous political parties. It seems most likely that the referendum will give what the President desires. The debate may still be carried on as to what guarantee there is that the successor President will not turn to be a dictator. That depends upon the political faith or ambition of the individual concerned. But a strong President would be in a position to give a far more stable government and stronger administration to France than what the political parties have demonstrated during the life of the Fourth Republic. Stability and strength are the supreme virtues necessary for any government in France which has to play an increasingly responsible role in world politics and it is very unlikely that authoritarianism will take root in the French soil.

S.G.P.C.

THE SANT'S TRIUMPH

THE DETERMINATION with which Sant Fateh Singh defied Master Tara Singh's authority left no doubt that the fight for the capture of the control of the Shiromani Gurudwara Prabandhak Committee would be as bitter as it would be bold. Both the groups strained every nerve to bring the maximum number of voters for the ballot and, in the result, a true picture of the relative support to the two groups has now become available. Mr. Kirpal Singh Chaksherewala, President of the SGPC, a staunch supporter of Master Tara Singh, has been ousted and the majority has installed in his place Sant Fateh Singh's candidate, Mr. Channan Singh. The election settles the struggle between the two groups, but it will be an error to suppose that the rivalry for leadership has been settled once and for all. The very fact that the maximum effort went into taking practically every single voter for the vote proves that there may be many waverers who would have chosen to remain neutral. Their defections from the groups for which they have voted cannot be ruled out. There is thus the likelihood of a disturbance in the balance of power as between the two groups.

There is a tendency to exaggerate and misinterpret the implication of the result of the election. Mr. Darbara Singh, President of the Punjab Pradesh Congress Committee, for instance, has gone into wild enthusiasm declaring the ouster of Master Tara Singh as a defeat for communalism, sectarianism and separatism. In truth, this is a wishful image of what should emerge. There cannot be any doubt about certain wholesome trends that are bound to emerge from the triumph of Sant Fateh Singh. The control of the SGPC give a tremendous control over financial resources of the order of half a crore of rupees per annum. It was Sant Fateh Singh's principal grievance that the funds and the authority of the SGPC were abused and corruption had crept deep into the organization. His integrity is above suspicion and one thing that is certain is that a clean administration of the funds and the SGPC's affairs will be under way during his stewardship. But how far this reform will last will be conditioned by the inevitable attempts to assail the power of the Sant Group by all manner of tactics adopted by Master Tara Singh's followers. In so far as the demand for the Punjabi Suba is concerned, the result of the election does not make any change in this Akali claim, for Sant Fateh Singh is its ardent advocate.

Pakistan

DILEMMA OF PARTIES

President Ayub Khan could hardly have believed, when he inaugurated the new Constitution, that he would have to allow the return of the political parties in the legislatures much sooner than he would have liked. Of course, he would have liked the revival of the parties to be postponed indefinitely for the simple reason that the entire set-up of the Presidential system which, as he conceived it, was intended to give a longer lease to his authoritarian rule in a liberalized form.

But once the concession had to be made to form the parties the directions in which the alignments of the leaderships tended to proceed could not be controlled. The attempt to revive the old Muslim League has practically ended in a fiasco and if the League is revived, it will be of a much different variety from the original organisation. President Ayub Khan is being pressed to accept the leadership of the League, but his silence is indicative of the grave doubts he entertains about the final pattern of the League and the certainty of its continued support to him. Mr. Surahwardy had great success to his credit in canvassing the cause of the National Front beyond expectations. The violence and rowdyism used to break the meetings convened to popularize the National Front in West Pakistan speak for the diffidence of the supporters of the Muslim League. Mr. Surahwardy has raised the demand for the restoration of the abrogated Constitution of 1956, which, in effect, is a demand for the abolition of the Presidential system to which President Ayub Khan will not agree. But this demand is gathering rapid support not only in East Pakistan but also in West Pakistan, although in a somewhat less forceful form. Student riots are no longer confined to the Eastern Wing, but they are rearing their head in Karachi itself. Altogether, the revival of political parties holds a prospect of renewed struggle for power and this trend, considering the past performance of the parties, may end up in a rigorous type of exercise of Presidential powers.

China

PRIDE THAT PREVENTS

THE CELEBRATION of the thirteenth anniversary of the Republic was an appropriate occasion for the leaders of the Chinese Communist Party to take stock of the situation and to make an appraisal of achievements and failures. They may no doubt dismiss the association of 13 with bad luck as a bourgeois bogey. But the appraisal is bound to bear out that on this occasion the association does vindicate that ominous import. There are some indications from the communique issued after the meeting of the Central Committee of the Chinese Communist Party about set-backs and failures in diverse directions. There is no longer any proud talk of the big leap forward and, on the other hand, there is a deep consciousness that what can be attempted is a steady march intermingled with intervals of limping. The transition from capitalism to communism, it is now openly admitted, will inevitably take several decades. There is a tone of diffidence about the Party's popularity, its command over the allegiance of the people and confidence in internal unity and cohesion. This is not to suggest that any widespread movement for subversion or overthrow is taking the initial shape. But there are definite indications of dissatisfaction with the grand promises unfulfilled, in spite of the heavy toll of sacrifice and hard labour from the people.

The leadership of the Party admits the existence of opposition, but attributes it squarely to the enemies of Marxism. This is to evade a forthright appraisal of the situation as it has emerged after thirteen years of rigorous discipline. Nowhere is there any indication that the mistakes committed are owned and assurance given of making amends. To this the only exception is the setback received in the over-ambitious and fanatic programme of converting the entire countryside into a network of communes. There is a marked go-slow with the communes, which cannot be concealed. While there are no overt admissions of failures, there are also no tactful hints of any changes or modifications in policy. It is pride that prevents such a straightforward course which would easily win conviction with the people. And pride is perhaps the most outstanding trait in the Chinese character.

Whether or not honest pronouncements of change in policy are forthcoming from the rulers of the country, the fact is too real to be masked that three years of failure of crops have given a great setback to the second development plan. How far it has been axed will probably never be told in the telling figures of the shortfalls in the targets, but the fact of serious shortfalls is too glaring to be concealed. It is not without significance that China now realizes the compelling necessity to restrict the growing number of mouths to be fed. Perhaps one explanation of China's aggressive intrusions in the Indian territory lies in the necessity for the rulers to divert the attention of the people from excessive preoccupation with their own hardships and sufferings resulting from shortages of food. A likely motive of these aggressive designs may be to involve India in defensive expenditure to put spokes in her programmes of economic expansion.

Obituary

DR. SUBBAROYAN

IN THE sudden demise of Dr. Subbaroyan, India loses a statesman of a very high order in more respects than one. He was one among the few leaders who retained a deep interest in politics as well as sports—a rare combination in this country. It was his love of both which explains his liberal and catholic outlook on life. As a politician, like most of the elder statesmen in this country, he had the special benefit of a solid legal background which stood him in good stead. He rose to be the Chief Minister of Madras soon after the Mont-ford reforms were introduced and again in the Congress Ministry formed in 1937 by Mr. C. Rajagopalachari, he was invited to accept the portfolio of Law. His entry in the State Cabinet a decade after did not see a long tenure because of vital differences with the Chief Minister.

The rest of his life, when he was allowed freedom from the burdens of ministerial office, was devoted to the cause of sports to which he made a solid contribution that will be long remembered. After his reappearance on the political scene as India's Ambassador to Indonesia immediately after the dawn of 'merdeka' in that country, he found himself invited to join the Central Cabinet with the onerous responsibilities of Transport and Communications. Age and health decided his choice to retire from active politics, but there could be no full escape from the call of public life. As Governor of Maharashtra, he won the affection and veneration of the people in quite a short time. The passing away of Dr. Subbaroyan comes as a painful reminder that the generation of stalwart statesmen who guide the destiny of this nation is fast fading out.

The World Abroad

THE FUTURE OF INDIA'S TRADE WITH EUROPE

By

ODYSSEUS

THE INDIAN Chamber of Commerce in the UK (3 Laurence Pountney Hill, London. EC 4.) has issued a 60-page report, written by Mrs. Anila Graham (some time lecturer in economics in Calcutta), entitled "British Membership of the Common Market: What Will It Mean To India's Trade?" (Price 5sh).

In assembling under one cover the facts of India's trade with the UK and with the Six, the present tariffs which India encounters and the tariffs which she may expect if the EEC's common external tariff is applied to her exports by the UK as well as the Six, Mrs. Graham has done a fine job. She outlines the economics of the Treaty of Rome, records the Government of India's attitude as explained by various official spokesmen, sketches in the outcome of the negotiations between the UK and the EEC up to date, lists the key problems that would follow from UK membership, assesses the impact on India's exports to the EEC of competing tropical products from the African Associated Territories, and analyses the prospects for tea, coffee, fats and oils, tobacco, cotton textiles, jute goods, and other manufactures.

Indian diplomats, exporters, industrialists, economists, editorial writers, and all concerned to follow the negotiations, will find in Mrs. Graham's report useful expositions of all the technical proposals to which constant reference is made in the news, for example, duty-free quotas for Commonwealth goods, the Evian pact between France and Algeria, long-term contracts, comparable outlets, the new agreements to be worked out between the Six and the Associated Overseas Territories and their potential importance to India. She answers the questions: What additional aids does the EEC envisage for its Associated Overseas Territories? What are the possibilities of increased production induced in the Territories by the EEC's protective tariff? What steps are being taken to protect tropical producers outside the Common Market? What hopes are there of reductions in the EEC's tariffs? What will be the impact on Indian exports if certain Commonwealth members accept Associated status?

GLOOMY PROSPECTS

Mrs. Graham is gloomy about the prospects of all India's exports to Europe, with the possible exception of tea. Referring to manufactured goods, she provides a reasoned case for the view frequently upheld in this column that if Europe is sincere in its desire to aid the developing countries, it must open its markets to their manufactures. The prospects for India's manufactures, particularly cotton textiles and jute manufactures, look bleak. This is unfortunate since these are important foreign exchange earners. In 1958-59, together with tea, these items accounted for 54 per cent of India's exports. Mrs. Graham castigates the Six for sheltering behind he argument that the import of cheap Asian manufactures will "disrupt" their industries. This makes nonsense of the EEC's claim to be sympathetic to the developing countries' needs. The same discrimination occurs in the higher tariffs imposed on processed goods. To abolish duties which prevent the developing countries from expanding their processing industries would do much to convince the developing countries of the EEC's sincereity. I am driven to agree with Mrs. Graham that the EEC's idea of helping the developing countries is to lend them money, which has to be repaid, rather than buy their exports.

Mrs. Graham cites India's Third Plan target for export earnings as Rs. 850 crores per annum by 1965-66. Export earnings were Rs. 660 crores in 1961, which means that an annual increase of Rs. 190 crores is needed. This shows how urgent it is that India should not merely maintain, but improve, her existing exports. In these circumstances, it is clear, argues Mrs. Graham, that although India must now make an all-out effort to find new export outlets, particularly for the new type of industrial goods that she will be producing in increasing quantities, India cannot afford to give up any of her traditional export outlets, above all in the UK, and any new markets that she finds must be additional to, not a substitute for, the UK. If the UK's entry into the EEC reduces Indian exports, the entire calculations regarding foreign exchange availability for the Third Five-Year Plan will be upset.

I will not summarise Mrs. Graham's analysis of the effects of the EEC's tariff proposals on all the Indian exports that she examines, but I urge the Government of India to see that a translation into French and German is made of her report for circulation in Brussels, Paris, Bonn, and Rome.

THE UK—INSIDE OR OUTSIDE THE EEC.

Before such a translation is made, however, there is one all-important modification which Mrs. Graham would be well advised to make. Her case is based on the implication that grave harm will be done to India's economy if the UK market for India's exports is reduced. Although she never actually says so, she seems to imply that India's future will be safer if the UK stays out of the EEC.

I suggest, however, that this implication undermines her whole case.

Mrs. Graham's own statistics reveal that the UK is not merely a stagnant market for India's exports, but a declining one. The value of India's exports to the UK as a percentage of her exports to all countries fell from 28.8 per cent in 1958 to 24.7 per cent in 1961. (In the same period, India's exports to the EEC rose from 6.8 per cent to 8.3 per cent).

The UK's growth rate is, Belgium apart, the lowest in Europe. Among the causes of this are too many cosily protected industries, uneconomic allocation of capital and labour, and extremely wasteful use of labour. Entry into the EEC will provide healthy blasts of competition. The UK's economy will benefit by (a) the transition period before all tariffs are eliminated and (b) being able to co-ordinate her policies with those of the EEC. Together these two facts should ease the process of adaptation. Merely to join the EEC is no guarantee whatever that the UK's economic difficulties will be solved, but the transformation of her domestic market from 52,000,000 to one of some 220,000,000, containing the world's most dynamic economies, will be an exciting challenge, well within her powers of response. Above all—and this is even more important—the UK inside the EEC will be a member of one of the world's three great powers. Moreover, that the UK will be influential in formulating the policies of the Six seems probable from the obvious anxiety of five of the Six to have her in.

With the UK inside the EEC, the chances that Mrs. Graham's cogent case for liberal policies towards Asia will be considered as it deserves will be enhanced. If the EEC's policies towards outside imports were unduly protectionist, this could start a chain reaction of national economic crises round the world. In the political repercussions with the USA, the USSR, and the countries of Asia, Africa, and South America that would follow, the EEC itself might founder. But the EEC leaders are not fools and there is no reason to assume that such catastrophes are inevitable. Moreover, the UK's connection with the Commonwealth, and her experience as a world banker and trader, will be an additional reassurance that they will be avoided—if the UK is inside.

If the UK does not achieve EEC membership, it is nonsense to believe that she can continue to afford to import Commonwealth products on the existing scale. Without the exciting challenge of EEC membership, the UK's high cost economy would find it increasingly difficult to maintain exports, balance of payments crises might be two a penny, and tensions between employers and workers, and Right and Left would be intensified by bitter recriminations over economic policies. Whereas inside the EEC, the UK would face its economic challenges under political leaders, supported by a united party, buoyant after a great victory, and industrial leaders spurred by great opportunities, outside the EEC, the UK would face the same challenges amidst internal disunity, sharpened by the bitter consciousness of political eclipse in the counsels of the world.

The opponents of entry into the EEC argue that the UK would still play her role as leader of the Commonwealth. But does anyone really see the Commonwealth looking to leadership from a UK politically powerless and economically floundering?

The September Premiers' conference in London suggested that most of the Commonwealth agreed with Mrs. Graham in hoping that the UK would not join the EEC, but no Commonwealth country offered any alternative. While all Commonwealth premiers wanted the UK to keep its markets open to their exports, not one offered to open his domestic markets freely to UK manufactures and to re-launch the sterling area currency pool of the war years. They were right not to do so. The experiment of the closed sterling system was continued in the early postwar years and gradually broke up because the UK could neither (a) absorb total Commonwealth exports, nor (b) provide either all the finance or all the capital exports that the Commonwealth wanted. Mrs. Graham rightly says that it is not enough for India to maintain her exports to the UK—she needs to expand them in new markets. I agree. The EEC has a unique opportunity to use its vast economic strength to raise world prosperity to new levels by liberalising world trade in collaboration with the USA and the Commonwealth. Inside the EEC, the UK can further this cause. Outside she is as much a suppliant as any developing country.

If Mrs. Graham omits the passages in her report which imply that the UK should not join the EEC, what remains is a closely documented presentation of the case for EEC liberality towards not only India, but all countries outside the EEC, and I am confident that a French and German translation would compel attention in Brussels, because her case is irrefutable.



The European Scene

INDO-FRENCH TRADE

From Our Special West European Correspondent

PARIS, October 9.

THE reader of Indian newspapers has become rather blase about those "industrial supplements" which, on a variety of pretexts, recurrently swell the volume of his morning daily: a mass of editorial material of unequal value and of interested origins interlarded with specialised advertising. The phenomenon is much rare here, and almost unknown in quality papers. So the 11-page supplement on India that appeared in **Le Monde** this week made an impression, as the first thing of its kind to be seen in that country. The official contributions, such as Mr. Nehru's message to the French people, struck a pathetic note that distinguished them from the customary aridity of solicited articles, and the advertisements from Tata Industries, Birla Brothers, the IJMA and various State corporations benefitted from an exotic charm. This should not be so, of course; these should be well known names in France if India were making the export-promotion efforts required of her, and the facts about Franco-Indian trade recalled by Messrs. Manubhai Shah and K. B. Lall should be familiar to French traders. They are not, and the curiosity-success scored by this first effort will be without enduring consequence unless it is followed up by persistent campaigns.

For the fact is that Franco-Indian trade is in a very unsatisfactory state, unsatisfactory from both countries' point of view: it represents too small a percentage of their foreign commerce, and even that small volume is at the mercy of technological and political developments. India, of course, feels the inadequacy of this state of affairs more, because she runs a notable deficit. But the French can see, when they reflect on the figures, that their advantage is precarious and not due to any virtue of their own trading policy: they are contenting themselves with the inglorious surplus that any industrial country today can score in its exchanges with a less developed economy, whereas their industrial rivals are planning for the future.

The facts first: the following statistics, in millions of new francs, come from the French customs and the surplus they show is in France's favour:

FRANCO - INDIAN TRADE

	1956	1957	1958	1959	1960	1961
French imports	88.2	140.3	91.4	110.8	121.5	117
French exports	170.7	197.9	242.6	203.7	203.6	192.2
Surplus	82.5	57.6	151.2	92.9	82.1	75.2

What India sells to France is mainly raw materials: 80 per cent of the total represents manganese ore, raw hides and skins notably goatskins from South India, raw cotton, Malabar pearls, precious and semi-precious stones, camel and goat hairs, essential oils and spices. (Tea is imported from Britain, in blends to which the Indian contribution cannot be reckoned.) M. Jean Bernard, economic and commercial counsellor at the Delhi embassy, suggests that this list could be lengthened without too much difficulty to include iron ore and chrome, oilseeds, tobacco, coffee, etc. "provided Indian exporters improve the conditions of sale, as to price, quality and delivery delays, and provided they succeed in modifying French buying habits to their own advantage." Indian textiles, which are one-quarter of total exports, were till very lately quite unknown to the French consumer; brocades and first quality sarees fabrics were sold in a few fashionable shops on the central boulevards of Paris, but Bombay cottons and Calcutta sacks never reached the French market. It is only a year since the first modest quotas were granted for handloom cloth and jute and cotton fabrics.

Whenever a visiting mission or an Indian official stationed here discusses with French authorities or business men the development of this nascent trade in textiles, there is a ritual exchange of arguments. The French say, we have made a first gesture of liberalism, now it is for you Indians to use these quotas to the full, make your products known and create a demand for more; our own textile people, both employers and workers, are too apprehensive about Indian competition for us to throw the door open all at once, so you must get another section of French people on your side by acquiring a clientele of users and consumers who can shout as loud as the local mills. Besides, if in the process you demonstrate that Indian cloth is not the menace it has been made out, you will disarm opposition to further concessions. To which the Indians reply, the door is not yet far enough open for us to start kicking effectively the quotas represent too small a volume of business to support the commercial campaign you are urging us to underatke. No one in Bombay is going to spend time and money on a market that totals a few tons of cloth yearly; France must make larger concessions before trade can be developed.

The weakness of both arguments is evident. Paris (as usual, for this is a constant feature of French democracy and extends well beyond the commercial sphere) is afraid to offend one lobby until another lobby pushes it; French politicians seldom do anything until they are shoved and shrink from affronting vested interests in the name of reasonable policy. On the other side, there is the tendency to use other people's alleged protectionism as an alibi for not making the necessary commercial effort; markets are conceived as something to be served up on a platter rather than won. These reflections apply to various Indian goods other than textiles, for example to sporting equipment; small quotas will not become big quotas until they are used to the full, until local importers know the range and quality of goods available. Till then, the demand for bigger quotas has to rely on general appeals to generosity and fair dealing, which are much less effective than pressure from local consumers for more imports of a known type. Granted that action on both sides is needful, one can say that the French trend to freer imports is evident in the facts (and written into agreements such as the Geneva convention on textiles commerce and the Brussels arrangements with Britain), whereas the Indian effort to promote sales in France is to date less visible.

French exports to India consist of 43 per cent producer goods, 26 per cent steel and 11.4 per cent chemicals and fertilisers. Their total volume, after growing rapidly to 1958, has declined as India has been obliged to

stint on imports. Even apart from this exchange crisis, the French could not have expected their sales of steel and chemicals to continue to increase, because, to the extent that the Indian plan succeeds, local supplies will replace these imports. Given that India can earn or borrow the exchange, French sales will increase provided they are concentrated on capital equipment. It happens that French capacity in this field is today better known than just after independence, and on certain points Indian needs coincide with French specialities; electrical railway equipment, special steels, hydro-electric material and electronic apparatus. From here on, expansion of the market or these goods depends entirely on the financial conditions that France can offer Indian importers.

For a time the required financial effort was not made because of the dogma of preference for Africa. From June last year, however, French attitudes began to evolve: at that time Paris put up $30 million by way of entry fee into the Aid India Club, and to this has since been added another $20 million and bank credits totalling $10 million. This still only comes to 2.8 per cent of total Western aid to India, and it assumes the cumbersome form of export credit insurance, yet it marks a turning point in the two counries' relations — and for that matter in French attitudes to development aid in favour of countries not previously part of their empire. A common assumption here, both official and private, was that in the matter of development aid France would serve in preference her former colonies, Britain would do the same (as in the Colombo Plan) while the USA looked after the rest of the developing world. This was partly because of that sympathetic, paternalist solicitude for ex-colonies that is today decried as *neo-colonialism by those* who imagine that Colonel Nasser's relations with Moscow and Washington are a model for connections between civilised nations; but it was also founded on plausible views about the efficiency of aid within areas sharing a common culture.

Whatever its origins, this policy had to be revised when it was seen that the African states were developing much less quickly than had been hoped, while French exporters were scoring all their successes inside the Common Market. Neighbours, like West Germany, replaced ex-colonies, like Algeria, at the head of France's list of customers; almost half of French exports were going to Europe, while her clients made impressive inroads into those overseas developing-economy markets that France had agreed to leave to others. The French realised that in the Common Market that was taking shape, the job of external relations was being taken over by the Germans, while they were working solely for the European market. This division of labour was never intended, and it promised to be a very bad bargain: Europe's expansion could not continue at the present pace indefinitely, while the markets of South Asia, where the Germans and Italians were gaining a foothold, offer the long-term prospect of vast development. Besides, the increasing difficulties encountered by India showed that no one country, nor even Britain and the USA together, could carry the burden alone; India's immediate needs are so considerable that all the Western nations must co-operate, as the Americans argued in drumming up recruits for the Aid India Club.

These are facts that are only slowly penetrating French official and industrial circles, and it is obvious that they feel some apprehension about attacking the huge Indian market (less, often, because it is so Indian than because it is so British). The emulation introduced by the Common Market will be helpful stimulant; the German and Italian ventures in India in recent years have attracted more attention here than all the British did in a century before.



Special Article

THE RACE BETWEEN FOOD AND POPULATION

THE most disquieting feature revealed in the FAO annual review "The State of Food and Agriculture, 1962" is not that 1961-62 recorded little increase in production but that hunger still stalks vast areas spread mostly over the less developed regions of the world. Since the pre-war days, pressure of population has outstripped the output of food in Oceania, Latin America, the Far-East and Africa, resulting in declining production of food on per capita basis. The imported food in these regions has not been sufficient to fill the gap. The trends in population and food production for the last two decades have been highlighted in the graph and the table given below. The table shows that in the case of Oceania, total food production in the period since the commencement of World War II was 44 per cent while population rose by 52 per cent establishing a fall of 5 per cent in per capita food production. Again, in Latin America, the Far East (excluding Mainland China) and Africa per capita fall in output since the pre-war period was computed at one per cent each. Thus, there is an unmistakable trend of falling per capita availability of food in these areas. The graph shows that the total world production (excluding mainland China) has been rising faster than the increase in population. The surplus in the developed regions has however not been sufficient to satisfy the needs of the deficient regions. Dr. P. V. Sukhatme, Director of the Statistical Division, FAO has estimated that in the Far East alone supply of food—in terms of calories—has fallen short of the requirements by 11 per cent. As against the average need of 2,300 calories per day, the supply is of the order of 2,050 calories. The impact of this shortfall in nourishment assumes a much more alarming turn when it is known that nearly half of the total world population lives in this region. Rough estimates indicate that "between 300 and 500 million people go hungry for part of their lives even in normal times".

How can this global malady be remedied? There is no single solution to this highly complex problem. Of the various methods suggested to draw the less fortunate nations out of their poverty the most important are restriction of population, wide use of insecticides, training of peasants in the art of using new tools and fertilizers so as to raise productivity and to bring new lands under the plough. While the long-term solution of raising productivity is to be commended, the efforts of the Food and Agriculture Organisation to initiate a new programme under the title "freedom from hunger" needs special mention here. The short term problems of the less developed countries can only be solved by the increased efforts on the part of the developed nations to make available material aid, especially in the shape of surplus foodstuffs. Later this year the United Nations and FAO are launching a new programme to "explore methods of using the surplus food production of the more developed countries to aid economic-development in less developed countries and to combat hunger and malnutrition". The significance of this programme lies in the fact that this is a step in the right direction to mitigate the miseries of the starving millions in the less developed countries in the short period. While the long-term programmes enunciated above will have their natural course, this short-term programme of relieving the hunger of the starving people in these lands will be a humanitarian task of vast proportions for which both the FAO and the United Nations deserve special thanks of the developing countries.

More than one study undertaken by the United Nations and the FAO in recent years has focussed attention on the perils of un-controlled population increase. Unless all the developing nations chalk out aggressive plans of population containment, the problem will remain as illusory as ever. No one believes that the birthrate in the developing countries can be brought down by any sudden manoeuvres. Natural calamaties apart, the current trend shows that population will continue to rise, thrusting a greater pressure on the food supplies of the world. This naturally lands one in the delicate task of estimating the needs of the developing world in terms of funds. The UN Development Decade proposals estimated that even one per cent of the national income of the developed countries could go a long way in assisting the developing countries. Even if this order of aid were made available, the belief prevails that the population problem will be tackled only by restraining the indefinite multiplication of people. In the ECAFE region, in particular, the present estimates show that population might double in the next 30 years. The estimates made by Coale and Hoover in regard to India's population show that the continued increase in population is likely to be a "major barrier to an economic breakthrough". The lesson of all these international exercises in demographic research is that the food problem can be tackled if the race between food and population can be kept at the pace of food output and not at the pace of the population rise.

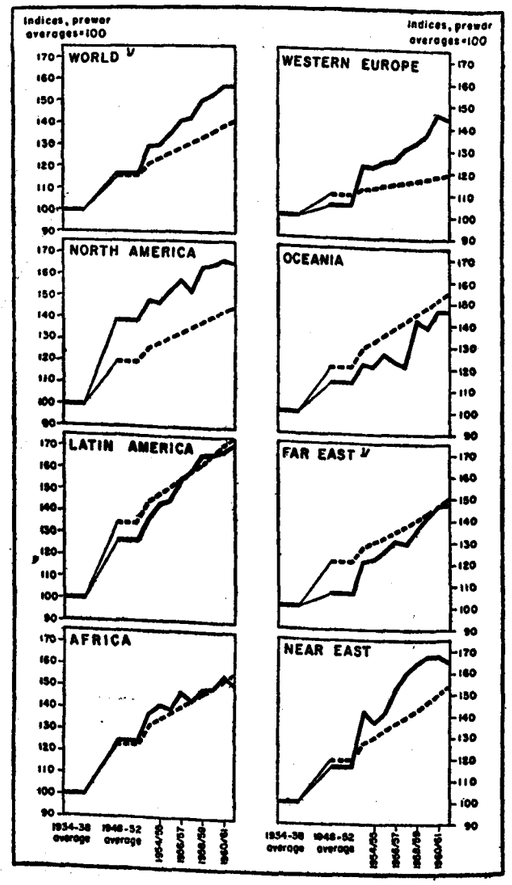
CHANGES IN FOOD PRODUCTION AND POPULATION

(1959-60—1961-62 average in relation to pre-war period)

	Population	Total food production	Per capita food production
	Percentage increase*		
Western Europe	19	43	20
Eastern Europe and USSR	12	62	46
North America	43	65	16
Oceania	52	44	— 5
Four above regions ..	21	56	29
Latin America	71	69	— 1
Far East**	46	45	— 1
Near East	50	66	11
Africa	53	52	— 1
Four above regions ..	51	54	2
All above regions ..	38	56	13

**Excluding Mainland China.
*Pre-war average to 1959-60—1961-62 average.

TRENDS IN REGIONAL FOOD PRODUCTION IN RELATION TO POPULATION GROWTH, PREWAR TO 1961/62



[1] Excluding Mainland China

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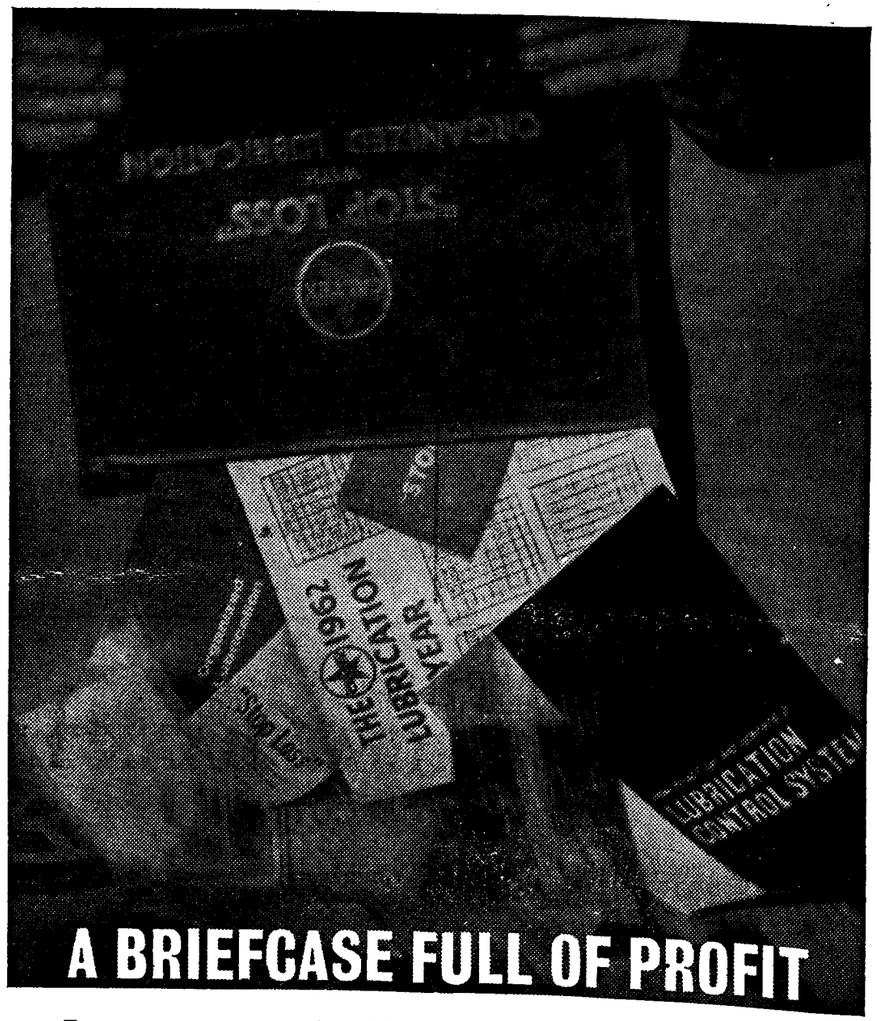
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THE BUSINESS WORLD

How Housing Co-operatives are Cribbed

By CROESUS

BETTER late than never, the Planning Commission has at last bestirred itself to look into the question of housing and, what is more significant, to harness the co-operative agency to the great task. One should feel grateful to Providence that, at least in the second half of the first year of the Third Plan, it has dawned on the Planning Commission that, even as food and clothing, shelter is not one of those amenities the provision of which will brook any delay. These three are, indeed, the elementary amenities of any people, and it is a sad commentary on our Planners that, even after two Five-Year Plans, we are nowhere near a satisfactory solution of the problem of providing any one of the three amenities. As regards food, considering that we are still struggling to reach 80 million tons of foodgrains in the 1962-63 season, one cannot but entertain doubts about reaching even the 100 million-ton (low) target by the end of the Third Plan. In the matter of cloth too, although, at one time, there was tall talk of ensuring over 20 yards of cloth per capita, there is today a distinct tendency to feel satisfied if the per capita availability of cloth does not fall below the level in 1950-51, when we first embarked on the planned economic development of this country. To come to the third amenity—shelter or housing—one has only to indicate what, according to the Planners themselves, is the position. They estimate that, by the end of the Third Plan period, the country would need some 13 million urban housing units and about 50 million rural units (to be rebuilt or repaired), entailing an investment of about Rs. 13,000 crores, that is something more than the total investment outlay on the entire Third Plan! A major problem like this needs to be tackled in a really bold and imaginative way, and it is natural, therefore, for everyone to look forward with interest to the findings of the Working Group on Housing Co-operatives just set up by the Union Ministry of Works, Housing and Supply. Inasmuch as the Working Group is asked only to recommend specific programmes and physical targets for co-operative housing during the Third Plan, it may not go into the question of housing that falls outside the co-operative sector. In other words, even after the new Working Group has gone into the question and made its recommendations—and assuming, further, that these recommendations are implemented in full—the overall problem of housing cannot be said to have been tackled wholly or fully.

As the problem of housing is going to be entrusted to housing co-operatives, one would want to know what progress this agency has achieved so far. The progress of housing co-operatives since 1913-14 and until recently, it would appear, had been very slow. This is understandable, since the concept of co-operation itself has been of recent import, while the development of housing co-operatives is a still more recent phenomenon. Lately, thanks to the active assistance of the authorities, co-operative housing has received considerable fillip. It is stated that, at present, six societies at the State level and 5,568 societies at the primary level are functioning. In 1958-59, it is estimated, 44,000 houses or tenements were built at a cost of Rs. 33.17 crores, while, in 1959-60, nearly 45,000 houses or tenements were constructed at a cost of Rs. 38.41 crores. Needless to say, these figures pale into insignificance when placed alongside the country's requirements mentioned earlier. The authorities themselves admit that the progress made is far from adequate in the context of the overall requirements of housing. It is worthwhile looking into the causes for this admittedly unimpressive progress.

Now, between the registration of a co-operative housing society and the completion of houses for its members by the Society, there are so many stages of bureaucratic procedure to pass through, and, with a handful of honourable exceptions, if at all, bureaucracy in our country seems to know more about how to put a spoke in the wheel than to be positively helpful. Many of the officials have to be told that, whereas they are doing a work for which they receive payment, the honorary workers of a co-operative society do their work without any payment and, often times, at the sacrifice of their regular office work. There is first the question of land procurement either by outright purchase from any owner or by acquisition through the Government, after a given society has located some piece of land that it considers suitable. True, outright purchase does not entail much time, but the question of establishing marketable title to the land so purchased is a laborious and patience-wearing process in all conscience. Even where the State Government acquires the land and puts a given society in possession of that land, the solicitors, with whom the co-operative housing societies have necessarily to deal before getting financial accommodation from the concerned financing agencies—Housing Finance Co-operatives or the Life Insurance Corporation—will insist on the title being 100 per cent marketable. It takes several months for a society to have this done. But, between the time a given society is put in possession of a land by the Collector and the time that buildings come up, there may be encroachments by neighbours, especially if the society happens to be located near a village. And, in such an event, the organisers of the society concerned are verily in a soup. For it gives rise to an annoyingly anomalous situation in which the Collector says he cannot interfere—his work is over once the possession is given—and the police say they are helpless—they are supposed to intervene only when there is a breach of peace. In one instance that I know of, a day light and daring encroachment on the Government — acquired lands of a housing society by the residents of a village near Bombay city in the enlightened State of Maharashtra has persisted for well over three years, despite appeals to the police, the revenue and the co-operative authorities, not excluding Ministers. The organisers of the Society are now told by the police, who have slept all these years, that the society should seek redress in a Court of Law. The Society was not averse to doing even this, but found itself helpless, as it did not know against which of the fifty or so villagers it had to proceed.

Be this as it may, as this may be a stray case. And let it be assumed that the marketing title has been established to the satisfaction of the Solicitors and the loan also has been sanctioned by the concerned Housing Finance Society. There is no guarantee that the loan can be fully drawn upon within the stipulated period, thanks to the scarcity of cement or steel or some other essential building material. The position of tenant-ownership co-operative housing societies is really unenviable, especially because of the prevailing quota system. In the case of tenant-co-partnership societies, whatever the quota—it ranges from 5 tons and upwards — could be used, without inviting the charge of favouri-

ism, as there is only one building but a number of tenents, but not so in the case of tenant-ownership societies, where each member has a cottage of his own. If, say, five tons of cement are released—and this has happened—it becomes extremely difficult to allocate it to any one.

Again, when a Housing Finance Society grants a loan, it may be 40 per cent, 50 per cent or 60 per cent of the initially estimated total cost of land and building, there is a stipulation that this may not be supplemented if costs go up. As a matter of fact, because of the inordinate delay in establishing the marketable title, in drawing the loan, and in getting quotas of cement and steel, the initial cost estimates invariably go awry and the member concerned will be required to find the additional finance. Normally, office-goers, Government or private, resort, in such cases, to a loan on the security of their pension or provident fund, but the authorities pose a fresh problem by saying that, unless they have the first charge on the property, they will not make any advance. This is clearly impossible, because the Housing Finance Society, which has advanced the bulk of the loan, cannot be asked to relegate its first charge in favour of the Government or the Regional Provident Fund Commissioner. The net result is that quite a few members, finding themselves caught in this predicament, resort to loans from other sources at fantastic rates of interest and thereby add to the capital cost of their houses.

Generally speaking, a middle class person joins a co-operative housing society to become the eventual owner of a building when he retires from service, so that he may be saved from the obligation of paying rent every month to his erstwhile landlord. But disillusionment awaits him when his co-operative cottage is completed and he has to face the Municipal Assessor. This supremely indifferent official assesses a house (even if it be a co-operative society's) on the basis of what he calls the ruling rateable value which, nearly in every case, far exceeds the rent that the member of the society has been paying, so much so that many of them have since become firm believers in the improvised adage: "Fools build houses and wise men live in them". This is a dangerous form of complacency and may strike at the very root of co-operative housing in future.

I have deliberately detailed here at some length the trials and tribulations to which a votary of co-operative housing is subjected to, wittingly or unwittingly, by the several public bodies whose blessings he has to court. My purpose in doing so is to bring all these to the notice of the Working Group in the hope that it would devote some time and thought to these irksome pinpricks, many of which, in my opinion, are avoidable. I feel convinced, therefore, that if co-operative housing must succeed in this country, there should be a thorough reorientation in the attitude of every one of the public officials concerned.

Gilding the Gold

By PAUL BAREAU

BRITAIN is living up to its historic reputation as an initiator of monetary theory and practice. It has done so recently by introducing into the sphere of international discussion a new proposal for improving the system of international payments and enlarging the volume of international reserves — in fact for gilding the gold.

This was done by the Chancellor of the Exchequer, Mr. Maulding, in the speech he made as leader of the British delegation at the annual meeting of the International Monetary Fund in Washington. He had promised some such initiative many weeks ago and it should be said that the unveiling of his plan was anticipated by part at least of his audience with a certain amount of trepidation. The Americans, in particular, were nervous about the possible implications of his speech on the state of confidence in the dollar. For some weeks past the authorities of the United States have been intoning the refrain that "the dollar is as good as gold". If, therefore, Mr. Maudling found it necessary to produce a scheme to remove the blemishes of the present system of international payments, based as it is on gold and the two reserve currencies, the dollar and sterling, this by implication must be deemed as a glancing derogation of the dollar. In fact, the Maudling plan has received a cool, not to say frigid, reception; but this does not in any way detract from the need to give it the attention which it undoubtedly deserves and which it will receive in the months and years to come.

The plan is based on an acknowledgment of the limitations and shortcomings of the system by which international liquidity is at present maintained. At the basis of the system for creating international reserves is gold itself. Within the last few years there has been a healthy and altogether desirable redistribution of monetary gold reserves; but the total of these monetary stocks has failed by a very substantial margin to keep pace with the growth in international trade and the work which international reserves have to do. The main reason for this is not far to seek: the price of gold in terms of dollars has remained unchanged since 1933 and as the costs of mining gold have gone up it is not surprising that the production of new gold has failed to keep pace with the need for increasing reserves.

That need has in fact been supplied by two internationally used currencies, U.S. dollars and sterling. To an increasing extent other countries have maintained their reserves, not in gold, but in these two key currencies on the understanding that whenever other currencies, or even gold, was needed they could be obtained by free conversion from the two key currencies. The world in fact has been operating a gold exchange standard.

The basic defect of this system is that these two currencies have been subjected to fluctuations of confidence. In fact, the better they performed their function as key currencies and provided the world with increased dollar and sterling balances, the more they invited distrust and conversion into gold. One country's exchange reserve is the liability of the country in whose currency that reserve is maintained. There is a point, therefore, at which expansion of these reserves becomes tantamount to the invitation of a run on the reserve currency in question.

All kinds of devices have recently been used to veil these defects and to underpin the gold exchange standard system. One of these was the scheme agreed a year ago at the I.M.F. meeting, then held in Vienna, to give the Fund powers to borrow up to $6 billion in order to provide resources with which to defend the key currencies. This, however, had the grave defect that when used it would merely be an acknowledgment of weakness for the currency in whose help the borrowing scheme was being invoked. It might, therefore, make matters worse.

The next device was a series of bilateral arrangements by which central banks took in one another's currencies. That, however, had the grave defect that if it tended to work in a one way direction — say loading up other central banks with dollars, as it has recently done, it must weaken confidence in the currency that is currently abundant. This could be met by giving banks holding such currencies gold or even an exchange guarantee, but any such suggestion has been received



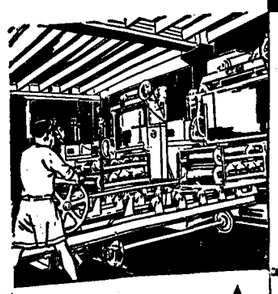
The first step in foil manufacture is the cold-rolling of .45 mm gauge aluminium foil stock. Each pass reduces the gauge of the foil by approximately fifty percent.

ROLLING OF FOIL

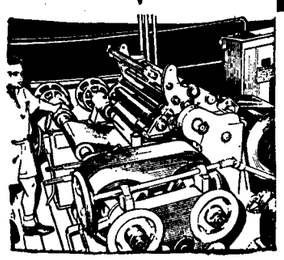
The making and shaping of aluminium foil is an extremely skilled process. It calls for rigid control in rolling to gauge. Special techniques in applying scientifically formulated coatings. Skill and know-how when mounting foil on carefully selected substrates. Machine techniques, and material and production quality control demand the highest order of technical knowledge and experience—the kind of experience that India Foils have acquired in 60 years.



India Foils Limited
(Incorporated in Great Britain)
CALCUTTA BOMBAY MADRAS NEW DELHI

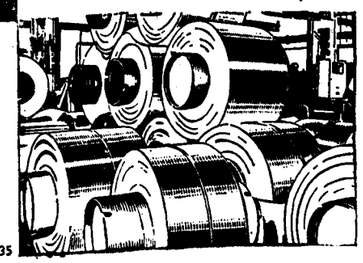


OPENING THE WEB
Often lighter gauge foil is rolled as a double web. Here the double web is being separated into two single webs each .006 mm in thickness, revealing the shiny and mat surfaces. ▼



ANNEALING FURNACES ▲
Annealing restores the molecular pattern rendering the foil dead soft and leaving the surface spotlessly clean and organically inert.

Foil reels rolled to the required gauge awaiting further processing. ▼

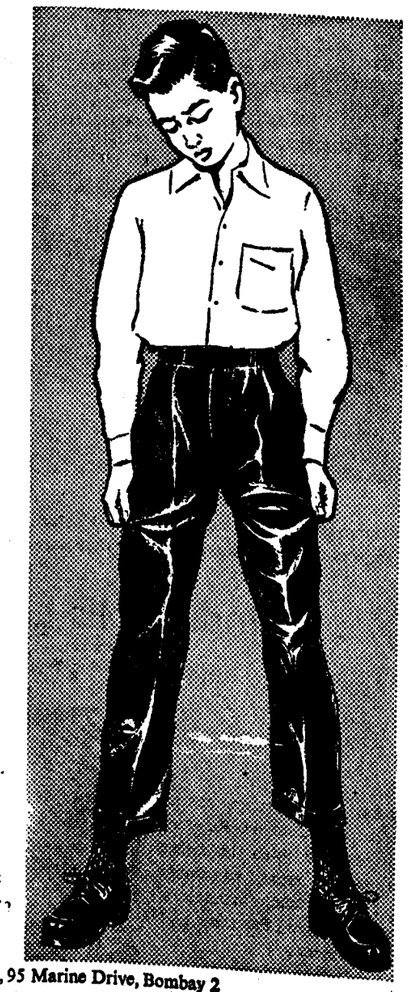


IFOC 35

The Birthday Gift

Mother stitched a pair of trousers for his birthday and sent them to the laundry so that they would look fresh, crisp, new. But they shrunk—she had forgotten to look for the label 'Sanforized'!





If only she'd taken a little more care in the selection of the fabric, these trousers would have retained their immaculate fit even after many, many washings.

Make certain you get the full measure of value of the material you buy—

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The trademark 'SANFORIZED'—registered and trusted in 129 countries of the world—is a vital force for the export of Indian textiles.

mas. SAN. 246

with horror by the U.S. authorities on the reasoning already noted that "the dollar is as good as gold" and, therefore, asking for a gold guarantee is disparaging the dollar.

This is where the new Maudling plan comes in. It suggests that countries which in the normal course of their international transactions accumulate other currencies, whether they be dollars, sterling, D-marks or other members of a select group often, should be entitled within limits to hand these in to the International Monetary Fund and require in exchange a credit in a "mutual currency account". The units in which that account is to be expressed would have the usual exchange or gold guarantee which attaches to all operations of the I.M.F. A similar guarantee would apply to the currencies handed in to the Fund. If, for example, sterling were deposited with the Fund by France in exchange for a mutual currency account credit, and sterling were subsequently devalued, France's credit would be unaffected but Britain would have to make up to the Fund the amount by which its holding of sterling had been depreciated. This illustration emphasises one essential feature of the scheme, namely, that no such depositing of currencies with the Fund would be allowed, except as a result of specific negotiation between the two countries directly concerned — in this case France and Britain — and even then only within limits that would have to be laid down by the Fund.

The advantage of the scheme is that the creditors would be able to use their balances to meet their deficits if and when they ran into balance of payments difficulties, and moreover that they could do so within a truly multilateral context, withdrawing from the Fund not merely the currency they had originally paid in but whatever currency they needed in order to meet their temporary balance of payments difficulties. Here, therefore, is a faint but promising echo of the Keynes scheme which visualised what was ultimately to become the International Monetary Fund, as a clearing union, operating international accounts dominated in bancors and usable as international reserves and also as an international currency that could be made to keep pace with the genuine needs of internaional commerce and finance.

Business Notes

Power

SHARAVATI'S SLOW START

FROM THE point of view of economy, hydel (hydro-electric) power generation undoubtedly scores over coal, oil, natural gas, or even nuclear fuel. But even after taming all the rivers and harnessing all the potential hydel power, there would still be left a wide gap as between the total supply and the potential demand for power. Ironically enough, however, the present power shortage has come even prior to the maximum utilisation of hydel power has been achieved. While ambitious targets have no doubt been set for constructing power projects in the country, the execution of those Plans have continued to suffer either for want of efficient administration or capital, or from natural calamities or due, at times, to unhealthy political pressures.

The Government of Mysore naturally came under strong criticism recently, from all the opposition parties, in the Mysore Legislative Assembly, for its rather unsatisfactory handling of the Sharavati Valley Project. Mysore — the poineer state in the utilisation of hydro-electric power as early as in 1902 — will have in the Sharavati Valley Project the country's biggest hydel project, which is estimated to produce 12,000 megawatt power or six times the States' present installed capacity. It is further pointed out that this project bids fair to harness about one-third of the State's power potential.

Under the Sharavati Valley Project, it may be noted, it is proposed to dam the river Sharavathi at a place called Linganamakki in the Western Ghats. The resulting 198-feet high dam is estimated to store 156,000 mc feet of water and the water thus stored in the reservior will be diverted through a hill into another balancing reservior by walling up a tributary of the Sharavati Talakalale. From there the water will be rushed through twin hill-top tunnels in two open tanks at Voddenbyle and then downhill to the penstocks to turn the ten turbines at Anebyle or the Plain of Elephants — so called as it was once known to be the habitat of elephants — before joining the river. At the end of the bend, a further dam — the third — also is being built to use the tail water by installing a separate generator of 150,000 kw capacity at Gerusoppa.

The inordinate delay in the construction of the project has been due, the State authorities say, to the unusually heavy and prolonged monsoon rains in the ghats and the labour strike in 1959, as also to the absence of rock-base at Linganamakki. Additional measures for laying the needed foundation because of this is progressing only at the rate of six inches every day. But, according to versions strongly current in knowledgeable quarters, whilest these factors also have constituted to some extent, the delay is mainly the result of the time taken to finalise the contracts, even after unmistakable expert opinion on the tenders was available, presumably because of some political wire-pulling. The opposition parties in the State rightly sought, therefore, to focus public attention on the project through a censure motion, a few days ago, on charges of alleged mis-handling of funds and thereby causing avoidable delay in the construction of an important national power project so urgently needed for industrial production in power-starved Mysore. Originally — that is in 1953 — estimated to cost Rs. 270 million, the project, according to this year's revised estimates, is expected to cost well over Rs. 800 million or even Rs. 1,000 million by the time it is finally completed! And this has been disclosed by no one else other than the Chief Minister himself. Be that as it may, it is something that, at least by the end of 1966 this biggest hydel station in the country is scheduled to be completed A notable feature of this project, which is jointly financed by the United States Loans and by the Central and State Government is that it will produce the cheapest power in the country at, say, about Rs. 700 per kilo watt.

Engineering

NO MORE LICENCES FOR TYPEWRITER MANUFACTURE

IT IS an established fact that, under the protectionist policy of the Government, many an indigenous industry has recorded considerable progress. This progress would have been even more marked, had it no been for the fact of non-availability of raw materials in adequate quantities in the country, on the one hand, and the growing import restrictions on imported raw materials, on the other. The typewriter industry is a typical example of this. Inspite of the fact that the indigenous industry was sufficiently licensed to meet the demand, imports of typewriter—standard and portable—parts, and accessories have continued (the import bill for these in 1961-62 amounted to nearly Rs. 1.5 crores), and this is the outcome of the extremely low production recorded in recent years. While the total licensed capacity so far, for both the types of machines, is 78,400 per annum, the actual production amounted to only 31,101 in 1961! On the other hand, the demand for standard as well as portable typewriters, at the end of the Third Plan, has been estimated to go up to 100,000 per annum. There is thus a gap between licensed capacity and actual need

as well as between actual production and the estimated demand.

The Planning Commission would appear to have expressed its unwillingness to license additional capacities in view of the huge unutilised capacity still existing in the industry. At present, three companies are in actual production of standard typewriters, while one more is yet to go into production. In the case of portable typewriters, one company is already in production and another unit is expected to be commissioned soon. The respective licensed capacities of the four companies for the manufacture of standard type writers are: Remington-Rand of India, Calcutta: 24,000; Godrej and Boyce, Bombay: 12,000; Rayala Corporation, Madras: 14,400, and Rai and Sons, Chandighar, 10,000 (yet to go into production). The existing firms have a total installed capacity of about 48,000 typewriters per annum on a single-shift basis, but they would be able to turn out 60,000 to 70,000 per annum if they were to operate on a double-shift basis, against the present actual production of about 20,000 machines per annum. The Planning Commission has stated that the units already in the field should be helped to increase their production upto their installed capacity and thus meet the increasing demand, rather than license fresh units. It has suggested, for instance, that a double—shift operation could easily be resorted to by the Remington-Rand, which is at present operating up to its full capacity. The Commission has further pointed out that, if the existing units were allowed to expand their production as and when the demand increases, they would not only be meeting the increasing demand but would also be able to achieve greater reduction in production costs. This is in line with the latest trend of thinking of the Planning Commission on industrial licensing policy. The fuller utilisation of the installed capacity could, however, be achieved only when the country is able to manufacture all the components needed for the typewriters, or sufficient imports are permitted, at least till such time that the country need no longer depend on such imports.

RAISING INDIGENOUS STANDARDS

MR. K. C. MAHINDRA, Chairman of Machinery Manufacturers' Corporation Limited, at the annual general meeting of the Company, made it clear that the Indian industry is doing its maximum to improve the standards of finish of their products. Referring to his own company, he said that renovation has received sufficient attention so that the plant originally designed for a rated capacity of 50 carding engines per month is now producing on an average 85 units every month.

In addition to renovation he stressed that enough care is being taken to bring in diversification. The company has introduced the Speed Frame of their own design which still is in the protype stage because the equipment and tooling required for the purpose have not yet been procured which has happened because relative import licences have not been forthcoming. The company has, however, received a quota of such licences for import from East European countries and is likely to proceed further very soon. Similarly, he added that detailed work on the engineering of the Turret Lathe has been completed and the company is waiting for the import licences for one or two specialised machine tools which are necessary for the job. This policy of diversification is being followed by the company and will be helpful in the sense that it will provide a sort of cushion to the fluctuations which have characterised the Indian textile industry particularly in respect of demand for machinery, either for replacement or for expansion purposes.

Referring to the swings in demand for the textile machinery he pointed out that it is influenced by the vagaries of textile industry itself. In this connection the Chairman pointed out that new mills with as small a capacity as 12,000 spindles are being encouraged to be set up with the proviso that the products must be exclusively reserved for export purposes. The Government has granted them licences for the import of carding engines and ring frames in consultation with the Textile Commissioner. This seems to be a rather unhealthy trend because textile machinery industry in our country has now been established on fairly firm grounds and has proven itself in the matter of the quality of its products. Under these conditions any import of textile machinery is plainly unfair both for reasons of the wastage of the foreign exchange as well as positive disincentive to the indigenous machinery producers. The Chairman pointed out that during the last five years the foreign exchange outlay on the import of texile machinery alone has come to about Rs. 83.6 crores which is hardly justified. It is time that the manufacturers of textile machinery looked more carefully in to the demands of the textile producers and the Government discouraged the import of such machinery which is available within the country.

National Income

DISQUIETING PERFORMANCE

DURING THE first year of the Third Five-Year Plan, India's national income has gone up by only 2.2 per cent. This result for 1961-62 is based on a quick estimate prepared by the Central Statistical Organization. Against a figure of Rs. 126,90 crores in 1960-61, the national income for the year under review—1961-62—is placed at Rs. 129,70 crores. Although this figure may undergo revision by the time the final report is published early next year, it is positively a disturbing factor when seen in the context that growth expected to secure an increase in national of over five per cent per year. This result seems even more discouraging when viewed against the principal objective of the Plan which is to secure an increase in the per capita income. The Central Statistical Organisation study reveals that the per capita income during 1961-62 is not likely to show any increase at all over the previous year. The increase in national income has been offset by an equal increase in population. The provisional figure for per capita income for the year remains at Rs. 292.5 which is the same as was in 1960-61.

The reasons for this slow increase in the national income are not very difficult to analyse. The principal factor, it may be observed, is the shortfall in the agricultural production. The total output of foodgrains during 1961-62 is now taken to be 78.6 million tons as compared with earlier estimate of 80 million tons. Thus a clear shortfall is there of the order of 1.4 million tons. It may, however, be added that these figures are not final still.

Another factor is a comparatively reduced rate of industrial output which has not progressed as fast as was expected. The rate of increase for 1961-62 has recently been revised downwards to 6.7 per cent. It was estimated early that the rate of increase would be of the order of 8.3 per cent. Then the tertiary sector, which ultimately depends upon agricultural and industrial output to a large extent, naturally had certain handicaps and therefore income from commerce and transport was not up to the expected levels. Although this increase in national income does not, in any way, indicate the final results of the Third Five-Year Plan, it is a fair reminder that all is not well with the Plan.

New Issues

WELLMAN INCANDESCENT INDIA LIMITED

FIVE NEW issues are expected in the capital market in the near future.

Wellman Incandescent India Ltd., a new company recently promoted and got incorporated in Calcutta by The Wellman Smith Owen Engineering Corporation Ltd., of London, is expected to raise capital to the tune of Rs. 24.99 lakhs, all in equity shares of Rs. 10 each. The authorised capital of the company is Rs. 50 lakhs. Of the issued capital, shares worth Rs. 12.50 lakhs have been agreed to be taken up by the parent company (these include 39,885 shares to be issued for consideration other than cash). The directors and their friends have agreed to subscribe to another 14,930 shares. The balance 1,10,000 shares are to be offered for public subscription at par.

One of the main objects of the company will be to establish, as soon as possible, a well-equipped design office staffed mainly by Indian engineers under the supervision of foreign technical specialists. The manufacturing programme includes production and sale of all types of furnace ovens and allied equipment, including charging and discharging gears, electric overhead travelling cranes, gas producers, coke-oven machines, foundry plants and handling equipment for steelworks. Part of these fabrications and manufactures will be undertaken by the company at its existing factory at the Howrah Industrial Estate. A major portion of the work, however, will be sub-contracted to other manufacturers in India.

MAHARASHTRA SHEET GLASS CO.

THE SECOND company envisaged to raise capital from the public in the near future is the Maharashtra Sheet Glass Company Ltd., which is being formed to undertake the manufacture of plate glass. Its promoters are Messrs. Rajan & Sons, Bombay. This is the second plate glass manufacturing unit approved so far by the Government.

The authorised capital of the company will be Rs. 2.5 crores. Capital worth Rs. 2 crores is proposed to be issued in the first instance. Exact details of the issue are stated to be being finalised.

The capacity of the factory, to be set up in Maharashtra State, will be about 10 million sq. ft. of plate glass in various thickness per annum. The total demand for this type of glass in the country is estimated to go up to about 30 million sq. ft. by 1965-66. This new Maharashtra unit will begin meeting part of this demand, from safety glass and automobile industries and others, after mid-1964. Technical collaboration is being negotiated with a leading plate glass machinery fabricator on the Continent.

CENTURY FLOUR MILLS LIMITED

THE THIRD company which intends to approach the public in the near future for subscriptions to its share capital is the Century Flour Mills Ltd., Madras, which proposes to establish a new and modern biscuit factory as its anciliary unit near Madras. The factory will have a capacity to produce 3,000 tons of biscuits per annum. At a later stage, it is also proposed to set up cattle-feed and poultry-feed manufacturing units.

The biscuit manufacturing project is estimated to cost Rs. 50 lakhs. A sum of Rs. 23 lakhs is proposed to be secured through issue of capital—Rs. 18 lakhs in equity shares of Rs. 100 each and Rs. 5 lakhs in preference shares, also of Rs. 100 each—and the remaining Rs. 27 lakhs through borrowings from financial institutions.

This will be the first organised buscuit manufacturing unit in Southern India whose estimated consumption is placed at nearly 10,000 tons per annum, worth about Rs. 5 crores. Technical collaboration is being negotiated with a reputed foreign firm. This, of course, is subject to Government sanction. Machinery and equipment is proposed to be purchased from Baker Perkins (Exports) Ltd., United Kingdom, who will also make available some technicians for setting up the machinery and for supervising its working in the early stages.

SUN PAPER

THE FOURTH company which is expected to enter the capital market shortly is another South Indian concern —Sun Paper Mill Ltd., Madras. The authorised capital of this company is Rs. 1 crores, of which capital worth Rs. 20 lakhs, all in equity shares of Rs. 10 each, is proposed to be issued in the first instance.

The company has obtained a licence for manufacturing annually 3,000 tons of writing and printing paper and an equal quantity of paper pulp. The factory is proposed to be set up at Ariyanayagipuram, in Tirunelveli District of Madras State. Part of the machinery has already been received and the erection work is in progress. Production is expected to start early next year.

MAHARASHTRA STATE ELECTRICITY BOARD

THE FIFTH new issue that is being floated is a Rs. 3 crore-debenture issue of the Maharashtra State Electricity Board. The debentures will carry interest at the rate of 4½ per cent per annum and will be issued at par. They will be redeemable at the end of 12 years. The list opens on October 15 and closes on October 20, or earlier as soon as the total subscriptions amount approximately to the sum called for.

The debentures will be trustee securities under the Indian Trusts Act and also approved securities for the purposes of the Insurance Act and the Banking Companies Act They will also be eligible for the purposes of advances under Section 17(4)(a) of the Reserve Bank of India Act.

The proceeds are to be utilised for financing partly the expansion programme of Electricity Board, which is estimated to cost Rs. 52 crores and envisages augmenting of the installed capacity of the Board's plant from 1,37,160 KW to 9,03,000 KW by the end of the current Plan period and laying of an extensive transmission line-network in the State with a view to carrying grid power to the hitherto power-starved areas.

Foreign Aid

MR. MORARJI DESAI IN TOKYO

MR. MORARJI DESAI'S visit to Tokyo marked the culmination of his mission abroad. Having gone round the UK and the US where he very ably expounded the foreign exchange needs of Indian planning, Mr. Desai made it very clear to the Japanese Government and the commercial circles there that India attached great significance to the Japanese assistance. Speaking at a joint meeting of the Federation of Economic Organisations and the Japan Chamber of Commerce on India's Third Plan, Mr. Desai said that India had a great deal to learn from Japan as the latter had the experience of facing such problems now confronting India. Mr. Desai agreed that Japan was playing a significant role in extending a helping hand to India by providing credits for the planned development.

Mr. Desai was asked a very significant question as to whether India preferred technical co-operation or joint ventures from Japan. He did not conceal the fact that ventures were preferable as they would bring better results. But he added that private joint enterprises were treated without discrimination in India against the State projects. The flow of investments is, therefore, increasing though not on a scale commensurate with India's requirements. He very rightly allayed the fears of the foreign investors by indicating that much of State development expenditure was in the fields in which foreign private capital could not be expected to play a significant part. It was mostly concentrated in railway transportation, power generation, measures to help promote health and education, agricultural products including irrigation projects, big and small. Thus even though the public sector was expanding, it really did not en-

croach upon the private sector sphere in most of the cases. Mr. Desai, therefore, very rightly explained the process of expanding public sector within the Indian economy where field for foreign investors was also increasing rapidly. This fact has to be brought to the notice of the foreign investors in this light.

FOUR CATEGORIES

IT MAY be recalled that Mr. Andrew Shonfield in a lively study dealing with assistance to the developing countries, had outlined the fact that more than the nature and the volume of aid, it was the economic structure of the recepient country that really could take advantage of foreign aid. In that study he had given a clean chit to the Indian planners and private entrepreneurs who were in a position to utilise foreign assistance in the most appropriate manner. Now it is Mr. Chester Bowles, at one time American Ambassador to India and presently a Special Advisor to President Kennedy on the world's developing countries, who has confirmed that India is one of those countries that received assistance to make best of it. In this connection he also outlined four categories of countries that claimed the right to receive American assistance.

The first category is of the countries that "lack the competence, organisation and will" to use aid effectively which, he believes, should be limited to receiving assistance from the US Peace Corps, the US Food for Peace Programme and the technical and advisory services of the United Nations Agencies. He, however, refrained from naming the countries that could be listed in this category. The second category is of the countries with a gross national product of more than $350 million and whose current problems are sufficiently acute to require aid from the US, but whose difficulties result mainly from "misuse and maldistribution" of their wealth. In this category are the countries like Argentina, Chile, Cyprus, Greece, Jamaica, Lebanon, Panama, Singapore, Trinidad, Uruguay and Venezuela. These nations, he add, are capable of "putting their financial houses in order, and the US should suggest to them corrective measures and provide advice on how to introduce tax and land reforms and a more effective control of their foreign exchanges."

Then the third category, in which he groups India, is of the countries which are "demonstrating competence and courage in mustering their own resources". In this category Mr. Bowles listed apart from India, countries like Pakistan, Columbia, Nigeria and Tunisia. In aiding these countries, he indicated that US should integrate its efforts with those of international lending agencies and other capital exporting countries and should simplify administrative functions and assign the ablest people. It was thus in these countries that the US could demonstrate what outstanding performance by a recepient nation backed by generous assistance could accomplish. Mr. Bowles categorised in a separate group countries that stood in between the second and third category — the countries which have an adequate gross national product and are doing well in some areas of self-help but badly in others.

Mr. Bowles outlined that economic aid should flow to the countries on the basis of their legitimate economic needs and this flow should be kept as far as possible aloof from the cold war and other political considerations. This could also be seen in another light. Mr. Bowles indicated that more than half of the countries receiving American aid have authoritarian governments of some kind. He nevertheless was hopeful that even a military regime could be seeking to accomplish certain reforms. He, however, did not hesitate to say that the US had her differences with those Governments which persistently stuck to outmoded concepts designed to protect the status quo. Even mild pressure in this direction could be expected to bring about some change sooner or later.

Madras

PAUCITY OF SKILLED PERSONNEL

A QUARTERLY study made by the National Employment Service for the period ending March 1962 discloses severe bottleneck of skilled personnel such as turners, automobile mechanics and electricians, professional and technical workers such as civil engineers, electrical engineers, town planners, pharmacists and laboratory assistants in Madras. That the character of our unemployment is more quantitative than qualitative needs no saying. When the Third Plan programmes are facing frequent bottlenecks in transport, coal and power and as such are in the likelihood of being pruned, the disclosure of NES indicates that the reality is still worse. The study which covers both the public and the private sectors discloses that a little over 10,000 vacancies remained unfilled during he period due to dearth of skilled personnel of which 31.3 per cent was in the case of skilled craftsmen closely followed by farmers and miners who formed 29.9 per cent of the unfilled vacancies. Vacancies of professional and technical personnel, however, represented 20.8 per cent of the total unfilled vacancies.

The private sector appears to have suffered more from the shortage of skilled personnel than the public sector in that the unfilled vacancies in the private sector during the period were more in the case of skilled craftsmen and professional and technical workers.

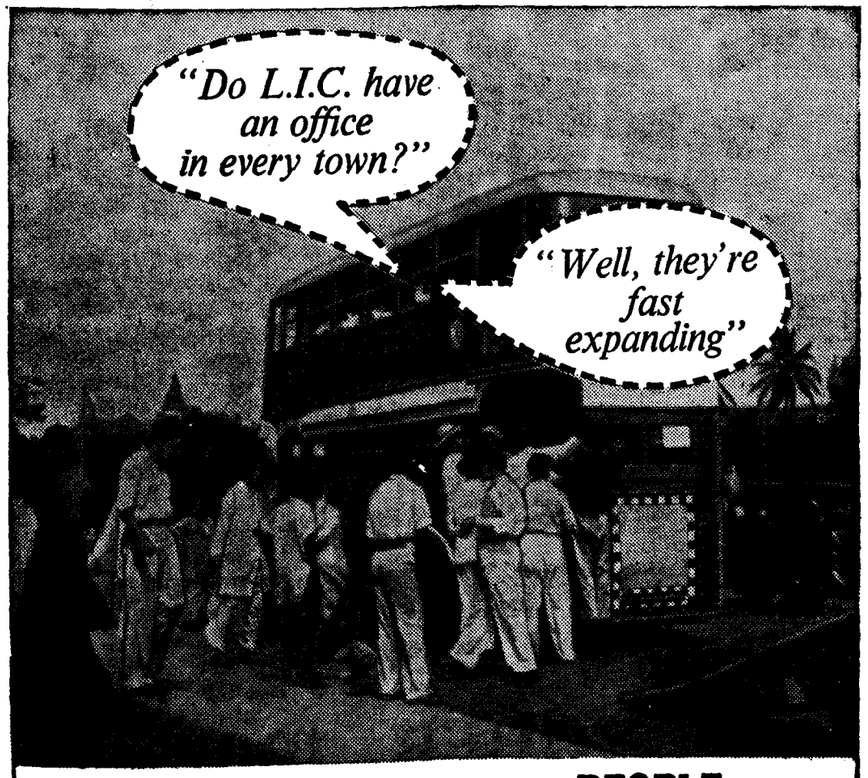
The study points out that a lasting solution to the problem of occupational shortages could be sought only when the forces of demand and supply in the employment market for these occupations are in equilibrium. Planning in an under-developed economy starts with some amount of unskilled labour and as the economic activity expands on all fronts the demand for occupational labour rises much faster than the supply and hence the stage of equilibrium takes a long time to reach. The problem is therefore of training people within as little a time as possible to keep pace with the rising demand. Since skilled personnel is one of the factors contributing to the rate of economic growth, it is time that the Planning Commission took due cognizance of this shortage in its true perspective.

Forestry

LONG-TERM PLANNING NEEDED

IN HIS convocation address to the Forest College, Dehradun, Dr. Ram Subhag Singh, the Union Minister for Agriculture, emphasised the need for a long-term planning in respect of forestry. In view of the rising tempo of industrial development in the country, more particularly in the expansion of wood-based industries like drugs, paper and pulp, Dr. Singh's plea, though nothing new, deserves mention. It is true, as he says, that our forests are unable to meet the growing demands of our industries and the heavy pressure on forest resources would leave us with a wide gap of shortage by the end of 1975, when our requirements of industrial wood would rise to 9 million tons from the present level of 4.5 million tons.

It has been already estimated, the Minister says, that by 1975 the deficit in industrial wood is likely to be about 215 million cubic feet and to meet this shortage plantations are to be raised on five lakh acres. This apart, there is a special project for raising plantations of rapidly-growing species on 1,37,000 acres the cost of which is to be borne by the Government. Intensive development schemes are essential for a sustained increase in production and since forests are among the few renewable resources in nature, they can be inexhaustible, if properly managed. With such a conspicuously low consumption of industrial wood as 0.6 cubic feet, India is far behind other countries in the production of basic raw materials like wood and other forest products so essential for industrial activity.



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FROM THE CAPITAL'S CORRIDORS

PAUSE IN WORLD AGRICULTURAL PRODUCTION

THE Food and Agriculture Organization of the U.N., on the basis of its preliminary estimates for 1961-62, states that there was little or no increase in world agricultural producing during this year. While there was a "pause" in the expansion of production, world population was estimated to be rising at the rate of 1.8 per cent annually.

In its latest annual report on "The State of Food and Agriculture, 1962", FAO says: "The pause in the expansion of production, which if confirmed by later figures, would be the first since 1957-58, was caused mainly by widespread bad weather, and there is every indication that the rise will be resumed in 1962-63." The main crops affected were grains and sugar. The production of livestock products and of most other crops was the same or higher.

With the little or no increase in production, as indicated by the preliminary estimates, there was clearly some reduction in the output on a per-person basis. In fact, the FAO index of per caput agricultural production (1952-53 to 1956-57 equals 100) showed a fall from 106 in 1960-61 to 105 in 1961-62. The per-caput index for the production of food (as against the broader category of agricultural products as a whole) fell further—from 107 in 1960-61 to 105 in 1961-62.

The report is based on statistical material available to FAO up to June 30, 1962. As in the past years, no official figures of agricultural production have been published for Mainland China, which is not included in the index of world production. But "floods, droughts and pests are reported to have curtailed production for the third consecutive year, and there have been further large imports of grains", the report says.

Among other regions, the report says, the only substantial increase in agricultural production in 1961-62 was in Latin America where it had fallen in 1960-61. This increase in 1961-62 is estimated to be about four per cent, although production of food alone rose only by two per cent.

In Eastern Europe and the Union of Soviet Socialist Republics, both total agricultural production and food production are estimated to have "increased by two per cent after failing to rise in 1960-61". "Smaller increases of approximately one per cent are estimated for Oceania and for the Far East (excluding Mainland China)" for total agricultural production, with hardly any increase in food production.

In Western Europe there was a decrease of about one per cent in both agricultural and food production after a large increase of six per cent in 1960-61. In North America too there was a decline of nearly one per cent.

In the Near East both total agricultural and food production fell by two to three per cent. In Africa, the estimates show a decline of three per cent in both agricultural and food production.

Aside from a world and regional review of the situation and the outlook for agricultural production (including forestry and fisheries), "The State of Food and Agriculture" contains reviews of changes in stocks, economic activity and the demand for agricultural products, food supplies and consumption, international trade in agricultural products, farm prices and incomes, consumer prices and a review of agricultural policies and development plans in various regions and countries. It includes estimates of production and trade for East European countries and the USSR, and contains available information on Mainland China. Supplementing the text are several diagrams ad statistical tables.

The report emphasizes the preliminary nature of production estimates for 1961-62. For instance, revised data for 1960-61 showed that world agricultural production rose by about two per cent instead of the one per cent in the first estimate reported in SOFA 1961. This was so mainly because Western Europe produced more milk and vegetables than originally estimated, and data for Africa indicated an increase of four per cent, instead of one per cent, due mainly to sharp revisions in the estimates for grains production.

In his foreword to the report, the Director-General, Mr. B. R. Sen, says, "the year 1961-62 could be considered as one of promise rather than achievement" in regard to the key problems of food and agriculture. In the less-developed countries the key problems were first under-production, hunger and malnutrition, and second the continuing decline of agricultural prices on world markets. In contrast the key problems in the developed countries were more often excess production in relation to commercial outlets, leading to accumulation of stocks and, closely related to it, the lower incomes of farmers compared with persons in other occupations. Rural poverty however was "still more acute, if less articulate" in less-developed countries.

Referring to developments in agricultural production, Mr. Sen said, "The most disquieting trend is that per-caput food production in Latin America, Africa and the Near East, which increased appreciably during the 1950s, has tended to fall in the last few years as production has lagged behind the growth of population. In the Far East, however, the region where food problems are most acute of all, recent developments have been somewhat more favourable".

The report says that while the prewar level of per-caput food production has been exceeded in each of the less-developed regions at some time during the post-war period, but the gain had so far been only temporary, in all regions except the Near East, and elsewhere per-caput production had subsequently tended to slip back. However, actual per-caput supplies and food consumption levels in these regions appeared to be slowly rising to levels higher than before the Second World War. This had been possible because of larger imports and often smaller exports of food from these regions.

The increase in per-caput food production in the world had come from the more-developed parts of the world, instead of the less-developed regions "where such improvements are urgently needed to raise levels of living". The report points out, however, that rapid population increase, rather than a failure on the part of their agricultural production, had over the longer-term checked the growth of per-caput production in the less-developed regions.

WORLD TRADE IN AGRICULTURAL COMMODITIES

Mainly because of large shipments of grains to Mainland China to make up domestic shortages, and of sugar to both USSR and Mainland China, there was a four-per cent increase in the volume of world agricultural trade. But the ample supplies of most products in the world markets tended to depress prices, and the average

(unit) value of all exported farm products fell by four per cent. There was thus little or no increase in the value of world agricultural trade.

At the same time the average price level of exported manufactured goods rose by two per cent. The "terms of trade" of agricultural exports—that is, their capacity to purchase manufactured goods in world markets—therefore fell by more than six per cent. This was the seventh successive year of deteriorating terms of trade for agricultural exports, and they stood in 1961 merely one-fourth below their average level in 195-53.

In keeping with the trend over the past decade, however, the exports of the developed regions of North America and West Europe were less seriously affected than the trade of the less-developed regions. In 1961, the value of exports of both these regions, as well as Oceania, increased mainly because of a larger volume of exports and higher prices for wheat. By contrast the value of exports of each of the less-developed regions fell. The figures for North America in particular, however, include shipments of surplus foods under special terms.

Owing mainly to the check in the expansion of world agricultural production, the level of world agricultural stocks was reduced in 1960-61. The drop was the first since 1957-58, when production suffered a similar setback. Wheat stocks of the United States, Canada, Argentina and Australia—the four major exporters—are estimated to have fallen by 15 per cent. North American coarse-grain stocks fell by 12 per cent, partly because of the drive to curtail excess production. Stocks of coffee, soybeans, butter and cheese increased.

Generally speaking the consumer paid higher prices for his food in 1961 than in 1960. During the eight years 1953 to 1961, the report says, the cumulative effect of the continuing rise in food prices and in the cost of living has been considerable. In 37 of the 87 countries for which figures are available, the cost of living rose by 25 per cent or more. In 19 of these it rose by more than 50 per cent.

The report says there were several developments in agricultural policies in 1961-62 "which are likely to influence the course of world agricultural developments for many years to come". More determined efforts than ever before were made in the US to reduce the costly burden of agricultural surpluses—although progress so far was limited. The European Economic Community adopted a common agricultural policy to achieve in seven and one-half years a community-wide market for agricultural products protected from outside. This would change production and trade pattern within EEC, and is sought to be achieved mainly through raising or lowering prices.

In USSR "production policies have already been drastically modified" to bring about a more intensive pattern of cropping with the help of fertilizers. The autonomy of the collective farms has been reduced, and the prices of meat and butter have been raised sharply.

In 1961-62, Mr. Sen says in his foreword, "There were encouraging signs of an increased world recognition of the importance of agricultural development, both in itself and as a key component of general economic growth. There were signs, too, of a greater determination to tackle the problems of agriculture before they became still more acute. On the other hand, the year's developments in production and in international trade contributed little to their long-term solution".

Mr. Sen referred to the efforts of the less-developed countries to achieve a planned development of their agriculture, geared to plans for general economic growth. At the same time in the more-developed countries, "under the impact of the world-wide Freedom from hunger Campaign and related programmes, there were increased efforts among governments and the general public to step up the flow of material aid to less-developed countries, especially in the food and agricultural sector, including aid from surplus foodstuffs".

A NOTABLE DEVELOPMENT—WORLD FOOD PROGRAMME

A notable new development, Mr. Sen said, "is the experimental World Food Programme, jointly sponsored by the United Nations and FAO, and expected to come into operation late in 1962". The programme is designed to explore methods of using surplus food production of the more-developed countries to aid economic development in less-developed countries and to combat hunger and malnutrition, "Though small in relation to some bilateral programmes, it is potentially of great significance", Mr. Sen said.

He also referred to the efforts being made to mitigate the effects of the continuing fall in agricultural prices, which hampered the growth of the capacity of these regions to earn foreign exchange and lessened the potentialities for their economic development. Among the possibilities widely discused in internatonal forums were schemes for compensatory financng and more comprehensive forms of world commodity agreements.

Mr. Sen said that such arrangements do not as a rule come quickly to fruition, "but the fact that such questions are now being discussed internationally is in itself a hopeful sign".

Mr. Sen said, "Although the basic problems of agriculture are likely to remain substantially the same for some years or even decades, it is encouraging to note that the world food and agricultural situation is no longer esssentially static. Both the level and pattern of the demand for agricultural products are in constant flux as a result of changes in population, consumer incomes and prices, and these changes in demand in turn impose changes on agricultural production. At the same time, it must be noted that not all the changes or activities are in the right direction and of the right emphasis".

Mr. Sen referred to a study (Agricultural Commodities: Projections for 1970) analysing the probable trends to 1970 of demand, production and trade in agricultural products, which was published by FAO in April this year. In no sense a forecast, the study presented the likely outcome if present policies remained unchanged.

He said the study was "disquieting in that it brings out the danger that, unless drastic action is taken to increase production in the less-developed countries, the food supply may fall increasingly behind domestic demand. At the same time, surplus production of export commodities may become even more wide-spread, while the demand for farm products in world trade may grow only slowly, or in some cases even decline. Nevertheless, with rising populations and incomes a rapid increase may be expected in the demand for some commodities, notably forest products and (especially in less-developed countries) livestock products".

As in last year's issue of SOFA, there are two special chapters in the issue this year. One is on the role of forest industries in the attack on the economic underdevelopment. It analyses the growth of demand in developed and less-developed countries alike for forest products, such as wood, pulp and paper, and also the important

hoarded wealth in ancient india



From early Buddhist literature one learns that wealth was hoarded underground in brass jars or buried under a river bank. The nature and amount of the wealth thus hoarded was registered on gold or copper plates.

The tendency to hoard wealth doubtless arose from the lack of opportunities for investment. The *Dharmasastras* for instance allowed only men of the Vaishya community to lend money on interest. Frequent invasions by neighbouring kings and the resultant fear of the future made people believe that there was nothing safer than burying their gold or silver.

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contribution which forest industries could make to economic development. Forestry contributed largely to the economic development of some European countries and could do the same for quite a few less-developed countries.

The other special chapter is on livestock industries in less-developed countries. Livestock products, the chapter says, are of importance to less-developed countries to provide them with more balanced and healthy diet. The chapter analyses the problems of expanding livestock production in the less-developed countries and gives some indications of developments which may be foreseen in the next decade.

BOKARO STEEL PLANT

The biggest hurdle in the way of the United States extending assistance and collaboration for setting up India's fourth public sector steel plant at Bokaro appears to have been overcome. Although the 9-member US Techno-economic Team, which has been here to study the technical feasibility of this plant, has yet to finalise and submit its report, it is undertood to have been greatly impressed by the site chosen and the availability of iron ore and other raw materials in the vicinity. The Team, it is further learnt, has also judged the feasibility of this project from the point of view of the expanding demand for steel in this country and the inevitability of setting up another steelwork. The report of the Team is expected to be submitted by the end of current financial year.

On the receipt of this report, the US Administration will be in a position to consider making available a credit of about Rs. 100 crores which, it is presumed, will be the foreign exchange component of this Rs. 200-crore project.

Meanwhile, the preliminary work on the project is stated to be progressing satisfactorily. The Bihar Government is said to have acquired 44,000 acres of land for setting up this plant. The Indian consultants, Messrs. Dastoor and Co. have been authorised to go ahead with the preparation of the detailed project report. This task is expected to be completed by the end of next year.

The initial capacity of the plant is envisaged to be 0.36 million tonnes of saleable pig iron and one million tonnes of flat products.

BHILAI EXPANSION SCHEDULE

Under its expansion programme for raising production to 2.5 million tons, the Bhilai Steel Works will have three more coke oven batteries of 65 ovens each in addition to the existing three batteries (total six), two more blast furnaces of 1,719 cubic meres each in addition to the three existing 1,033 cubic metre furnaces (total five), four more open hearth furnaces of 500-ton capacity each and conversion of an existing 250-ton furnace to 500-ton capacity (total 10), and a new wire rod mill (total mills five). Bhilai will produce 2.5 million tons of ingot steel per annum, which will be rolled into 1,965,000 tons of finished and semi-finished products. The existing mills will be enlarged and renovated. The new wire rod mill will produce 400,000 tons of wire rods annually.

The expansion of the Bhilai Steel Plant is to be carried out within four years. According to the present schedule, two more coke oven batteries, one more blast furnace of bigger size and two more open hearth furnaces of double the size of existing ones will be erected and commissioned during the first two years. Some additional soaking pits will also be put up in the blooming mill besides installation of additional machinery and equipment in the rail and structural mill and merchant mill.

The construction of the sixth and last coke oven battery, fifth and last blast furnace and one more open hearth furnace will be carried out during the third year, besides effecting some modifications in the billet mill.

The construction of a new wire rod mill in the rolling mill, tenth open hearth furnace and doubling of one of the existing open hearth furnaces, last group of soaking pits in the blooming mills as also erection of the third machine in the sintering plant will be carried out in the fourth year.

After expansion, Bhilai Steel Works will be the biggest steel plant in India.

STEPPING UP OIL REFINING CAPACITY

The NPC Productivity Team on Oil Industry, which recently toured the Soviet Union, Czechoslovakia and Rumania, to study at first hand the new techniques practised in these countries in oil refining, has stressed the imperativeness of achieving self-sufficiency in the refining capacity in this country by the end of the current Plan period. This self-sufficiency, it has pointed out, may even be attained on the basis of imported crude.

In its report, released here last week, the Team observes that to meet the 17 million tonnes demand for petroleum products by 1965-66, an additional capacity of 2 million tonnes shall have to be established every year. The Team has expressed the belief that after providing for the output in the existing and the new refineries being proposed to be set up in the public sector, an extra capacity of 3 to 5 million tonnes will have to be created by 1965.

Another important recommendation made by the Team is that in future, as far as possible, refineries should be set up near the consumption centres. This, it has pointed out, is the policy pursued by the Soviet Union. A significant advantage resulting from following this policy would be minimising of the transport costs.

The Team has also called for considerable intensification of the quest for oil. In this connection it has stated that only a fringe of the country's 4,00,000 sq. miles of oil-bearing areas has been touched as yet. The current pace of development, it has emphasised, needs to be augmented by all possible means.

In view of the rapidly increasing demand and the necessity of keeping the import bill on account of petroleum products at the minimum, the Team has recommended the manufacture of the drilling, refining, distribution and marketing equipment within the country.

HOLDING THE PRICE-LINE

The first meeting of the Planning Commission's Advisory Committee on Economic Policies, held here last week, has failed to clear up thoughts in respect of even holding the price-line in regard to the essential commodities consumed by the lower middle-class people. Apart from a broad general agreement that the prices of these essential commodities should be held, the top economists included in this Committee neither agreed among themselves nor with the Planning Commission officials on the methods to be adopted to hold the price-line and the machinery to be entrusted with this task. The discussions mostly were of academic nature on the theory of prices and the inevitability of costs rising in a rapidly expanding economy. The general view expressed was that with the existing machinery for implementing measures to hold the price-line, no large-scale or drastic immediate action could be contemplated.

FOODGRAIN PRICES RECEDE

Meanwhile, foodgrain prices have, in recent weeks, shown a healthy downward trend. Without making claims that a general recession has begun, reliable sources interpret the latest price graphs in a favourable light. They add that there is absolutely no cause for alarm, particularly as the traditionally "lean" period is coming to an end.

A comparison of weekly index numbers (base: 1952-53 = 100) shows that rice prices fell by 1.3 points from 115.8 during the week ended September 8 to 114.5 at the end of the month. The decline in rice prices has been noticed in several States. Compared with last year, the current prices of rice are generally lower except in the eastern States of West Bengal, Bihar, Orissa and Assam, where production suffered a setback of nearly 9 lakh tons in 1961-62 due to heavy diversion of land from paddy to jute.

The general picture in regard to wheat also is one of declining prices, except at a few places in Bihar, Maharashtra and the Punjab. The index number for wheat fell from 92.7 in the last week of August to 90.1 at the close of September.

Prices of other cereals have also begun to display a declining trend. For instance, the index for bajra has declined from 138.1 in the third week of August to 134.5; barley has fallen from 97.8 in August to 93; maize from 114.8 in the second week of August to 103.3 and gram from 96.0 to 92.8.

Although the production of pulses fell by 9.7 lakh tons in 1961-62 as compared with the previous year, their prices too are coming down. The index number in the second week of August was 114; in the third week of September it had fallen to 110.7.

The prices of all food articles taken together — these include cereals, pulses, fish, eggs, milk, fruits, etc. — also are showing more favourable trends. Their index in August was 131.6, while in the third week of September it came down to 129.9.

LIFE INSURANCE BUSINESS OVERSEAS

The Federation of Indian Chambers of Commerce and Industry in a communication to the Union Finance Ministry, has urged upon the Government to permit Indian insurance companies having branches abroad to undertake life insurance business there. Specifically, the Federation has asked for this permission for the countries in Africa and the Far East.

The FICCI has pointed out that time is an important factor and if the present opportunity, when there is goodwill for India in these countries, is not taken advantage of, it may not be possible to enter the field at a later date when insurers from other countries get themselves established firmly in this business. Another reason given by the Federation for allowing the private insurers in these countries, now doing only general insurance business, to undertake life insurance business abroad is that this would enable the country to earn a good amount of foreign exchange so direly needed for the implementation of the current Plan. Any short-sighted policy on the part of the Government in this regard would only prove disastrous in the larger interests of the country.

The Federation has drawn the attention of the Government to the assurance given by the Finance Minister at the time of passing the Life Insurance Corporation Act in 1956 that the Government would consider individual applications for undertaking life insurance business abroad on their merits.

SHIPPING AND FORWARDING AGENTS IN LONDON

An annual saving of Rs. 6.75 lakhs (£50,000) in foreign exchange will be made as a result of the implementation of the recommendations made by Mr. T. Sivasankar, former Secretary, Union Ministry of Works, Housing and Supply, for streamlining the overseas purchase organisations at London.

The Director-General, India Stores Department, London, has now appointed a suitable firm of Shipping and Forwarding Agents for handling transport and other formalities for goods to be sent to India. The agents will undertake the work without any cost to the Government of India. They will finance themselves from the commission on freight charges from the shipping lines on goods booked by them from North Europe. The strength of the Shipping Directorate in the I.S.D. London will be reduced to a few officials required for liasion with the Shipping and Forwarding Agents.

Mr. Sivasankar, who made a detailed examination of India's overseas purchase organisations at London and Washington, had suggested the appointment of Shipping and Forwarding Agents to whom the entire work of the Shipping Directorate in the ISD London could be transferred.

TEXTILE AND CEMENT MACHINERY MANUFACTURE

Meeting were held here and at Bombay last week to plan the manufacturing programmes of the textile machinery and cement-making machinery, respectively. Meanwhile, the Department of Heavy Industries in the Union Ministry of Steel and Heavy Industries has been busy in giving shape and issuing instructions in regard to its policy to maximise the production and utilisation of Indian-made components and ancillaries in the automobile industry so that the indigenous component could be raised to 90 per cent by 1966.

IN BRIEF ....

Mysore sugars has been permitted by the Government to undertake the manufacture of triacetode, diacetate and moulding powders. These products are required by the Government of India's raw film manufacturing units proposed to be set up Ooty.

*

M|s. Indian Pipes of Madras, have been allowed to manufacture annually 25,000 tons seamless pipes. The company has entered into collaboration arrangements with an Italian firm. Machinery and equipment for the project is to be imported from Hungary.

*

An Indian delegation is shortly leaving for Poland to discuss the import of capital goods required for the deep coal-mining machinery project/ coal washeries, fertilizer plants and general purposes machinery and machine tools. Polish credit of about $40 million is available for these imports.

*

The Government, it is learnt, has decided to undertake the manufacture of methenol in the public sector.



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NEWS IN BRIEF

INDIAN

The Geological Survey of India has discovered in Singrauli, Madhya Pradesh, a 244-ft. thick coal seam which is stated to be the thickest one in the country.

•

The Union Government has agreed to the proposal of the Oil and Natural Gas Commission to install a central workshop near the ONGC headquarters. The workshop will initially undertake repairs of drilling machinery, but is designed to undertake eventually its production as well.

•

The Union Government is considering a proposal to vest the responsibility of fertilizer distribution with private commercial agencies.

•

Mr. K. D. Malaviya, Union Minister for Mines, Oil and Fuel, announced recently that South India will have an oil refinery and that work on this project will start in about 2 years.

•

The Engineering Export Promotion Council is examining the possibilities of exporting Indian-made refrigerators, room air-conditioners and water coolers to West Asia and West Europe.

•

Two Indian engineers from India's Overseas Communications Service have gone to Britain to study space communications.

•

An international symposium on "Protein Structure and Crystallography" will be held at Madras in January, 1963, under the auspices of the University of Madras.

•

A batch of Indian technicians will shortly proceed to Czechoslovakia for specialised training in connection with the setting up of the High Pressure Boiler Plant near Tiruchi, Madras State.

•

The Government of India has decided to manufacture certain types of contraceptives in the public sector with a view to bringing down their present prohibitive prices.

•

The Pondicherry pier will be commissioned on November 1, by Mr. S. K. Datta, Chief Commissioner.

•

A second rosin and turpentine factory in Himachal Pradesh will be set up at Manwa during the current financial year at an estimated cost of Rs. 12 lakhs. It is expected to provide employment to about 700 persons.

•

The Geological Survey of India proposes to hold a Seminar on "Ground Water Resources of the Country" January next in Calcutta.

•

U.S. Business Corporations are leading British and others as the largest current investors in India, according to a spokesman of Indian Investment Centre.

•

The Union Government is likely to license soon some additional capacity for the manufacture of bicycle tyres and tubes.

•

The Chief Minister of Madras inaugurated on October 2 the Aliyar reservoir project at the Aliyar dam site, the first in the series of eight constructions planned under the Parambikulam Aliyar Project. The entire project is expected to cost Rs. 35.8 crores.

•

Soviet Engineering have completed the blueprint for the new Bhakra Power Project on the right bank of the Sutlej. The project, when completed, will have a total installed capacity of 600,000 KW.

FOREIGN

The OECD has published a new edition of its "Catalogue of Courses on Nuclear Energy" for the benefit of science and engineering students.

•

Czechoslovakia has recently entered into agreements with Ethiopia for the construction of a rubber footwear plant, with Afghanistan for the development of coal mines, and with Egypt for the construction of a water-purifying station.

•

The Co-operative League of the U.S.A. is backing a drive to raise $1 million for sponsoring a programme of pilot projects in Indian villages.

•

Soviet engineers are to design the 500,000 volt electric transmission lines, 850 kilometres long, which will link Cairo with the Aswan Power Dam which is being built with Soviet assistance.

•

The UAR has promised to donate one million dollars worth of foodgrains, mostly beans, to the World Food Programme of the FAO.

•

Preliminary construction work has started on the 30-acre site of Ceylon's new rubber-tyre factory to be built with Soviet assistance. The factory is expected to go into production by the middle of 1965 and will have an annual capacity of 600,000 tyres and an equal number of inner tubes.

•

The Grassland Research Institute of Britain has developed a new chemical method of soil treatment which will do away with ploughing and will produce higher yields.

•

The number of students at all levels in Iraq has increased by 102 per cent between 1957-58 and 1961-62, according to Iraq's Central Statistics Bureau.

•

The North Eastern Gas Board, Britain, is constructing a network of automatic gas stations operated by remote-push-button control. The project is expected to be completed within five years.

•

Soviet engineers will design a 60-metre arch dam on the Kasseb river in Tunisia. This project when completed is expected to irrigate vast areas and generate about five million KWH. of electricity.

•

President Nkrumah of Ghana has announced that Ghana's budget estimates for the coming financial year had been slashed from £170 million to £128 million in an effort to eliminate unnecessary expenditure.

•

The UAR Ministry of Industry has drawn up a list of industries described as "basic". The industries thus described will not be allowed to reduce or stop production without the permission of the Government.

•

President Kennedy signed the Bill authorising the United States Government to lend upto $100 million to the U.N. to help the latter to tide over its present financial crisis.

•

Poland's share in world ship-building has increased from 0.4 per cent in 1950 to 3.7 in 1962, according to the Lloyds Register.

•

The Tass News Agency reports that a Russian twin-jet 44-seater TU 124 airliner designed by Tupolev made its first passenger fight of 621 miles in 90 minutes. This aircraft is claimed to be capable of flying 600 miles per hour.

COMPANY AFFAIRS

ELECTRICITY COMPANIES OF MARTIN BURN GROUP

Seven electricity companies belonging to Martin Burn Group for which the annual reports are now available for the year ended March 31, 1962, show increased revenue almost uniformly during the last two years. This increase in revenue is naturally a reflection of larger number of units sold by all these companies. In most of the cases their generation stations are fully loaded and it is not the lack of demand but the lack of electricity supply that holds back their further progress.

The working results of **Jubbulpore Electricity Supply Company Limited** reveal that profit for the year, after providing for taxation, depreciation and other charges, amounts to Rs. 4.35 lakhs. A sum of Rs. 1.55 lakhs has been separated towards reserve allocations such as contingency reserve and development reserve. Another sum of Rs. 54,000 has been set aside towards general reserve. The Directors have recommended the payment of dividend at the rate of 10 per cent subject to deduction of tax which will absorb Rs. 2.25 lakhs. It is revealed that the 2,000 KW Turbo-Alternator Set, the acquisition of which was under negotiations with the Madhya Pradesh Electricity Board, would commence around August 1962.

Saugor Electricity Supply Company Limited shows a profit of Rs. 77,550 after making provision for taxation, depreciation, etc. A sum of Rs. 33,000 is set aside towards general reserve. The Directors have recommended the payment of a dividend at the rate of 6 per cent subject to deduction of tax, which will absorb Rs. 18,000.

Banaras Electric Light and Power Company Limited recorded a profit of Rs. 6.2 lakhs from which a sum of Rs. 1.93 lakhs was deducted against contingency and development reserve. A sum of Rs. 2.35 lakhs was taken out for general reserve. The Directors have recommended the payment of a dividend at the rate of 11 per cent subject to deduction of tax, which will absorb a sum of Rs. 1.87 lakhs. The company, after negotiations with the Uttar Pradesh State Electricity Board, has succeeded in getting a small amount of standby loan from Rihand supply which has to certain extent eased the situation. Efforts continue to be made to enhance the amount of load the company will take from the Rihand supply.

supply.

Bareilly Electricity Supply Company Limited shows a profit of Rs. 1.72 lakhs. After providing for reserve, the Directors have recommended the payment of a dividend at the rate of 11 per cent subject to deduction of tax which will absorb Rs. 88,000. The Directors reported that on account of foreign exchange problem there was no progress in regard to installation of additional plant. The Company's standby requirements are being met from the temporary bulk supply from the Sarda Hydel Grid. Negotiations are also in progress with the Uttar Pradesh State Electricity Board to enhance the amount of standby. The Company's power station is operating at full capacity naturally leaving little scope for development.

Upper Jumna Valley Electricity Supply Company Limited reveals a profit of Rs. 2.29 lakhs. A dividend at the rate of 13½ per cent was recommended by the Directors. The Directors in their report have expressed concern regarding the possible enhancement of company's operating costs because they have received a notice from the Uttar Pradesh State Electricity Board to the effect that the tariff to the licencee will be enhanced as from July 1, 1962. The situation arising out of this measure is still being examined by the Company.

United Provinces Electric Supply Company Limited registered a profit of Rs. 8.70 lakhs after providing a sum of Rs. 2.22 lakhs towards statutory contingency reserve. A sum of Rs. 2 lakhs was set aside towards reserve for redemption of depreciation and Rs. 50,000 to general reserve. The Directors have recommended the payment of a dividend at the rate of 11 per cent subject to deduction of tax. It is indicated that the first consignment of the new plant has arrived at site at Lucknow. The plant expansion scheme has, therefore, already commenced. Expanding and commissioning of the new plant, the State Electricity Board has agreed to increase the availability of power from the Sarda Grid upto 5,000 KVA.

Agra Electric Supply Company Limited shows a profit of Rs. 3.61 lakhs. After providing Rs. 1.36 lakhs towards general reserve the Directors have recommended the payment of a dividend at the rate of 11 per cent subject to deduction of tax which will absorb Rs. 2.20 lakhs. The Directors are discussing the installation of an additional plant but there seems to be a serious problem of foreign exchange which is holding these discussions; otherwise the company is progressing satisfactorily.

NEW ISSUES

Following are some of the companies that have been granted consent by the Controller of Capital Issues to raise capital.

Indian Refineries Limited, New Delhi, a wholly-owned Central Government undertaking, is to issue further capital of Rs. 9.10 crores (including Rs. 3.85 crores already issued) divided into 91,000 equity shares of Rs. 1,000 each to be issued to the Central Government for cash at par.

Bharat Forge Company Limited, Bombay, a new company, will issue capital of Rs. 230 lakhs in equity shares of Rs. 100 each. Out of this, shares of the value of Rs. 5 lakhs will be issued to Steel Improvement and Forge Company of Cleveland, Ohio, USA. The proceeds of the issue would be utilised for the manufacture of various types of steel forgings.

Indian Aluminium Company Limited will issue (i) 801,276 equity shares of Rs. 10 each for cash at a premium of Rs. 15.50 per share to be issued to the existing shareholders; (ii) 6½ per cent 1971-76 debenture stock for an amount of Rs. 100 lakhs to be issued at par at a premium not exceeding 2 per cent; (iii) sterling debenture Stock of the value of £500,000 to be issued to the Commonwealth Development Finance Company Limited, UK. The proceeds of the issue will be utilized for increasing the production capacity of the smelter at Alupuram from 5120 tons to 10,850 tons per annum and setting up an aluminium foil rolling and finishing mill of the capacity of 2,500 tons per annum at Kalwa near Bombay.

The Titaghur Paper Mills Company Limited, Calcutta, is raising further capital of Rs. 168,07,200 consisting of Rs. 56,02,400 in bonus shares on capitalisation of reserves and Rs. 112,04,800 in equity shares of Rs. 10 each for cash to be offered to the existing equity shareholders at a premium of Rs. 5 per share. The proceeds will be utilised for financing the scheme of expansion and renovation of the mills.

Fiber Glass Pilkington Limited, Bombay, a new company, is raising capital of Rs. 1,19,99,930 in equity shares of Rs. 10 each at par. Out of this, shares of the value of Rs. 61,20,000 would be issued to the foreign collaborators, Rs. 30.60 lakhs to Fibre Glass Limited, of St. Helens, Lancashire, England, and Rs. 30.60 lakhs to Owens Corining Fiberglass Corporation of USA. The proceeds of the issue would be utilised for the manufacture of glass fibred and glass fibre products.

Devidayal Cable Industries Limited, Bombay, will issue (1) bonus shares of Rs. 4.10 lakhs on capitalisation of 'general reserve fund' to a like extent and (2) further cash issue of Rs. 37.50 lakhs in 2,75,000 equity shares of Rs. 10 each and 1,00,000, 9½ per cent (subject to tax) preference shares of Rs. 10 each.

BOOK REVIEWS

PROBLEMS OF INDIAN ECONOMIC GROWTH

Some Aspects of Indian Economic Development, Vol. II: By S. K. Bose: Published by Ranjit Printers & Publishers, Delhi: Pp. 439: Price Rs. 12.50.

The first volume of Mr. Bose's analysis of Indian economic development was reviewed in "The Eastern Economist" dated March 16, 1962. The present volume takes the story further and scrutinises some important facets such as social welfare, community development, rural indebtedness, the co-operative movement, industrial labour and trade unionism, industrial finance; trade and transport; foreign trade and fiscal policy; money, currency and prices and the banking system. The last chapter sets out the achievements of the Indian economy during the past decade.

Mr. Bose has presented his study of the various aspects of the Indian economy in an objective manner without any political slant. He has drawn upon the research material available from several research agencies and has provided for the student in particular up-to-date information on all the foremost economic issues of the day. The approach has invariably been historical; in order to delineate the present position he has explained the developments since independence with particular emphasis in the operations of the first two Plans.

The impartial manner in which Mr. Bose has presented his analysis has not forbidden him to express his opinion strongly on certain issues in regard to which he felt that the truth needed to be told. In the case of the State Trading Corporation, he has come out openly saying that the STC has not always been successful in protecting the interests of the consumers. Quoting from the Third Annual Report of the STC, he has highlighted the fact that where the gap between supply and demand of a product was large, even the mechanism available with the STC was not enough to check blackmarketing.

THE PRICE OF SUGAR

Indian Sugar, Special Number (August 1962): Published by the Indian Sugar Mills Association, India Exchange, Calcutta-1: Editor J. S. Mehta: Pp. 130: Price Rs. 3.

The Indian Sugar Mills Association has brought out its 12th Annual Number containing very provocative articles dealing with the industry. Mr. M. N. Pittie has attempted to prove that Indian Sugar is cheaper than that of any other country, despite the common belief to the contrary. He has shown that the ex-factory price of sugar excluding taxes in India is lower than that of Java, Australia, Louisiana (USA), Hawaii, Commonwealth exporters, Brazil, Nicaragua and Cuba. All the same time, it is conceded that Indian sugar is slightly more costly than that of the Philippines, Mexico and Egypt. The analysis presented by him shows the abnormaly high price of sugarcane as one of the basic causes of the present relatively high domestic price. Again, he has stressed the need for allowing the expansion of the existing units rather than sanctioning the establishment of new ones for keeping the cost of production low. He has quoted chapter and verse to prove that the international trend is for expansion of the existing units; only the Indian Union continues to adopt a policy of increasing the number of units without regard to its implications in terms of the cost structure.

Mr. S. S. Kanoria, in his analysis of sugar industry in East U.P., has set out the deplorable condition of the factories there. Quoting from the Wage Board's report, he has shown that the average profit per year per factory in East U.P. was Rs. 94,000 only while factories in the South commanded profit levels at least ten times higher. The solution for the sugar industry lies, according to Mr. Kanoria, in lowering the excise duty and the cane cess in times of de-control on the analogy of higher prices granted to the industry during control in the past. Mr. Venugopal Naidu has also come to the same conclusion that the domestic price of sugar can be lowered either by reducing the cane price or the incidence of taxation or both. There are a few other stimulating articles as well; they all touch upon the price policy which seems to be the biggest head-ache for the industry today. The research pieces on the technique of manufacturing standard quality raw sugar in the Indian conditions and the problem of low recovery of sugar in the factories of North India are equally interesting. As usual the Annual Number contains up-to-date statistical information spread over 20 pages.

GUIDE FOR INVESTORS

Kothari's Economic Guide and Investors' Handbook of India, 1961 in Two Volumes: Published by Kothari & Sons, Oriental Buildings, Armenian Street, Madras—1: Price Rs. 50.

Kothari's Investors' Handbook has grown in volume over the years to such proportions that the publishers had to split it into two parts. While the first part deals with the balance sheet information of importance for the investors, the second volume deals with the economic surveys of the leading industries. The value of the second volume has been enhanced by the fact that the latest developments in all the major industries are provided by experts in the respective fields. Of great value is the information contained under the head "general information" which deals with the new issues and increases of capital and the licences issued to the new entrants in the industrial field.

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AB-19

A Letter to the Editor

COTTON TEXTILE EXPORTS

Sir,

My attention has been drawn to the Special Article "The Crisis in Cotton Textile Exports" appearing in your issue of September 21, 1962, wherein I am quoted from my speech at the Joint Meeting of the Import and Export Promotion Advisory Councils.

It is true that I pointed out the relatively very low prices at which Indian cotton was available to the Indian textile industry in 1950-51 and stated that it was one of the important factors which helped augment exports of Indian textiles. Since some of the mills raised a hue and cry against the prices they had to pay last year — which was one of scarcity of cotton — the point I made was that there was some kind of economic — or is it poetic? — justice in the rise of Indian cotton prices; The Indian cotton industry did not suggest raising ceiling prices of Indian cotton when the ceiling was far far below world prices!

The failure of Indian cotton to respond to the growing needs of the country is to some extent the result of Indian cotton having been controlled at artificially low rates for so many years. From your article it appears as if manufacturing efficiency, wages, rationalisation, taxation, reputation for quality of Indian textiles in the export markets etc. are almost secondary factors. You do not even mention the higher price of textiles in the closed internal market as a factor against exports and also as a factor which enables the mills to pay higher than the ceiling prices for Indian cotton and very much higher than import prices for foreign cotton. You seem to suggest that all that is needed to raise exports of textiles is to reduce the price of cotton.

This proposition has only to be stated to be disbelieved! It is overlooked that the lower the relative price of Indian cotton, the less of it will be produced. Cotton cannot be grown to order; it has to be attractive enough to the cultivator in comparison with competing cash crops like groundnuts, sugarcane, pulses, tobacco etc.

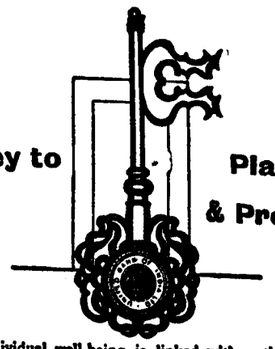
One does not see the rationale of controlling the price of cotton and at the same time leaving the prices of competing crops free. The constructive contribution to the export drive can be made by increasing the Indian cotton crop, which can be done only by an increase in the prevalent phenomenally low yield per acre. For this end, one has to get the goodwill and the enthusiasm of the cotton farmer by offering him an adequate price and providing him the tools, seeds, fertilisers, water etc., at the right time and at the right price.

As one who has been advocating the decontrol of cotton prices or at least their adjustment with the prices of competitive crops, I would like to mention that the present ceiling prices on cotton are adequate under the circumstances prevailing; and no attempt should be made by any quarters to circumvent the ceiling prices. At the same time, these prices will remain adequate only if the prices of other competitive crops as well as of articles which the cultivator needs to buy for his own consumption or for producing the cotton crop do not rise further.

Yours sincerely,
R. G. SARAIYA

Bombay,
October 6, 1962.

["The Eastern Economist" does not attach any less importance to the various factors pointed out by Mr. R. G. Saraiya as hindering our cotton textile exports, but holds the view that the price of cotton is the dominant factor. — Ed.]



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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										
July 1961 ..	1,922,49	24,13	1,946,62	117,76	93,01	210,77	11.83	121.30	1,614,54	1,946,62
August „ ..	1,898,63	13,31	1,911,93	117,76	116,86	234,62	12.27	123,85	1,553,46	1,911,93
Sept. „ ..	1,877,38	21,36	1,898,74	117,76	116,86	234,62	12 36	126,45	1,537,67	1,898,74
July 1962 ..	2,070,65	20,54	2,091,18	117,76	92,14	209,90	10.04	117,27	1,764,01	2,091,18
August „ ..	2,040,68	23,91	2,064,59	117,76	89,74	207,50	10.05	121,45	1,735,59	2,064,59
Sept. „ ..	2,029,26	18,74	2,048,00	117,76	88,34	206,01	10.06	123,87	1,718,03	2,048,00
Week-Ending										
24-8-1962 ..	2,029,06	22,85	2,051,91	117,76	88,84	206,60	10.07	122,81	1,722,50	2,051,91
31-8-1962 ..	2,011,38	42,15	2,053,53	117,76	88,34	206,10	10.04	124,43	1,723,00	2,053,33
7-9-1962 ..	2,044,06	12,31	2,056,37	117,76	88,34	206,10	10.02	122,27	1,728,00	2,056,37
14-9-1962 ..	2,041,70	15,38	2,057,08	117,76	88,34	206,10	10.02	122.95	1,728,03	2,057,08
21-9-1962 ..	2,019,79	18,97	2,038,76	117,76	88,34	206,10	10.11	124,63	1,708,03	2,038,76
28-9-1962 ..	2,011,48	28,30	2,039,78	117,76	88,34	206,10	10.10	125,63	1,708,05	2,039,78

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														
July 1961 ..	58,61	18,56	93,24	111,63	282,04	94,38	461,41	24,17	26,26	9,98	40,10	117,43	221,75	21,72
August „ ..	65,39	16,45	88,09	180,22	350,16	89,86	525,02	13,35	15,21	30,97	47,71	116,37	284,51	16,89
Sept. „ ..	60,81	26,76	83,71	159,06	330,34	96,02	511,36	21,42	16,73	17,47	49,15	131,54	257,92	17,13
July 1962 ..	51,34	20,63	102,86	196,73	371,57	121,12	577,67	20,59	63,99	5,86	37,96	130,85	280,80	37,71
August „ ..	65,16	24.57	94 63	181,32	365,69	115,38	566,08	23,97	69,23	5,45	31,00	136,99	265,68	33,76
Sept. „ ..	83,68	20,13	86,69	161,43	351,93	177,55	554,48	18,79	115,11	6,10	27,81	159,93	192,28	34,46
Week-Ending														
24-8-1962 ..	59,07	11,92	108,23	173,84	353,06	118,28	556,34	22,89	67,03	5,06	34,91	132,92	259,82	33,72
31-8-1962 ..	92,12	34,85	81,13	164,19	372,29	120,00	577,29	42,20	73,74	5,75	26,27	156,07	239,17	34,08
7-9-1962 ..	114,74	21,64	89,97	162,25	388,60	119,31	592,91	12,36	105,67	5,44	27,12	184,24	223,87	34,21
14-9-1962 ..	84,42	29,41	84,47	160,25	358,55	119,46	563,01	15,43	127,25	5,76	24,88	158,91	196,32	34,46
21-9-1962 ..	73,78	15,71	86,58	160,13	336,20	116,27	537,48	19,03	125,24	7,58	27,88	147,17	176,16	34,42
28-9-1961 ..	61,79	13,76	85,72	163,09	324,36	115,14	524,50	28,36	102,27	5,60	31,37	149,40	172,76	34,74

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

STATE-WISE DISTRIBUTION OF FACTORY EMPLOYMENT: 1956-60

State	Number of Working Factories					Average Daily Employment (in thousands)				
	1956	1957	1958	1959*	1960*	1956	1957	1958	1959*	1960*
Andhra Pradesh	3,765	3,802	4,875	4,791	4,868	204	197	222	211	217
Assam	1,037	1,050	1,085	1,181	1,233	75	72	75	78	79
Bihar	4,359	4,511	4,904	5,547	5,507	177	180	183	187	189
Bombay	10,115	10,626	10,995	11,398	11,732	1,052	1,076	1,067	1,078	1,130
Kerala	1,406	1,653	2,144	2,264	2,406	165	155	166	159	168
Madhya Pradesh	1,811	1,743	1,872	1,915	1,877	168	155	161	162	159
Madras	4,808	4,956	5,117	5,680	5,682	308	325	326	322	325
Mysore	935	1,278	N.A.	2,243	2,250	75	113	N.A.	187	172(1)
Orissa	322	343	350	390	428	23	25	26	29	30(5)
Punjab	2,165	2,307	2,643	2,900	3,301	91	99	104	112	127
Rajasthan	386	545	634	736	866	45	48	53	54	57
Uttar Pradesh	1,942	1,977	2,244	2,360	2,601	274	283	278	293	314(1)
West Bengal	3,193	3,432	3,687	3,900	4,116	682	688	686	691	723
Delhi	757	834	914	971	1,031	51	57	59	65	69
Himachal Pradesh	13	14	15	20	22	1	1	1	2	2
Manipur	49	27	N.A.	40	69	0.3	0.1	N.A.	**	**(3)
Tripura	83	60	57	57	55	2	2	2	2	2
Andaman & Nicobar Islands	6	7	6	6	12	4	3	2	2	2
TOTAL	37,162	39,138	41,569	46,399	48,056	3,402	3,480	3,413	3,635	3,764(10)

Note: Figures in brackets indicate the number of factories for which information on employment is not available.

* Provisional. ** Less than 500.

AVERAGE ANNUAL EARNINGS OF FACTORY LABOUR*: 1950-60
(By Broad Industrial Groups)

(Rupees per worker)

Industrial Group	1950	1953	1955	1956	1957	1958**	1959†	1960‡
Textiles	971.4	1,116.1	1,191.3	1,244.5	1,243.3	1,305.5	1,336.8	1,637.6
Footwear, other wearing apparel and made-up textile goods	851.0	1,038.0	1,101.3	1,098.0	1,308.1	1,336.4	1,398.7	1,537.8
Paper and paper products	910.0	998.5	1,062.5	1,036.4	1,157.6	1,226.4	1,275.8	1,213.7
Leather and leather products (except footwear	640.7	879.0	836.6	756.5	889.9	1,118.0	1,044.6	1,242.2
Rubber and rubber products	1,164.6	1,431.9	1,368.4	1,501.7	1,497.2	1,326.0	1,273.7	1,144.0
Chemicals and chemical products	871.4	1,036.2	957.2	980.9	1,147.3	1,308.4	1,367.4	1,508.6
Products of petroleum and coal	1,047.0	1,408.0	1,492.9	1,686.2	1,990.3	1,850.2	2,195.4	2,197.5
Basic metal industries	1,175.6	1,711.1	1,673.4	1,487.9	1,463.2	1,557.3	1,528.9	1,633.1
Metal products (except machinery and transport equipment)	798.7	942.0	1,048.2	1,119.5	1,145.4	1,185.7	1,252.7	1,294.3
Machinery, except electrical machinery	1,007.7	1,032.5	1,100.4	1,136.2	1,189.3	1,321.8	1,215.9	1,191.6
Electrical machinery, apparatus and appliances	1,195.8	1,309.0	1,340.0	1,314.4	1,437.9	1,469.8	1,489.8	1,472.1
Transport Equipment	1,052.4	1,174.0	1,429.6	1,473.2	1,481.5	1,458.0	1,472 6	1,460.8
Electricity gas, and steam	1,198.9	1,413.0	1,371.7	1,455.1	1,591.8	1,567.7	1,548.3	1,530.2
Recreation services	980.0	919.7	1,037.0	1,227.4	1,302.0	1,166.6	1,056,4	1,163.9
Personal services	799.1	337.0	362.8	465.2	488.4	598.3	770.2	1,051.8
All Industries	**966.8**	**1,111.1**	**1,173.5**	**1,208.1**	**1,233.9**	**1,284.6**	**1,309.9**	**1,480.9**

*The figures include all factory employees receiving wage or salary less than Rs. 200 per month.
**Excludes Kerala, Madras and Mysore.
†Excludes Madras and Mysore.
‡Excludes Andhra Pradesh, Kerala, Madras, Rajasthan and West Bengal.
Note: The figures exclude information relating to Railway workshops and seasonal group of industries.

Source: Labour Bureau, Ministry of Labour and Employment.

MATURITY PATTERN OF THE GOVERNMENT OF INDIA RUPEE LOANS: 1951-62
(Rs. crores)

	End of March							
	1951	1956	1957	1958	1959	1960	1961	1962
Under 5 years	318.77 (22.2)	393.13 (26.1)	464.50 (28.4)	557.35 (32.8)	719.87 (33.0)	810.53 (33.2)	866.62 (33.7)	925.21 (34.4)
Between 5 and 10 years	342.51 (23.8)	616.52 (40.9)	665.43 (40.7)	625.22 (36.8)	596.84 (27.4)	662.38 (27.2)	756.41 (29.4)	698.96 (26.0)
Over 10 years	519.33 (36.1)	241.17 (16.0)	245.83 (15.0)	259.08 (15.2)	606.41 (27.8)	707.48 (29.0)	690.45 (26.9)	806.43 (30.0)
Undated	257.85 (17.9)	257.85 (17.1)	257.85 (15.8)	257.85 (15.2)	257.85 (11.8)	257.85 (10.6)	257.85 (10.0)	257.84 (9.6)
Total	1,438.46 (100.0)	1,508.67 (100.0)	1,633.61 (100.0)	1,699.50 (100.0)	2,180.96 (100.0)	2,438.23 (100.0)	2,571.33 (100.0)	2,688.45 (100.0)

Note: (i) Figures in brackets indicate percentages to total.
(ii) Where loans bear two dates of maturity, the earlier date has been taken for purposes of classification, for loans not redeemed on the earlier date later date has been taken.

DEBT POSITION OF THE GOVERNMENT OF INDIA

(Rs. crores)

	End of March							
	1951	1956	1957	1958	1959	1960	1961	1962
I. **Internal Debt**								
Rupee Loans[a]	1,438.46 (58.2)	1,508.67 (49.1)	1,633.61 (46.5)	1,699.50 (41.2)	2,180.96 (47.1)	2,438.23 (47.5)	2,571.33 (46.9)	2,688.45 (46.0)
Treasury bills	364.72[d] (14.8)	595.25 (19.4)	835.70 (23.8)	1,295.12 (31.4)	1,225.32 (26.5)	1,297.60 (25.3)	1,106.30 (20.2)	1,174.98 (20.1)
Small savings[b]	327.66 (13.2)	576.07 (18.8)	637.68 (18.1)	706.98 (17.1)	785.50 (17.0)	869.68 (16.9)	974.83 (17.8)	1,052.97 (18.0)
Other obligations[c]	342.81 (13.9)	390.29 (12.7)	406.55 (11.6)	422.37 (10.2)	437.21 (9.4)	530.99 (10.3)	825.77[e] (15.1)	931.38[e] (15.9)
Total Internal Debt	2,473.65 (100.0)	3,070.28 (100.0)	3,513.54 (100.0)	4,123.97 (100.0)	4,628.99 (100.0)	5,136.50 (100.0)	5,478.23 (100.0)	5,847.78 (100.0)
Percentage increase or decrease over the previous year	+2.3	+7.8	+14.4	+17.4	+12.2	+11.0	+6.7	+6.7
II. **External Debt**	49.81	138.81	160.98	211.02	391.35	630.50	846.22	1,110.55
of which: Dollar loans	24.60	117.57	132.95	159.85	262.31	374.68	521.40	650.95

(a) Includes Hyderabad State loans from 1957 onwards and the price bonds from 1961. It includes further loans which have ceased to bear interest from the date of discharge (ii) balances of special loans, State Provident Funds etc. (d) Including Treasury deposit receipts. (e) Includes investment of Rs. 240 crores and Rs. 300 crores (estimated) of U.S. Government Counterpart Deposit Funds for the year 1961 and 1962 respectively.
Rs. 300 crores created in July 1958, Rs. 150 crores created in December 1959, Rs. 50 crores created in January 1961 and Rs. 50 crores created in February 1962 against cancellation of 'ad hoc" treasury bills held by the R.B.I. (b) Inclusive of Indian Union's share of pre-partition liabilities. (c) Including (i) unclaimed balances of old

Source: Reserve Bank of India.

DEBT POSITION OF STATES

(Rs. Lakhs)

	At the end of							
	1951-52	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62
I Public Debt								
(i) Permanent debt	133,71	264,48	273,95	283,43	341,29	416,17	493,12	569,87
(ii) Floating debt	15,66	8,20	19,88	26,62	27,19	26,07	41,75	20,28
(iii) Loans from Central Government	238,54	876,07	1,094,91	1,354,95	1,581,79	1,780,52	1,948,00	2,276,33
(iv) Other debt*	..	..	2,20	9,23	26,94	42,55	49,57	62,41
II Unfunded Debt	57,37	83,19	94,09	105,43	109,42	119,26	130,52	144,06
III Gross Total Debt	445,28	1,231,94	1,485,03	1,779,65	2,086,63	2,384,57	2,662,96	3,072,95

Note: The data for 1951-52 and 1955-56 exclude the then Part C States which had a separate Capital Account only from 1954-55. Figures from 1956-57 onwards relate to reorganised States and include Jammu and Kashmir from 1957-58.

Includes loans from National Agricultural Credit (long-term operations) Fund, National Co-operative Development and Warehousing Board, Khadi and village industries Commission, Employees' State Insurance Corporation, Life Insurance Corporation etc.

Source: Reserve Bank of India.

CONSENTS FOR CAPITAL ISSUES: 1956 - 61

(Amount in Rs. Crores)

Classification	Non-Government Companies						Government Companies					
	1956	1957	1958	1959	1960	1961	1956	1957	1958	1959	1960	1961
1. Applications (a)												
Number ..	362*	484*	281	264	290	351	..	..	23	22	37	23
Amount ..	254.49*	182.73*	96.93	152.60	151.96	202.06	..	..	333.52	53.88	140.50	82.53
2. Consents												
Number ..	281	333	259	242	277	335	16	12	23	22	37	23
Amount ..	170.75	135.37	89.45	149.58	150.13	185.06	59.40	17.95	333.52	53.88	139.50	62.96
a) of which: **Initial****												
Number ..	61	50	33	47	85	110	8	4	5	4	12	9
Amount ..	27.84	36.32	18.50	49.09	50.22	56.43	52.45	7.00	2.30	28.20	49.74	5.15
b) **Further**												
i) **Debentures**												
Number ..	10	22	21	13	18	16	2	..	2	..	..	1
Amount ..	10.25	9.09	16.30	9.90	19.66	21.24	1.15	..	2.17	..	..	1.00
ii) **Bonus**												
Number ..	72	103	47	29	19	69	..	..	..	..	†	..
Amount ..	8.50	15.40	9.88	2.88	0.77	10.34	..	..	..	..	0.63	..
(iii) **Others****												
Number ..	107	123	120	103	126	106	6	5	12	14	14	13
Amount ..	70.87	31.99	31.46	53.27	44.06	55.03	5.80	6.35	321.14	23.75	74.41	56.81
iv) **Miscellaneous††**												
Number ..	31	35	38	50	29	34	..	3	4	4	11	..
Amount ..	53.28	42.57	13.32	34.44	35.42	42.02	..	4.60	7.91	1.93	14.72	..

(a) Figures relate only to applications disposed of and not to applications received.
** Includes ordinary and preference shares. * Includes figures in respect of Government companies.
†† Loans raised by companies by creating a charge or lein on the assets of their property. † Formed part of a "further" issue of shares and loans.

Source: Reserve Bank of India.



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THE EASTERN ECONOMIST

OCTOBER 19, 1962.

The Finance Minister Abroad

MR. Morarji Desai's stay abroad for nearly one month is obviously indicative of the scope of his mission which extended beyond attending the annual Fund-Bank meetings, which, undoubtedly, was its central purpose. His relatively long stay in America and visits to Canada and Japan were essentially intended for a continuation of his earlier chain of talks at the top level in the capital cities of Western Europe for a personal exchange of views on aid accompanied by trade.

But that was not the exclusive area of his diplomatic business in America at least, as the sketchy reports of his meetings with officials and non-official organizations tend to disclose. The impact of foreign economic policy can hardly be dissociated from foreign political policy in material issues and Mr. Desai found himself called upon to explain the Government's policy on certain points on which misapprehension or distrust cannot be presumed to have been removed completely in America. The MIG deal seems to have figured as an important subject in his long conversation with President Kennedy and it is difficult to judge how far the Finance Minister carried conviction with the Press representatives when he tried to assure them that, if it materialised on the scale intended, it would be in no way different from a commercial deal. The questions put to him on India's oil policy, particularly in relation to Russia, were significant pointers to the view taken of this policy by many who are interested in it. But on this question the Finance Minister had a cogent and convincing case to argue. In the final estimation, the preponderance of the conventional sources of supply has not been disturbed.

Mr. Desai's plea for aid with trade — and trade in this context signifies a positive emphasis on the exports of manufactured goods from the developing countries — found a powerful advocate at the Washington meetings in Mr. Eugene Black. Perhaps it was premature to correlate this plea with a switch away from the bilateral pattern of aid agreements which are now being moulded rapidly into project-wise deals. It was quite reasonable to suggest that in the case of tied credits the repayments should be linked with exports from the aid- receiving countries. But this precisely is a tough issue on which many of the capital-supplying countries are reluctant to relent. One serious consequence of this attitude is the compulsion for the aid-receiving countries to make a change in the order of priorities in development programmes from export industry to import-substituting industries, regardless of considerations of production costs or optimum size of plants, involving some misdirection of investment. But all this valid chain of reasoning has not proved effective — for the present at least.

The Fund-Bank meetings provide a very convenient and valuable opportunity for elaborate discussions between the Finance Ministers of the member-countries. Mr. Desai's dialogues with his opposite numbers from the member-nations of the Aid India Consortium undoubtedly gave a place of prominence to assistance to India during the remaining three years of the present Plan. And it was only to be expected that he should impress upon them the disturbance caused to the tenor of the Plan in the current year as a result of the suspense and uncertainty created by the delay in the Consortium's decisions on the contributions of individual countries. There is a reasonable case, which he seems to have stressed, for a broad, if not firm and positive, commitment by the member-nations on the quantum of credits for the remaining three years of the Plan. Such an offer, or assurance of offer, would facilitate a more cohesive formulation of development plans until March 1966. Actual sanctions or appropriations can, of course, be made in the yearly budgets. But since policy for economic aid to the developing countries is presumed to be bipartisan in its essential outline, an overall offer for three years should present no difficulty. How far Mr. Desai's efforts will succeed in evoking a favourable response, there are no means to judge at the moment. But in any event, it should be possible to convene the Consortium's next meeting in January. Such a timing would impart precision to our budget estimates during 1962-63.

Canada has been an unfailing collaborator from the inception of the Colombo Plan. Her assistance for the nuclear plant to be set up in Rajasthan will be quite sizeable. But her present state of external payments hardly admits of substantial aid burdens adding to her strains. It was in Japan that the Finance Minister could devote his energy directly to exploring the possibility of enlarging the area of economic co-operation between the two countries. His plea for liberalizing the terms of credits as regards the interest rates and periods of maturity may bear fruit after a time, but immediate response was not necessarily expected. Mr. Desai's forthright contacts with non-official business organisations were significant as indicative of the need to ease our foreign exchange tightness by the flow of private investment. It is rather curious that Mr. Raj Bahadur's assignment to seek collaboration in Japan for the admittedly low priority project of the shipyard at Cochin synchronized with Mr. Desai's visit. But participation in joint ventures could be directed to other pressing programmes in the private sector and it is to these that the Finance Minister primarily turned his attention. India's policy on foreign private investment rests on the principles of non-discrimination and concessions within a modest range. But this elucidation of policy is certainly not enough to attract foreign capital now under pressure of demand from an increasing number of importing countries. The Government will need to give serious thought to our competitive shortcomings in this sphere of relief in external resources.

Ceylon

MR. NEHRU's visit to Ceylon was essentially a goodwill visit. But even in the course of a goodwill visit it was not to be expected that the Prime Ministers of the two countries would exchange views on international problems alone and scrupulously eschew any question which exercised the minds of the governments and the people of both. Relations between India and Ceylon are running a smooth course except for the solitary issue of the stateless residents of Indian origin in

that country. The problem of these unfortunate victims of statelessness has defied solution for several years past; but defeat cannot be accepted in resolving the long-standing deadlock for the simple reason that the profound human aspect of the issue makes it inhuman to let it drift.

On the eve of his departure from Madras, Mr. Nehru made a frank admission that the Government of India felt deep concern for the misery of these people and he would talk about their future to the Prime Minister of Ceylon, should an opportunity be found for it. However heavily packed his schedule during the brief visit, some time could certainly be snatched to bring the subject within the compass of a general discussion. This was apparent from Mr. Nehru's observation that the issue had assumed great complexity, but, even so, a solution must be evolved. This is not to say that the question was included in the agenda for formal discussion, but an informal exchange was taken for granted.

Against this background, the earlier report of the exclusion of the future fate of the stateless from the talks between Mr. Nehru and Mrs. Bandaranaike served only to create confusion not unmixed with some disappointment. But the subsequent contradiction of this report revealed that an informal approach was made in an attempt to resume an attack on the deadlock. It was least to be anticipated that the two Prime Ministers would enter into the merits of this highly controversial subject without a prior discussion by the officials on both the sides to arrive at as precise a definition as possible of the points of agreement or disagreement. The machinery for a probe by the officials has been set in motion and Mr. Y. D. Gundevia, the Indian Commonwealth Secretary, has been asked to stay on in Colombo for this purpose. This is good news and a welcome result of Mr. Nehru's visit.

But the difficulties which the officials, or at a later stage the Ministers, will have to confront in the arduous task cannot be underrated. They arise from the internal nature of the problem as it has taken its present shape and the political mood in Ceylon which has been deeply coloured by diverse factors. Eight years ago, when an agreement was concluded at New Delhi in 1954 between Prime Ministers Nehru and Kotelawala, a solution to this vexed problem seemed assured within a couple of years. But political change and the powerful tide of complex events defeated all hope and made the question appear intractable. In pursuance of the pact, those among this class who would opt by a voluntary choice for Indian citizenship would be asked to emigrate, while those who would stick to their decision to adopt Ceylon as their homeland would be granted the citizenship status in the island. In between stood a small section of doubtful cases and the remedy for them was to accept repatriation. The Government of India made its position clear that option for Indian citizenship would be allowed on the application of the normal tests of eligibility. In the proceess of screening, the applications of a majority among the eight lakh residents who wanted to choose Ceylon citizenship were rejected on technical grounds — most of them petty or flimsy. The implication was that, if the hardships of statelessness were to be terminated soon for them, their repatriation to India was the inevitable course.

Meantime, more complications have been imported into this unhappy dealock. The new legislation on employment in plantations seeks to deprive them of opportunities for jobs and trade union activity on this grievance has widened the rift between the leftist parties and the Government. The liguistic and religious projections of the issue have added to the bitterness that has been created. Events would not have taken this swift turn but for the propitious climate generated by the prolonged economic crisis in the island. To that was added the element of political upsets, which brought in its wake a threat of instability. Instability now seems on the way to receding. But the overall situation would forbid any Government in Cylon to take a swift decision in resolving the issue at a single stroke. These ingredients in the situation need due appreciation in assessing the prospect of settlement.

The Distributive Trades

THE recent rise in prics brought forth the explanation from Mr T. T. Krishnamachari that the basic cause was the high profit margins charged by the middlemen. The statistical machinery both at the Centre and in the States has hardly any reliable information in regard to the distributive trades and it is, therefore, obvious that the pronouncement of the Minister without portfolio was based upon general impressions. It is, indeed, unfortunate that such a disturbing malday as inflation which has overtaken the Indian economy should be so lightly dealt with. There is certainly need for a detailed examination of the liability of the middle-man for the rise in prices, but it is hardly proper to hold him responsible for a situation in such a sweeping manner. A useful Seminar in this regard was held in Hyderabad between October 11 and 15 during the second meeting of the Central Technical Advisory Council on Statistics. At this Seminar, decisions were taken to encourage the collection of data so as to provide the administrators with reliable information on the profit margins in the various trades.

About two years ago at Jaipur, a recommendation was made at the Ninth Conference of Central and State Statisticians to set up a working group in the Central Statistical Organisation in order to complete the details of a regular survey of the distributive trade in the country. The Working Group accepted the suggestion put forward by the Central Statistical Organisation to conduct a sample survey for this purpose and also recommended that the frame of the study should be based upon the information available at the State level in regard to the administration of the Sales Tax and the Shops and Establishments Acts. At the request of the Working Group, a note was prepared by the Maharashtra State Bureau stressing the need for "the type-study research" as against the "sample survey approach" suggested by the CSO. In the type-study approach, the Maharashtra Bureau had recommended a sample (purposive sample) of 600 shops throughout the country. This small sample was proposed to be intensive in character for estimating efficiency in regard to some of the important characteristics in the domain of the distributive trade. The CSO, however, ruled out the type-study approach because it appeared "to be rather risky, particularly in view of its non-random character".

The elaborate market survey technique suggested by the CSO will no doubt take a long time to come to fruition. It is necessary that a beginning should be made in this regard and work should be started in this important field with whatever resources are available. The sales tax records and the registrations under the Shops and Establishments Acts provide a representative source for study. It is possible to make a purposive selection of 600 shops, as suggested by the Maharashtra Bureau, and to obtain the co-operation of these establishments for obtaining some basic information in regard to the burdens of the distributive trades on the price level. There are certain areas where the profit margins are significantly high. This particularly applies to those commodities which are in short supply in the country and also those whose imports have been restricted because of the foreign exchange shortage. A study of the distributive trade in these commodities will apparently be imperfect for lack of complete data. This handicap can be mitigated by comparing the domestic quotations with international prices.

The official agencies will be slow in taking up the challenge to evolve an elaborate framework for this study. They are likely to be meticulous about the degre of reliability which cannot be had without enormous expenditure. The paper submitted by the Gujarat Bureau of Economics and Statistics stressed this point thus: "It has to be recognised that collection of reliable statistics is a costly job. Furthermore, it is possible to control the sample size commensurate with the available resources. But even here, certain reliability at a given level—whether it is district, division, State, groups of States, or All-India level—and for each of the broad classifications by type of business and by type of broad commodity-groups must be ensured and one must be prepared to incur the necessary costs. If this cannot be done, it is better not to take any survey of distributive trade till funds can be found."

This field, however, is now open to the non-official agencies which may make a quick survey of the present profit margins in the various distributive trades without getting involved in elusive niceties. It is recognised that the size of the sample in such "purposive surveys" need not be elaborately large because the administrative errors in large samples are likely to be much in excess of the statistical errors. Keeping down the size of the sample is an asset and not a liability. The Seminar at Hyderabad will have served a useful purpose if it provokes some research institutions to conduct even the pilot surveys to fill the gap in a vital field.

Nutritional Standards

THE snail's pace of the progress recorded during the fifties by the South-East Asian countries, with the solitary exception of Japan, in regard to raising of the nutritional standards of their populations, which presumably prompted the holding of a Nutrition Seminar for the region at Hyderabad last week, evinces that the problem requires for its solution much more relentless efforts and bolder policies than has been the case hitherto. The Hyderabad Seminar laid great stress on proper nutrition education of the more vulnerable sections of the society as a means to achieving the objective of a balanced diet. In suggesting this measure, it appears to have been guided more than anything else by the example of Japan. Since food habits, in the shaping of which family traditions and religious beliefs of the people, apart from the climatic and other factors, have played an important role over the ages, are the hardest to modify, the launching of a nutrition education programme, especially to mould the psychological make-up of the younger generations and of mothers, is a step in the right direction. But in the present-day conditions of South-East Asia, it can have only limited success.

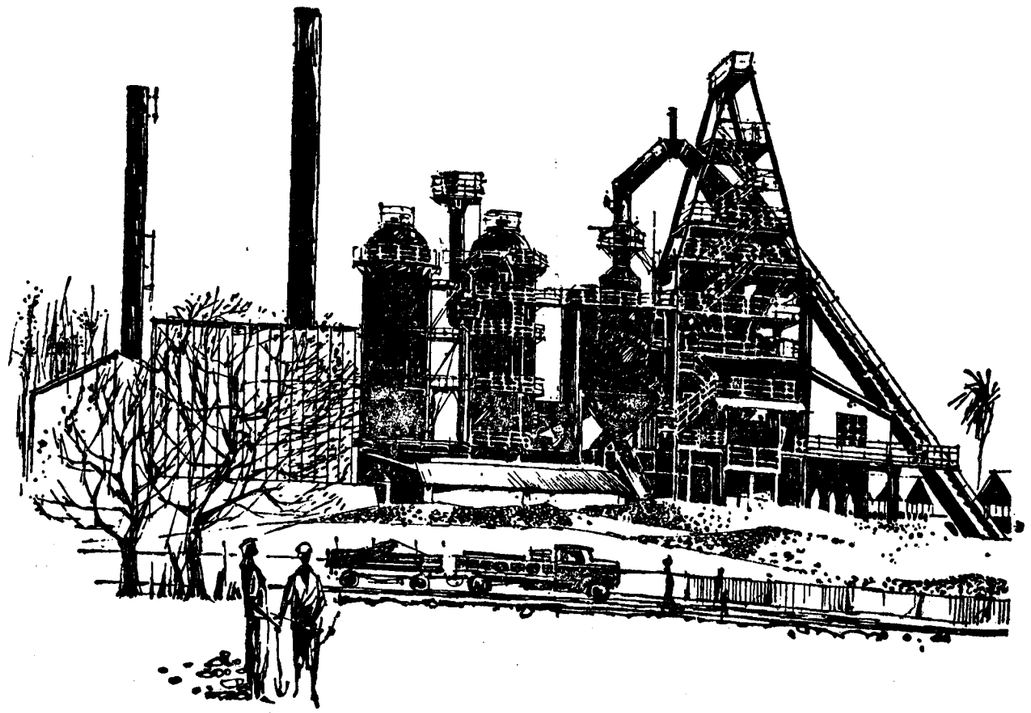
What the South-East Asian nations currently require is not so much of imparting to them a consciousness about the need to have a balanced diet, but the pre-requisite of it—availability of protective foods at reasonable prices. It is common knowledge that their nutritional levels, before concerted attempts were made to raise them, were being depressed for no other reason than that the production of protective foods was not keeping pace with the growth in population. A clear indication of this is available from the study made by the Indian Council of Medical Research a couple of years ago. It showed that between 1943 and 1957, the percentage deficit in the availability of milk and fruits in India, on the basis of the 1944 Nutrition Advisory Committee's recommended allowance of various components of a balanced diet for an average Indian, grew from 45 and 41 per cent to 55 per cent in both the cases. Though no data are available in respect of the consumption of vegetables, the 1943 picture does appear to have very much changed. In regard to vegetable oils and fats, fish, meat and eggs also the position has remained more or less static.

This is an unmistakable proof of the fact that even those sections of the Indian population, which do not lack consciousness about diversification of their diet, have been obliged to consume less of protective foods simply because of shortage of supplies. The imbalance has grown as a sequel to greater resort to consumption of cereals and pulses, the availability of which has improved significantly owing to their production having been stepped up during the era of planning and also through imports.

The phenomenal rise, nearly five-fold, in the prices of protective foods and particularly in the cost of living has further accentuated the imbalance in Indian diet. Add to this the failure of job opportunities to maintain the ratio of income-earners to the increasing population. How within the financial resources available to them, the masses can afford a higher intake of protective foods whose prices would obviously shoot up further if expansion in demand takes place through imparting of nutrition education, is something which is not comprehensible. The crux of the problem is not only a growth of consciousness on the part of the masses to understand the value of protective foods as a means to improving their health, but also provision of the wherewithal by which they can benefit from their newly acquired knowledge. A modification of the patterns of food preparation certainly can help in the attainment of better results from the point of view of nutritional standards, but this raises the question of changing tastes.

No marked progress towards raising the nutritional standards in the South-East Asian countries, or anywhere else, can obviously be achieved unless concerted attempts are made to produce more of protective foods and along with it money incomes of the masses are commensurably raised. That has been the experience of all the advanced countries. It can hardly be otherwise in the case of others. First things have to come first. A pyramid can stand only on its base.

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THE WEEK'S NOTES

Nepal

REPAIRING THE BREACH

THE OUTBURST of anti-Indian propaganda in the past few days in Nepal ought to be read in the context of the unusual tone of King Mahendra's speech on the occasion of Dussehra. In that speech the King went out of his way delivering a long-winding sermon to India how she should improve her behaviour towards his country if the traditional ties between the two countries were to be maintained. The extent to which attempts to spread hatred against India has gone can be gauged from the burning of the effigy of Prime Minister Nehru right in the vicinity of the border between Bihar and Nepal. This propaganda is accompanied by a bogey of an embargo on trade between India and Nepal imposed by the former. The allegation about the embargo was promptly contradicted by the Government of India. It serves the interests neither of Nepal nor of India to allow this kind of further pollution of their relations to continue.

The proximity between King Mahendra's unusual speech and Marshal Chen Yi's offer of help to Nepal against aggression may not be missed. China's Foreign Minister seized the opportunity of the anniversary of the Sino-Nepalese Border Agreement to make the unilateral offer of protection to Nepal against aggression. It does not require any intelligence to guess that none other than India is named, by implication, as the imminent aggressor against Nepal. It is significant that neither the King nor his Ministers have shown by any public expression their reaction to Chen Yi's insinuation. Perhaps the King and his Ministers meant their silence as an expression of a negative reaction, but what is really important in this attitude is that there is no polite rejection of the offer. This is no doubt evidence of the increasing influence of China in Nepal and the change in the ministerial set-up prepared the ground for it.

It has been stated on behalf of King Mahendra that his Government does not insist upon the handing back of the rebel Nepali leaders now taking asylum in this country. But their presence is at the root of much of the misunderstanding on the part of Nepal. It ought to be realized that it is the King, and the King alone, to whom the Government of India has to direct its efforts for the rehabilitation of cordial relations between the two countries. It would be naive to suppose that he is unaware of the danger implicit in drawing the dragon too close to his bosom. But in the present climate India must exercise effective control on the rebel Nepali leaders and stop them from indulging in using the freedom that is offered to them in this country in the way they choose, although it does not amount to a breach of the law in the formal sense. The traditional free crossing of the border between the two countries and the nature of the terrain make it difficult to give hundred per cent convincing proof that no supply of arms flows from the Indian side. But continued vigilance ought to be exercised on the border. Nepal's position as a buffer State needs to be appreciated properly when she attempts to maintain what she considers a proper balance in her relations with India and China.

The Vice-Chancellors

LOPSIDED DELIBERATIONS

THE CONFERENCE of the Vice-Chancellors was convened in the capital city certainly not for considering at great length only the much-discussed subject of the media of instruction at the university level. So great was the pre-occupation of the Vice-Chancellors as well as of those who spoke at the inauguration of the Conference that this one subject totally eclipsed the other important issues. There is a sad realisation in the country that the policy for education has not received the re-orientation that it urgently required after Independence. The spread of education at a rapid pace and the increasing outlay that is being made on it, and rightly so, would lose much of their meaning and force if proper direction is not given to education in general and its quality in particular. It would hardly serve the real purpose of the advancement of education to contend that education is a State subject and, therefore, the responsibility rests on the State Governments to give it the sorely-needed new direction. At the national level there must be a definite policy which by consent and persuasion can be made acceptable throughout the fourteen States. Beyond endorsing the necessity of extending the first degree University course to a total of fifteen years, hardly any questions of intrinsic importance to education other than the question of medium were seriously discussed at this Conference.

After scanning the view-points on the question of the media of instruction expressed at the Conference, one wonders whether this question admits of that degree of controversy as is usually made out. Many of the States have already proceeded in the direction of introducing the regional language as the medium of instruction in higher education and taking a long-range view it is impossible to resist the conclusion that the regional languages will inevitably occupy their place as the media of instruction. This is not to adopt an attitute of helplessness, but to recognise a force of development which is quite natural. But it is of the utmost importance to take precautions from time to time with continuous vigilance that the quality of education is not allowed to suffer. In this regard, the question is raised that the quality will be conditioned not only by the calibre of the teachers but by the quality of the text books written and prescribed for the students and good text books will not be forthcoming unless there is the assurance to the authors that they will be so prescribed. This is to argue in a vicious circle. No such guarantees are anywhere given and it is in a spirit of service of education as well as of competition that authors come out with their publications and they ought to in the various linguistic regions. It is of the utmost importance that to prevent intellectual isolation and parochial outlooks, Hindi and English must be deliberately fostered as the 'link languages' throughout the country. Their role as link languages can be ensured only if they are made compulsory subjects in the curricula at the secondary level itself and not merely at the higher level.

Civil Aviation

AFTER THIRTY YEARS

HISTORICAL SIGNIFICANCE certainly attaches to a commemorative performance in the original setting, even if that setting might look out-moded by current standards. Those, who are inclined to criticize Mr. J. R. D. Tata's solo flight in the Leopard Moth on October 15, 1962, from Karachi to Bombay to commemorate the first trip of the scheduled commercial air-mail service as futile and eccentric, totally miss the historical spirit behind it. A true assessment of the significance of this flight is to be found in the exchange of messages of greetings on this occasion between President Radhakrishnan and President Ayub Khan. In a real sense this performance gives a measure not only of the tremendous strides made by commercial aviation in India but also of the severe handicaps under which the pioneers and the earlier operators had to labour hard. When Mr. Tata took his pioneering flight thirty years ago with a bag of mail in the mono-engined Moth, there were no radio facilities and air flights were very much of a gamble in the air. Today the situation has radically changed.

During these three decades India has proved by the position which she has occupied on the air map of the world that she has fully justified her geographical and climatic suitability for aviation in a high degree. Air-India today runs a daily service to London and Washington and, besides, it links this country with 25 important cities in 21 countries of the world with different frequencies in the week. This is not its only achievement that can be placed at the top. It has set high standards in every single respect and, in particular, in respect of punctuality and service to the customer. It bears comparison with the scheduled operators of any of the advanced countries in civil aviation. Its capacity for transformation in keeping with the rapid progress of technology is amply demonstrated by its switch-over to an all-jet service of which not all the international operators can boast. The scheduled service which was started thirty years ago was demostic in its area of operation. But paradoxically enough, it is the international wing of India's civil aviation — Air-India — and not the Indian Airlines Corporation which is the real successor to the original domestic airline. It was on the advice of Mr. J. R. D. Tata that Air-India International and the Indian Airlines Corporation were retained as two distinct entities, when the nationalisaion Act was passed by Parliament. This bifurcation has enabled the former to maintain its high traditions. The pressure for the amalgamation of the two has been revived recently, but Government would do well to resist it as it did on prior occasions.

Southern Rhodesia

MAKING AMENDS

BRITAIN WHICH has earned high esteem for the political foresight and generosity with which she expedited the process of the liberation of her colonies in Africa can still rectify her policy of drift in Southern Rhodesia and make amends for the blunder which has been committed. It is pointless for her to cling to the contention that Southern Rhodesia is self-governing and, therefore, there is nothing that she can do to interfere with that country's discriminatory legislation against the African nationals. The theory of the self-governing status of Southern Rhodesia has not been accepted by the US Trusteeship Committee and it is clear that a system of government which is based on the rule of the minority with a subordinate position to the majority of the citizens cannot be regarded as a system of self-government.

The ban which has been imposed on the Zimbabwe African People's Union (ZAPU) and the restrictions which have been clamped on its leaders by means of detention without trial are untenable inasmuch as the alleged acts of violence attributed to it have not been proved and they have been emphatically denied by the leaders of the party. Legally, no new party can be formed by the leadership of the ZAPU professing the same creed and in the result Mr. Joshua Nkoma has taken the bold stand of defying the ban and running the organisation in spite of it. The new constitution is rejected by the majority of the African citizens in Southern Rhodesia for the obvious reason that it seeks to perpetuate the rule of the minority of whites and the promise of gradual conferment of full constitutional rights on the African majority is not acceptable to them for very obvious reasons. In this situation the emergence of the People's Independent Democratic Union (PIDU), as a party of African nationals willing to accept the constitution and prepared to participate in the projected elections, speaks for its real origin. It cannot be argued by any stretch of imagination that PIDU is genuinly representative of the African majority and the contention is hard to refute that it is propped up by the white minority.

The forthright course for Britain would be to appreciate the fact that a constitution of this variety cannot be sustained without creating an explosive situation which may let loose the forces of racial hatred and bloodshed at any moment. The proper course would be to face the opposition of the minority now in supreme command of the affairs of the State and to hold, as the UN Committee urges, a fresh conference to decide the question of a new constitution. The condition precedent to this is the release of the leaders of ZAPU and lifting of the ban on that party. Sir Hugh Foot's resignation from the British delegation to the United Nations ought to be taken as a courageous and sincere warning to Britain against the untenability of the stand which she has taken on Southern Rhodesia. There is still time to take the just and proper action and to prevent an avoidable internal strife in that country.

Scheduled Tribes

EFFECTIVE PROTECTION

THE CHIEF SECRETARIES of the State Governments who will meet in conference here in the second week of November will have on their agenda, among others, the specific question of providing more effective protection than hitherto to the scheduled tribes in respect of their property rights and general welfare. This appears to be in pursuance of the keen realization that the safeguards granted on paper are not fully translated in practice. It is somewhat surprising that the special measures which have been agreed to be taken about these tribes are virtually ignored in some of the States where there are large concentrations of their population —for instance, Orissa. The traditional rights which they hold to landed property and in respect of forest wealth have been recognised on the strength of custom, but in the land surveys hardly any attention is paid to leave them untouched. Complaints to this effect have been endorsed by the Commissioner for Scheduled Castes and Scheduled Tribes in his annual reports. Likewise the scheduled tribes are found to be the victims of the machinations of moneylenders indulging in usurious loans. This, too, is very surprising since in most of the States legislation has been passed to ban usury. If the victimisation still continues the plain inference to be drawn is that the law is not being enforced for lack of complaints being brought before the courts due to the ignorance or fear complex of the people.

It is suggested by the Home Minister who has convened the conference that legislation should be passed to take effect by 1964 to provide firm protection to these tribes against their present unfair treatment. As the case of usurious loans underlines, a greater significance ought to be attached to the enforcement of the law. The outlay on projects of welfare for the scheduled tribes (and castes) has increased nearly more than threefold between the First and the Third Plans. This is an indication of the earnest desire of the Government to direct resources for the promotion of the well-being of this backward class. But it is problematical how far the outlay has been effectively utilised for the purpose for which it is budgeted. In future stricter vigilance will need to be exercised on the use of the funds so allocated. A policy of making allotments of special additional funds for the two groups of backward classes is to be enunciated. But this too will require strict administration. To do greater justice to the scheduled tribes who are more backward than the scheduled castes, wherever there is a combined percentage of reservation of services for two, a separate percentage is to be fixed for the former. The same principle is to be applied to their representation in the local self-governing institutions. These measures will produce enduring results provided they are accompanied by intensive programmes of education for these tribes and their awakening to assert their rights.

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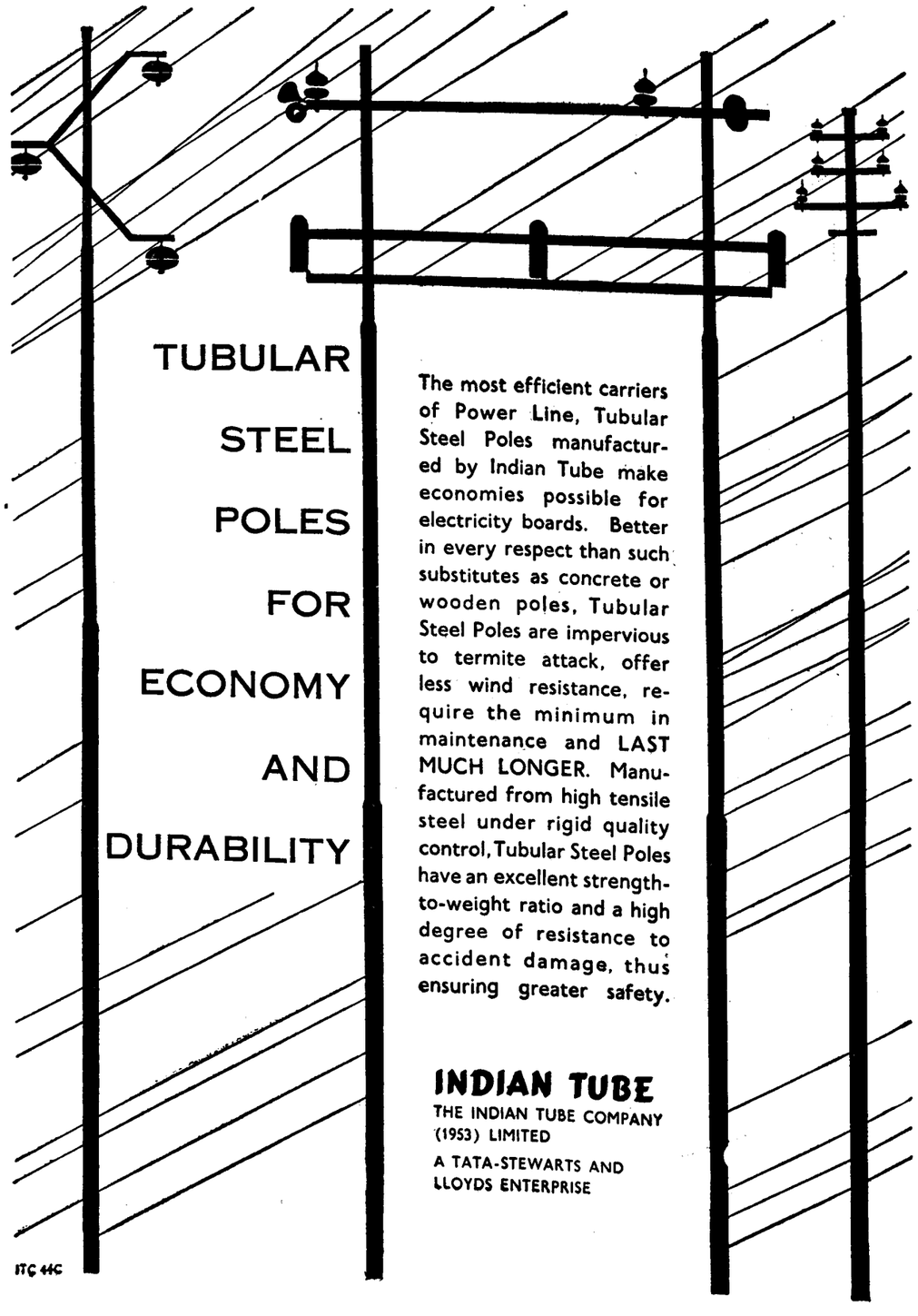
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The World Abroad

WHAT STARTS ECONOMIC GROWTH?

By ODYSSEUS

THE ATTAINMENT since World War II of independence by many low-income countries, which have expressed the vehement and natural desire to raise their incomes, taken together with the failure of some industrialised countries to keep pace with the dynamic growth of others, has turned the attention of economists to the problem of growth. How does growth start in an undeveloped economy? How is the pace quickened in a developed one?

Three exceptionally interesting new books deal with aspects of this problem and illustrate the enormous progress in clarifying the facts which has been made in the past fifteen years. They are "American and British Technology in the 19th Century" (Camb. Univ. Press. London. 32 sh. 6d.), by Professor H. J. Habakkuk of Oxford, "Factors in Economic Development" (Allen & Unwin. London. 35 sh.), by Professor A. K. Cairncross, formerly of Glasgow University and now Economic Adviser to the UK Government, and "On The Theory of Social Change" (Dorsey Press. Homewood, Illinois. USA. $7.50), by Professor E. E. Hagen of the Massachusetts Institute of Technology.

The first point that emerges from these three authorities is that growth does not spring primarily from capital investment. Technological change is responsible for a far greater increase in productivity. This was clear to the first great modern student of economic growth, J. A. Schumpeter, who said in his "Theory of Economic Development" that although the slow and continuous increase of national supply of productive means and savings is obviously important, development springs overwhelmingly from employing existing resources in a new way, irrespective of whether or not those resources increased.

CAPITAL INVESTMENT?

Professor Cairncross suggests that one reason for the widespread belief in the absolute need of capital for growth was that in those countries of Europe, which suffered extensive physical damage during the war, as well as arrears of repairs and maintenance, capital replacement in these particular countries was urgent, but where these special conditions do not apply, the need for capital must be seen in the perspective of technological advance. Adam Smith understood the importance of technological change, but Professor Hagen observes that his successors gradually turned their attention from it, in order that, by limiting the complexity of their analysis, they could reason more certainly about the remaining factors. Exposition after exposition assumes absence of technological change for the sake of simplifying the argument. As a result, in the formal body of theory, income per head rises only because of capital formation.

Professor Hagen points out that quantitative data support Schumpeter's theory. Of the increase in output per man hour in the USA from 1909 to 1949, it is estimated that not more than 13 per cent was due to increase in capital. About 87 per cent was due to technological advance. This means that if there had been no increase in the quantity of capital used per worker, and if changes in plant had been made only by replacing equipment as it wore out with new equipment, embodying new ideas, the USA would still have enjoyed 87 per cent of the increase in output per man hour that it did. Only 13 per cent is attributable to increase in the quantity of physical equipment used per worker. The point becomes even more dramatic if put the other way round. If the quantity of capital per worker in the USA had been increased as much as it actually was, but without the introduction of new methods, the increase in output per man hour would only have been 13 per cent of what it was!

It is interesting to note that the views of Professors Cairncross and Hagen on what does NOT make for economic growth in underdeveloped countries broadly coincide with those expressed by Colin Clark in "The Eastern Economist" of August 10, and with Our Special West European Correspondent's criticisms of Rostow's "Take-off" theory in the same issue. Professor Hagen shows that if we want to find out why growth starts, we must consult psychology and anthropology, rather than economics. The importance of his book is that, being himself an established economist, who spent two years in the field as economic advisor to the Burmese Government, he returned to the USA dissatisfied with the economic explanations of growth — none of which, he had found, explained why Burma's economy was growing at so discouraging a pace — and decided that he must look elsewhere for the true causes. The resulting combination of economics, psychology, and anthropoly, is erudite, stimulating, challenging, and packed with human interest.

The first economist who tackled the problems of undeveloped countries after the war assumed that any barriers to growth must be economic. They reasoned that almost all individuals in all societies seek higher incomes, and therefore, naturally, improved methods of production. Since knowledge of improved methods is now available to all, people in all countries should be improving production rapidly. But they are not. What prevents them? Since all people desire higher incomes, the barriers are not in themselves but are economic. Hence the economist's job was, they reasoned, to identify the barriers.

INABILITY TO SAVE?

One theory is that of the vicious circle of low income and inability to save. Because income is so low that almost no saving is possible, capital formation is impossible. Therefore, methods remain primitive and incomes low. The circle is: low production, no surpluses for investment, no tools, no equipment, lowstandard of production. Or as Professor Ragnar Nurkse said: "On the supply side, there is the small capacity to save, resulting from the low level of real income. The low real income is a reflection of low productivity which, in turn, is due largely to lack of capital. The lack of capital is a result of the small capacity to save, and so the circle is complete."

This hypothesis may seem axiomatic to a Westerner, for he may feel that at the level of income in an average Asian country, he himself could not live, much less save. At such low incomes, he assumes, all income must be devoted to keeping alive. This, however, is subjective reasoning. Observation of the income structure of low income countries shows that their distribution of incomes is more unequal than in high income countries, especially if the comparison is made after payment of direct individual taxes. It follows that if the mass of the people in low income countries have enough to live on, then the higher income groups are, a fortiori, able to save if they wish to. Observation also shows that even the lower income groups either save some fraction of their incomes or spend it on purposes unconnected with mere keeping alive, e.g. on village festivals, weddings, or on silver anklets, or other adornments, for their wives, or on contributions to temples.

Professor Hagen also reminds us that low income societies often maintain sizeable armies, and, he might have added, many keep up national air lines, circling the globe at vast cost to their tax payers, for the sake of prestige. A society which supports a sizable army (and|or a national air line) could, if it chose devote resources to investment. It is true that there is a subsistence level, below which life is impossible. This, in precise terms, is a level at which deaths equal births, so that total population remains unchanged. The masses in many low income countries must not be far above this. Yet at present income levels, observation shows much spending not at all related to the physical necessities of life. Given the incentives, therefore, the people could have enough to finance the investment needed for a rising income per head.

Another vicious circle argument is that demand is inadequate to justify investment in improved methods. More efficient plants have, it is said, a minimum efficient capacity. Because incomes are too low, the market is not big enough to provide a market for this capacity. So there is no inducement to invest. Without investment, productivity does not increase and incomes do not rise. Professor Hagen retorts, however, that while there is little demand for some products, there are many products already in use for which low income countries do provide markets adequate for factories using modern methods — sugar, rice or flour milling, sandals, umbrellas, textiles, cigarettes, sweets, and many agricultural manufactures. The first textile mill was set in India over a century ago. If more large scale factories are not set up in developing countries, this is probably not because of the size of the market, but because large factories involve radical social changes, and non-traditional entrepreneurial skills in management, selling, and labour relations, which are lacking or in inadequate supply.

Another favourite economic explanation of slow growth is the absence of social overhead capital or infrastructure — roads, railways, power stations etc. — which serve not one but many industries and which therefore provide a springboard for advance over a wide front. Growth is blocked, it is argued, because low income countries cannot afford the huge lump investment for the large projects, which are a necessary base for other projects. While, however, no one disputes that a big infrastructure helps further growth, historically in England where the Industrial Revolution originated the construction of roads, canals, and railways, did not precede, but follow, an increase in the demand for coal, timber, and so on in urban centres. The demand is evidence of growth already proceeding.

Having run through the foregoing (and several other) popular economic explanations of barriers to growth, Professor Hagen has cleared the path to his investigation of the factors that cause a traditional society to become one in which economic growth occurs. He asks why traditional societies are so changeless and stable, and he explains how psychological and social factors can emerge which make for change and growth. He illustrates his argument by reference to the economic histories of the UK, Russia, Japan, Burma, and Colombia.

I will outline his findings next week.

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The European Scene

THE FRENCH POLITICAL CRISIS

From Our Special West European Correspondent

PARIS, October 14.

OF the three meetings that have been fixed in Brussels for the next round of the UK-Common Market negotiations, the first (Oct. 25-27) will take place on the eve of a referendum in France that will decide whether General de Gaulle stays at the helm; the second (Nov. 15-17) during a French election campaign that promises to be the most important and uncertain since 1956; and the third (Dec. 10-12) just as France has a new government, which could be of very different composition to the present one. It is of course unfortunate that one of the parties to the negotiations (in a sense, the most important party, in that it is Paris that is opposing most vehemently the British suggestions about trade in Commonwealth produce) should be going through a period of political indecision at this crucial time. It had been feared that the constitutional crisis in France would delay the progress of the talks, and indeed a weaker regime would have pleaded the uncertainty of its mandate as a reason for postponing taking far-reaching decisions before December. In fact, the calendar will be respected unless, against all probability, the first vote, the referendum, produces a majority against de Gaulle, in which case the talks will have to be suspended for a month at least.

A surprise is more likely in the second vote, the general elections, in which event the parties in Brussels would find themselves with a new French delegation for the December meeting. It is far from sure, even so, that any new French government would take a different line in these negotiations from that set down over the past 18 months. The French doctrine on the purely economic issues involved is largely a non-party one, despite all the gratuitous speculation about President de Gaulle's personal attitude to Britain's entry into the Common Market. A new ministry, one that was more responsive to popular pressures than to the general's wishes, would be less inclined to make concessions to Britain in such matters as trade in foodstuffs and sensitive products, for these are questions that affect the standard of living of influential sections of the electorate. The real opposition to granting British and Commonwealth food and other goods favoured access to European markets comes from the peasantry, from business men and the trade unions, rather than from the Elysee. Nor is there any evidence that the French electorate is more anglophile than the supposedly anti-British general. On the contrary a poll taken last month by the French Institute of Public Opinion revealed that 40 per cent of citizens favoured closer relations with West Germany and only 25 per cent preferred intimate collaboration with Britain; the 35 per cent who had no views on the question were, it will be noted, fewer than the cohorts of the Franco-German alliance.

So much for the tale that the Bonn-Paris "axis" and the insistence that Britain sign the Rome Treaty without major change are reflections of de Gaulle's personal policy which a more popular ministry would reverse. In fact, the coalition that is now massed against de Gaulle is composed mainly of European integrationists, who have a conception of European unity that is distasteful, indeed completely unacceptable, in London. Unable to lower the economic price of British membership, they would raise the political price. London would be placed in an embarrassing position, because this same integrationist coalition is also fervently loyal to NATO and to American leadership in Europe, and would thus enlist Washington's support for its plans even more easily than General de Gaulle has been able to do. Though the general, with his suspect designs, has long been the target of the British Press in the Common Market controversy, a Europe that was unifying in the way he opposes would be a much less comfortable place for the British, to precisely the extent that it would be a more convenient ally for the Americans. However, the issue of Europe's political unity is not among the questions at stake in the current French electoral battle, and the crisis could run its course without the evolution of that affair being affected.

Unable, then, to find a pro and an anti-British side in the contest, a section of the British Press has drawn the moral that the eruption of this crisis shows the dangerous instability of the partners Britain will have in Europe. In reality, the instability is on the other side of the Channel, and it is the Continentals that regard with apprehension the divisions of British opinion, as foreboding the entry of an unreliable partner into their association. At best, Mr. Macmillan can patch up an agreement in Brussels and then win elections against Labour's opposition, so that he would have to govern with a narrow majority; at worst, Labour could win the elections and then repudiate (or interpret restrictively) the Brussels accord. Either way, Britain will be a more unstable member of the European association than the France that is likely to emerge from the present electoral struggle.

Of course, the divisions in British opinion, however stark, refer only to the one question of co-operation with Europe, whereas the French, while in general agreement about the stand to take at Brussels, are divided about the very structure of their state. How grave is their constitutional crisis and what chance is there of it having repercussions on their own, and hence West Europe's, economic security? To appreciate that, one has to divest the dispute of all the vast exaggeration the French habitually bring to their political disagreements, and also to set the general's proposals in the peculiar context of the French multi-party system. Most people had expressed themselves satisfied with the working of the 1958 constitution and indeed the measure of France's economic recovery, the solution of the Algerian affair and the evident preservation of her liberties testify to its compatibility with a progressive and free society. De Gaulle's opponents pay him the generous compliment of saying that all this is due to his own liberal temper, and that matters might be much less favourable if his high post were occupied by a lesser man. The general replies modestly that anyone would do as well provided he enjoyed popular support, which he himself had because of his past and which another could secure by means of election by universal suffrage. So he suggests a single amendment to the constitution, that would replace the 80,000 local worthies that elected him, by the totality of the French people. Nothing else in the constitution will be changed, the balance of powers between the president and parliament will not be affected, the new mode of election will apply only to his successor, and in any event will not be introduced unless approved by the nation in a referendum. Nothing, he claims, could be more innocent or more democratic.

Unfortunately he chose to forward this scheme by means of a technical irregularity (or what might be one; the jurists cannot agree). Instead of having his amendment approved first by parliament and then by the people, he asked the people alone to endorse it. The people would have had to be consulted in any case; the deputies are objecting to being short-circuited. Not that they would have been able to prevent the amendment for long (fresh elections could have produced a majority favourable to the proposal) and they might not even

have tried to do so. So the violation of the constitution is purely technical, if it exists at all; de Gaulle replies that, being under sentence of death from the Secret Army fanatics, he had to choose the most expeditious course to guarantee a successor (who might be called on at any moment to take over) a moral authority equivalent to his own. Even the pettiest violation of the constitution, reply the old parties, is a bad precedent. This is an unexpected stand for deputies who have repeatedly violated every constitution that has ever been entrusted to them (and not pettily, but grossly), and who violated the present constitution with a clear conscience just lately in granting Algeria an independence denied her by the written law. And since the precedent that is being set concerns consulting the people on a matter that directly interests them, it might not seem so pernicious. However it is on this slender technical basis that the deputies are building their tower of juridical rhetoric.

Leaving the legal texts to whom it may concern, and looking at the realities of French political life, it is plain that the constant danger, the natural inclination one might say of the French, is to fall into the hands of assemblies divided into a dozen powerless parties, unable to agree on anything except the negative task of overthrowing governments. The supposed Bonapartist danger in this country exists only when such assemblies have been allowed to have their way and reduced the nation to confusion and disorder: Napoleon I came from the revolutionary imbroglio, Napoleon III from 1848, and de Gaulle (supposing there is any comparison) from the collapse of the Fourth Republic. Far from parliaments opposing adventurers, it is only parliaments operating in the sterile multi-party system that give them their chance. It is toward such a renewed parliamentary confusion that France would drift after de Gaulle, in the absence of a president armed with comparable moral authority. With a weak president, elected by a narrow college of notables, the letter of the constitution would make no difference, and the parliamentary factions would re-assert themselves, with results no doubt as degrading as in the Fourth Republic.

On paper, de Gaulle's successor will have powers that would make him unique in advanced democracies. He would have the prestige of popular election, the right to dissolve parliament once it was more than a year old, and the power to appeal to the people by referendum (provided he had a government enjoying the confidence of the elected assembly). Folk who imagine that dictators rely on texts, see in this accumulation of powers an invitation to adventure. Yet it is probably no more than the executive requires to maintain the State in a nation incapable of reducing the multiplicity of parties. (Incapable so far: the presidential elections might well offer the hope of polarising parties into two or three coalitions.) Underneath the eloquence about violation of the constitution and the dictatorial danger, there is the familiar struggle beween the French people's wish for a coherent executive and its affection for a patchwork of unorganised political parties.

TWELFTH ANNIVERSARY ISSUE

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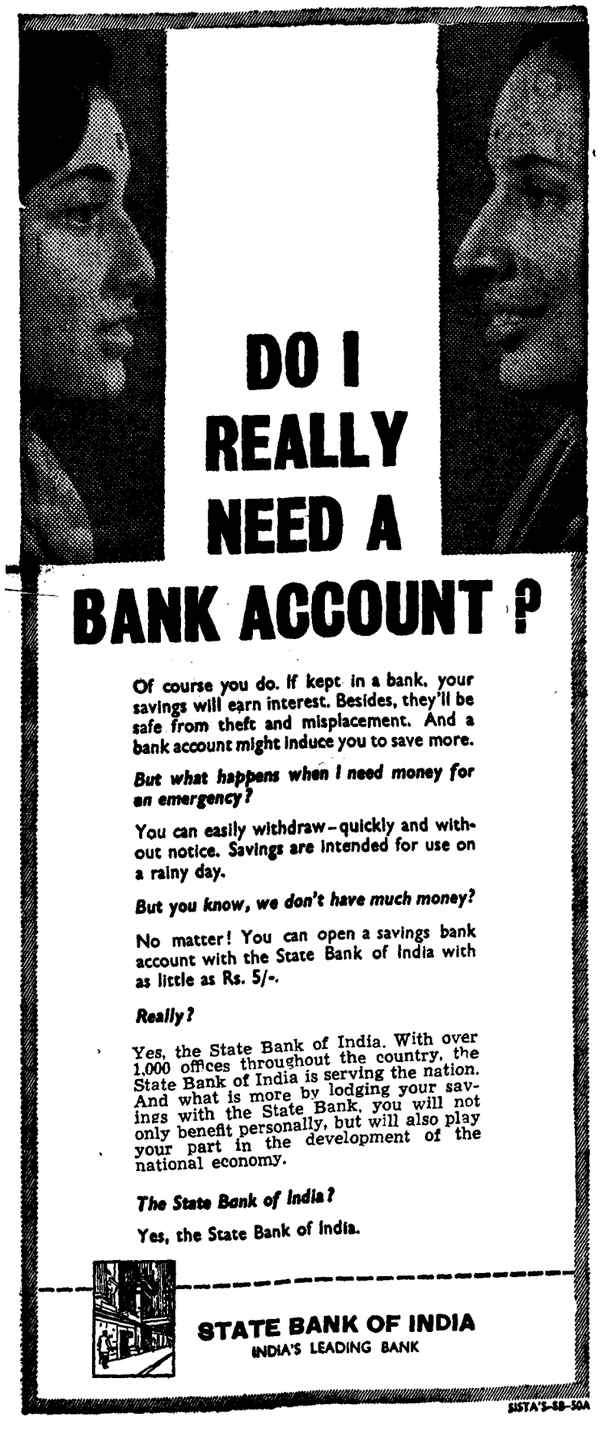
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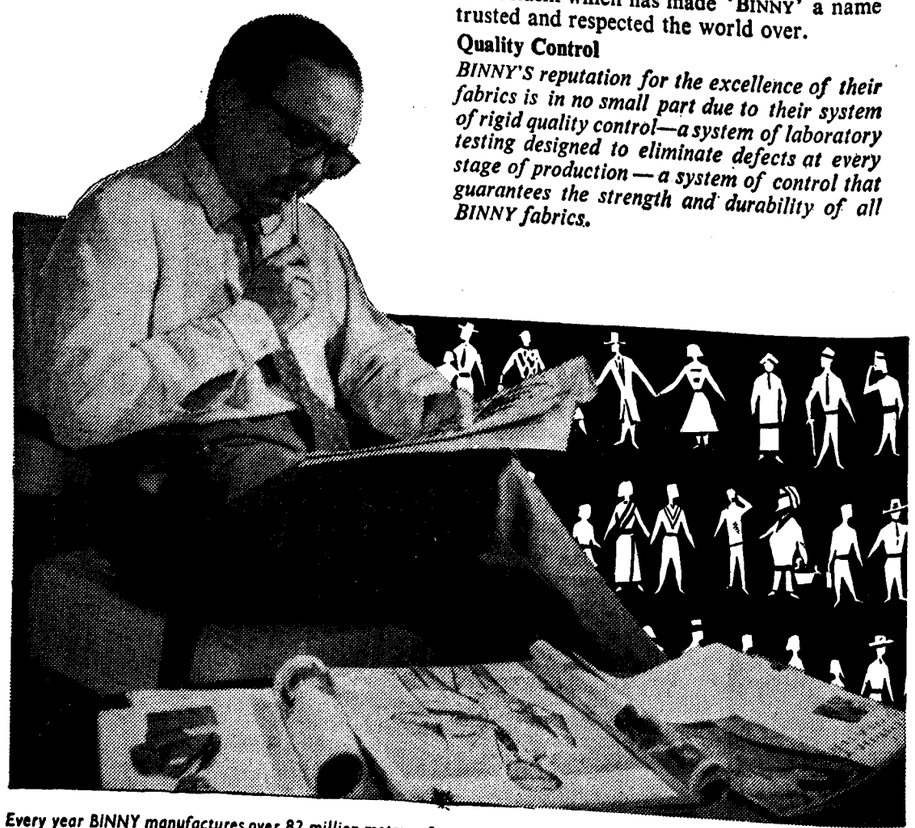
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Economic Report from the U.S.

SKILLED LABOUR AND ECONOMIC DEVELOPMENT

By GUY SIMS FITCH

PUERTO RICO, October 15.

As nations in all parts of the world wrestle with problems of economic growth and development, one conclusion has come to the fore with dramatic impact. A trained work force is an essential element in development planning. Without it neither capital nor physical resources can be utilised adequately, and development progress cannot proceed with sufficient speed or effectiveness. Indeed, experience indicates that less than half of the development of the average industrialized country can be attributed to capital investment, important as is this development component. More than half, on the other hand, seems to be the result of increasing manpower skills to put advancing technology to fruitful use.

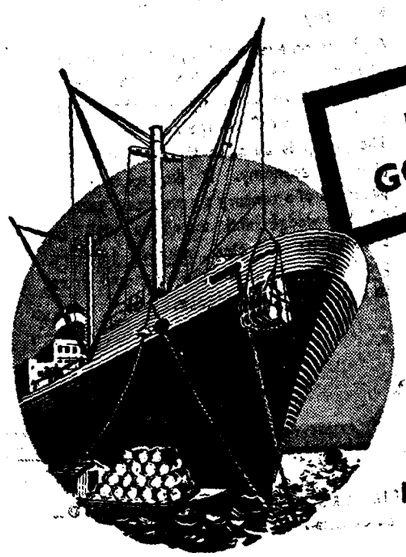
It is because a shortage of skilled workers has emerged as a major obstacle to the national aspirations of developing lands for economic and social progress, that the United States has called for a high-level International Conference on "Human Skills in the Decade of Development." The Conference, held in Puerto Rico between October 10-12 has drawn high-ranking delegates from more than 40 countries, both industrial and developing. This is a good indication of the importance attached to it.

The significance attached to the problem of worker's skills affects a country's entire socio-economic structure. It arises most obviously in relation to the manning of specific facilities and the use of productive resources, such as factories and mines, farms and public utilities. But it also involves the status and improvement of the educational system, and it extends equally to the social components, such as health and housing programmes, which are an integral part of total development progress. This problem is especially significant for countries that have, or look forward to having, rapidly changing economies. For them, the past is not necessarily a sure guide to the future. New technology and new industries are likely to require future work forces quite different in composition from those of the past or present. For effective use of manpower resources, then, developing country should have some idea of what skills it has available in its labour force and what skills it is likely to need at various stages of industrial and agricultural advancement. This suggests that programmes set up for the education and training of manpower can be most effective when they are geared to over-all national development planning.

This indicates a primary need for *self-help* programmes in the manpower field, no less than in other fields of economic and social development. But developing countries can be helped in this by the efforts of industrial nations to assist them in setting up these programmes and in offering initial guidance and instruction. The activities of the US Peace Corps is indicative of what can be done along these lines.

The developing countries also can be helped by learning from the occupational patterns of industrial countries, and even from those of other developing ones, and in which progress has been more rapid. Due allowance has to be made, of course, for the special factors indigenous to each nation — its own particular requirements, customs, resources and characteristics.

In examining the need for skilled workers in developing countries, the strategic importance of middle-level manpower is apparent. These skilled workers, be they mechanics or farmers, teachers or nurses, are to a large degree to ones who actually must develop a reality by translating plans into constructive action. It is the kind of action on which the highly educated, top-level professional and administrative leaders depend, and which the unskilled labourer is incapable of performing. Yet it is in this very sphere of middle-level manpower, where the need is greatest, that developing countries encounter their most pressing shortage. It is heartening, then, that the Conference here is focusing its attention on the training and utilization of manpower as an essential ingredient for an accelerated economic and social progress of developing nations.



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Special Article

NATIONAL INCOME: A POOR START

THE quick estimates of national income for 1961-62, released by the Central Statistical Organisation last week, indicate not a happy start for the Third Plan. This overall indicator of the nation's progress pointed out that the rise in the total supply of goods and services in 1961-62 over 1960-61 was only a little more than 2 per cent. Table I below highlights the sectors in the economy which have not fared well. The major failure occurred in the case of agriculture which showed a decline of 0.3 per cent over the preceding year. The performance of the mining and factory establishments, though the second best amongst all the major contributors, was also not encouraging in relation to the dynamic impulses generated during the past decade; on the average, this particular sector exhibited a rate of growth of about 10 per cent per annum. During the year under review, its rate of rise fell to 6.7 per cent. Since the tertiary sector normally draws its inspiration in operations from the performance in the primary and secondary sectors, it was natural to expect a stagnant rate of rise in the tertiary activities as well. The last column in Table I indicates the contribution to the overall percentage rise sector-wise. It shows that, while mining and factory establishments made the second best contribution, agriculture produced a negative effect. It was primarily the "other sectors" — services and other tertiary activities — which accounted for nearly half of the increment in the national income because the growth of these sectors depended upon the "planned expenditure" and not upon the primary or the secondary sectors.

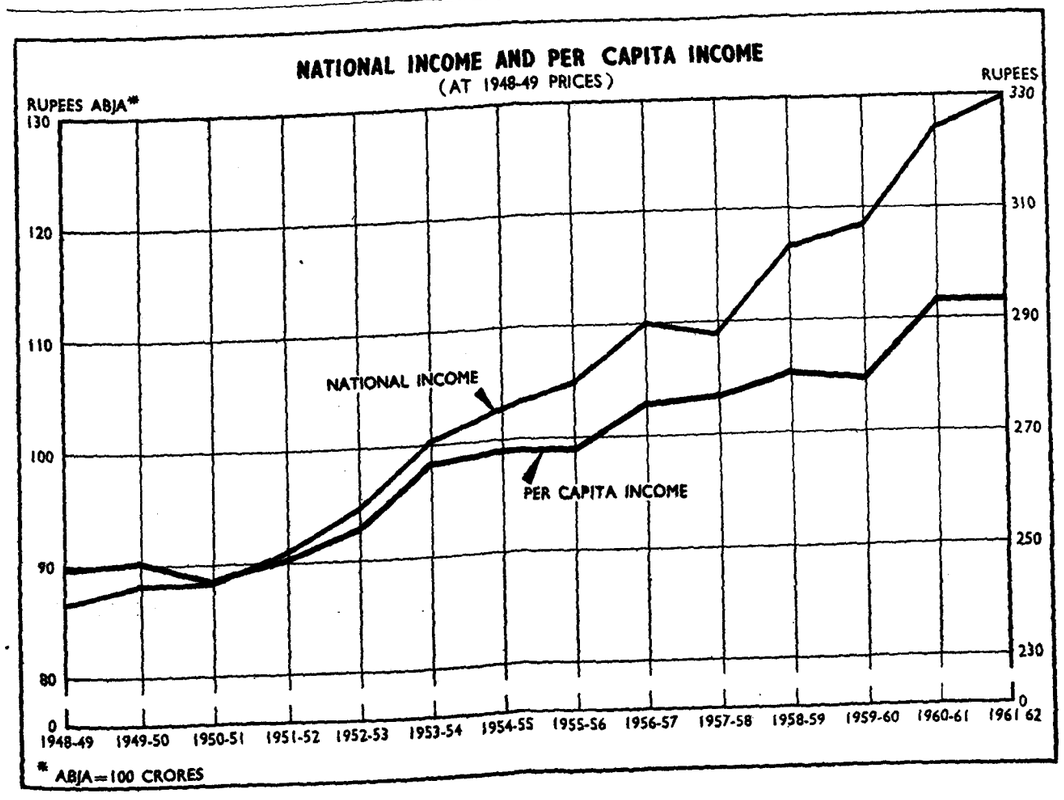
TABLE I.

CONTRIBUTION OF INDIVIDUAL SECTORS TO NATIONAL INCOME

(At 1948-49 Prices)

Sector	Percentage contribution to total national income 1960-61	Percentage change in 1961-62 over 1960-61	Contribution to the overall percentage rise in 1961-62 over 1960-61
1. Agriculture (proper	39.2	(—)0.3	(—)0.1
2. Mining and factory establishments	9.2	6.7	0.6
3. Communications	0.5	5.2	neg.
4. Railways	2.5	6.6	0.2
5. Organised banking and insurance	1.0	12.6	0.1
6. Other commerce and transport	15.3	3.7	0.5
7. Other sectors	32.3	2.9	0.9
All Sectors	100.0	2.2	2.2

This gloomy start of the Third Plan imposes additional burdens on the succeeding years in the sense that, if the broad objective of attaining more than 30 per cent rise in the national income during the Plan is to be achieved, in each year during the next four, the economy will have to exhibit the dramatic rate of rise of 7 per cent per annum. It is to be conceded that there have been certain years during the last decade when the national income in real terms did rise by more than 7 per cent and there is every possibility of the economy showing an improvement over its past performance in some years, particularly if the monsoons shower their



blessings. But as things stand today, the chances for the economy to make up the loss are slender. Already there are indications that the Plan will have to be pruned because of various shortfalls — particularly of foreign exchange — and, therefore, it is patent that the economy may not tread the path set forth in the Third Five-Year Plan.

Table II and the graph bring out in a dramatic manner the degree of stagnation registered in 1961-62. The provisional estimates of per capita income (at 1948-49 prices) in 1961-62 at Rs. 292.5 remained the same as for 1960-61. In other words, all the increase in national output was offset by the rise in population making the nation's standard of living static, on the average. This is indeed disturbing, though even during the Second Five-Year Plan, there were certain years when the static character of nation's level of living was witnessed. The major stumbling block continues to be the agricultural sector, as indicated above; unless something drastic is done, the picture may not take a sanguinary look.

Certain non-official estimates during the last week tried to impress the student of economics in this country by making out a case that the real rise in national income was only 1.9 per cent and not 2.2 per cent as indicated by the Central Statistical Organisation. The difference between these two estimates is not so large as to cause a stir, especially when both the official and the non-official estimates are based on meagre evidence in the tertiary sector in particular. The unofficial estimates, however, deepen the gloomy colour of the economy without making any positive contribution to our knowledge. Another fact which must be taken into consideration is the degree of margins of error to which the estimates for each one of the sectors is subject. Table III below, taken from the final report of the National Income Committee, shows that for many sectors the estimates prepared by the Central Statistical Organisation might be wide of the mark by 33 per cent. The unofficial estimates are not in any way better. When the margin of error in the particular sectors is so large, a small difference of 0.3 per cent between the official and the non-official computations ceases to have any real meaning.

TABLE II.

NATIONAL INCOME AND PER CAPITA INCOME

(At 1948-49 Prices)

Period	National Income		Per Capita Income*	
	Rs. Billion**	Index Numbers (Base: 1950-51 : 100)	Rupees	Index Numbers (Base: 1950-51 : 100)
1950-51 ..	88.5	100.0	247.5	100.0
1951-52 ..	91.0	102.8	250.3	101.1
1952-53 ..	94.6	106.9	255.7	103.3
1953-54 ..	100.3	113.3	266.2	107.6
1954-55 ..	102.8	116.2	267.8	108.2
1955-56 ..	104.8	118.4	267.8	108.2
1956-57 ..	110.0	124.3	275.6	111.4
1957-58 ..	108.9	123.0	267.4	108.0
1958-59 ..	116.5	131.6	280.2	113.2
1959-60 ..	118.5	133.9	279.0	112.7
1960-61 .. (Preliminary)	126.9	143.4	292.5	118.2
1961-62 .. (Provisional)	129.7	146.6	292.5	118.2

* Based on 1941, 1951 and 1961 population census figures.

** 1 Billion = 1,000,000,000.

TABLE III.

SECTOR MARGINS OF ERROR

(Conventional Series)

Sector	Per cent
1. Agriculture, animal husbandry and ancillary activities	20.0
2. Forestry	25.0
3. Fishery	25.0
4. Mining	10.0
5. Factory establishments	10.0
6. Small enterprises	33.3
7. Communications (post, telegraph, and telephone)	10.0
8. Railways	10.0
9. Organised banking and insurance	10.0
10. Other commerce and transport	33.3
11. Professions and liberal arts	33.3
12. Government services (administration) ..	10.0
13. Domestic service	33.3
14. House property	33.3

That the conventional estimates inflate the national income was disclosed by the National Income Unit of the Central Statistical Organisation in a publication released last year. "The Eastern Economist" carried a Special Article in its issue dated November 10, 1961, pointing out that the new series fell within the broad margin of 10 per cent stipulated in the final report. The fact to be noted was that the revised estimates were lower than the conventional series indicating that there had been a certain degree of overestimation in the computations.



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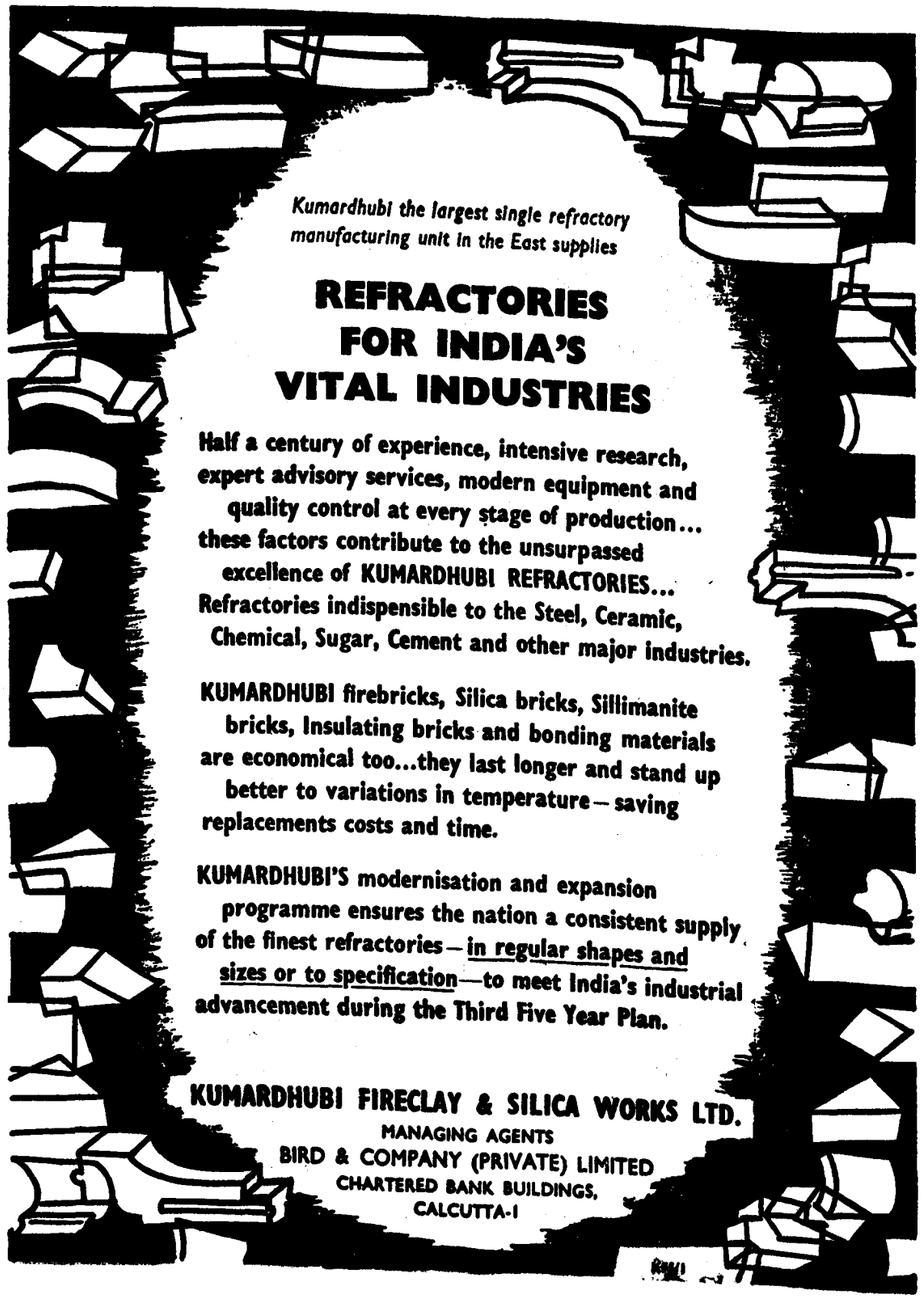
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THE BUSINESS WORLD

L.I.C. and the Madras Judgment

By CROESUS

AFTER the severe psychological impact on the insuring public of the recent Madras High Court judgement in connection with the settlement of a claim under a policy on the life of a deceased insured — N. Rajaratnam Nadar — the least that the Life Insurance Corporation could do was to pay the claim, although, technically, it was not required, as per the Court's orders, to do so, and to reassure the public at large and the policy-holders in particular that the L.I.C. regards it as its paramount duty to meet the just claims of every policy-holder. And, be it said to the credit of the Corporation, it has done both promptly enough. At a press conference, last week, the Chairman of the L.I.C., Mr. B. K. Kaul, disclosed that the Corporation had already settled the claim of Rs. 50,000 in respect of the late Nadar's policy. He also declared that "it is the firm policy and obligation of the Corporation to pay the just dues of policy-holders whose moneys are entrusted to its care."

In this connection, Mr. Kaul appealed to the public not to consider the Nadar business as a case to illustrate the intention and policy of the L.I.C. and explained at length the circumstances leading to the earlier repudiation of the claim. He pointed out that what had been repudiated was the claim in respect of only the 13th policy of the deceased, his other 12 claims having been duly settled on maturity. The repudiation in this case, it was pointed out, was "on the basis of available evidence in regard to suppression of material information and not on limitation — a plea which came up only at the Court stage." Unfortunately for the L.I.C. — but not altogether unjustifiably — the brunt of the criticism was that, after having itself slept over the matter for three years, it did not lie in the mouth of the Corporation to raise the limitation plea and on that ground to repudiate the claim. To many, it must have seemed, repudiation was bad enough, but raising the plea of limitation to repudiate (although the supression of material information was raised, it received relatively scant emphasis) was worse. It led many policy-holders (even existing, let alone the prospective) to apprehend that any pretext might be seized by the Corporation in future also similarly to repudiate a policy-holder's claim, and I have reasons to suspect this court case has distinctly slowed down the tempo of underwriting new business, especially in the Southern Zone.

Clearly, for any nationalised undertaking, this is a serious setback. Any false move may easily shatter public confidence, but to restore it is a really Herculean task. In a democracy, it is but natural that nationalised undertakings tend to be judged not so much by their achievements, where they exist, as by their lapses, if any. For example, people seldom speak of a train coming on or ahead of time, but lose no time in complaining of late arrival, even if it be only once in a way or a chance occurrence — not that this is the case yet in our country, though! All efforts must, therefore, be directed towards restoring public confidence in the L.I.C., which has a vital role in garnering savings, on the one hand, and aiding the country's economic development, both in the public and the private sectors, on the other. For this purpose, let me note down here the special points about the L.I.C. that Mr. Kaul stressed at his press conference, together with my comments on a few of them.

After spelling out the firm policy of the Corporation in regard to settlement of claims of policy-holders, the L.I.C. Chairman made it very clear that "on the plea of limitation, the Corporation is not ordinarily guided by considerations of the claim being barred by efflux of time in its decision to admit or repudiate liability" and that "many claims have been admitted and paid on the merits of the case "long after the period of limitations had expired!" According to him, thousands of families have received payments under life assurance policies, even though, in quite a few cases, claims were time-barred. One wished he had also given the number of such cases. However, he pointed out that, during the year 1961, the Corporation had paid out over 27,000 claims amounting to about Rs. 8 crores as death claims, whereas the number of claims repudiated during the year was only 334, being 1.24 per cent of the total number of claims.

Looked at purely from the human angle, the Nadar business has undoubtedly left a bad taste in the mouth. Although it is true the public did put up with similar cases of attempted repudiations before nationalisation of life insurance, it cannot be expected to do so now under a Socialistic Pattern of Society. Least of all, a public corporation is not expected to look at only profits, although the economists — spokesmen of the Socialistic Pattern of Society who once swore by it, do not seem to think so any longer — but also — indeed, more so —, the human aspect. Where a decision on mere technical grounds adversely affects a person, the argument goes, technical niceties should be ignored and the human element respected, even if this might entail a loss to the Corporation. This sort of latitude is understandable in cases — which, by the way, are a majority — where the policy is a small one and relates to a poor man whose only life's savings it may constitute, although, even here, one should be cautious in condoning deliberate acts of mala fide, if only in the interest of other similar policy-holders.

But I do not know how many have asked themselves the really relevant question whether the Nadar claim falls under the category of cases which ought to excite public pity on humanitarian grounds. Without batting an eye-lid, one can say, this does not constitute such a case, whatever may be the other principles involved. For, here is a policy-holder who could afford to take 13 policies, the last of which alone amounted to Rs. 50,000 and who had, at least prima facie (I say this, because the fact could not be conclusively established) stayed at a sanatorium, a fact he allegedly failed to disclose at the time of taking his last policy. Surely, when the investigating official came to know about it, it became his duty to apprise the Corporation and that of the Corporation, in its turn, to ask why the claim in question should not be resisted. But where the L.I.C. tripped up — and it did so very badly, I am afraid — was in taking its own time, so much so that limitation period for the policy-holder's nominees to put in the claim was over and in not having carefully cross — checked the records of all the previous 12 policies of the deceased. (Obviously the L.I.C. could not have done the latter, as it had still not come into being, but its predecessor

company should have done it.) The Corporation officers readily recognised this and Mr. Kaul, for his part, also did not hesitate to own up the lapse. Their assurances that there was no intention to victimise were good enough. What is more, besides what he stated at the outset, generally, that "since nationalisation of the industry and the setting up of the Corporation, a number of steps have been taken to review periodically outstanding claims and to ensure speedy settlement of claims which do not require time-consuming investigations", Mr. Kaul also gave a categorical undertaking that the Corporation would advise the policy-holder or his nominees in good time to enable the latter to contest the repudiation, if any, if it felt that such a step was called for.

A point that arises here is whether, even in case investigations are found to be necessary, so much time —as long as three years—is needed. From what the Corporation officials stated at the press conference, some claims require unduly time-consuming investigation. Delays, it was pointed out, occur mostly in early claims which are under investigation, on account of reasons beyond the control of the Corporation. Reluctance and even refusal of the part of various agencies — even hospitals, medical officers and others—to provide the necessary information to the Corporation and inadequate, and even absence of, co-operation from the claimants, it is stated, lead to inevitable delays in the settlement of those claims where it is essential for the Corporation to make thorough enquiries before it can part with its funds, which—and this is liable to be often overlooked —are after all a co-operative pooling of the hard—earned savings of lakhs of policy-holders. This charge of non-co-operation or inadequate co-operation on the part of certain quarters raises a new issue as to whether or not, whenever such investigations become necessary, all those whose evidence or services the LIC may deem fit to seek or requisition shall be statutorily required to extend their cooperation to the LIC.

Further, simply because, on account of some peculiar circumstances, the Nadar case put the LIC in a somewhat unfavourable light, the Corporation cannot afford to relax its vigilance. It is necessary, as Mr. Kaul himself observed, for the Corporation to exercise vigilance and see to the utmost extent possible, that claims, especially early claims which are considered to be fraudulent, or in respect of which material information has been suppressed, are not dealt with casually. In order to be fair to the larger body of its policy-holders, the Corporation ought to settle such claims only after convincing itself that the suppression of material information is of no consequence, or that the investigations do not provide proof of any such information having been suppressed.

It is surprising that all this should still be neces ary, after elaborate answers are given to the fairly searching questionnaire, which makes a proposer recall the history of not only his parents, brothers and sisters, alive or dead, but of all his ancestors before a policy is issued and a systematic medical examination also precedes it. But human nature being what it is, the answers are not honest and straightforward always, or, at any rate, in all cases. If one wants to withhold any vital information, no questionnaire or medical practitioner can elicit or get at it. It is also quite possible that, at the time of filling in the policy questionnaire or medical examination, a prospect may be perfectly normal case, or that he or she may be genuinely unaware of family illness. In either case, however, the consequences to the Corporation would be the same, in the event of something happening to the prospect after he or she has become a full-fledged policy-holder. In short, ever so many imponderables may supervene,even after every conceivable care has been exercised to see that nothing is allowed to go by default. It is not humanly possible to visualise every contingency in advance and so, perhaps, one must need go on improving and improvising all the time, but always keeping in view the essentially human aspect of the matter. After all, has not the LIC a lot to do with human lives?

Nagarjunasagar Project

THE projects assisted by the United States aid at once reveal the highly labour-intensive aspect of which the Nagarjunasagar Dam in Andhra Pradesh is a typical instance. As many as 30,000 people are working on it at present. This will be one of the tallest and the largest masonary dam in the world, but ironically enough one notices children carrying heavy loads which they under no circumstances should be allowed to carry. That labour laws should be flouted like that is really saddening. When work on the project reaches its peak, it is estimated that employment will reach 1,300 technical, 1,650 administrative, 10,500 skilled and 110,000 unskilled workers, a total of 123,450 persons. Apart from the employment of child labour, in the labour colonies no proper amenities exist in regard to public health and medical facilities.

So far as the construction aspect is concerned, the progress is rather slow. A project which was expected to be completed in 1968-69, it now seems, will be completed two years later. The work on this project started in 1955. So far, the construction of the dam has reached a height of about 150 ft. in the blocks in the flank portions and over 60 ft. in the spill-way blocks. The excavation of the main canals is in progress, but it is behind schedule. In terms of quantities, 45 per cent of the total work load for masonary dam, 36 per cent of the total workload for the exacavation of the right main canal and 30 per cent of the total workload for the excavation of the left main canal has so far been done.

Difficult terrain is said to be responsible for remaining behind the schedule. The cost of the project is now estimated at Rs. 91 crores in the first stage itself. And this has happened in spite of all the economies that have been brought into existence by way of replacement of concrete by cement mortar, procurement of surplus machinery from other projects and savings by departmental working and public participation. There is no denying that there has taken place a rise in wages and in the cost of materials, but not to the extent that it should warrant a drastic change in the estimate itself. Not long ago, the estimated cost of the first stage was put at Rs. 79 crores. The total cost of the project would be Rs. 140 crores. Obviously it seems that from the very beginning there has been no proper planning, but on the other hand incompetent execution. Formerly in matters of construction, a Control Board was in overall charge of the project including its technical, financial and administrative aspects, but with the taking over of the Administration by the State Government matters continue to be delayed. Then it is considered that mechanical devices from the very outset perhaps could have quickened the pace of the project, but versions differ on this matter. However, it is heartening to see that more of the mechanical devices are now being put into execution. As far as public participation is concerned, it is welcome. But there seems no justification for granting extra privileges to the Bharat Sevak Samaj. For instance, no security has been obtained from this body while granting the contracts which has been done in the case of contractors and the labour co-operatives.

The project in execution in the first phase consists

of the construction of masonary dam 364 ft. high and two canals, one on the right side for a length of 135 miles and another on the left side for a length of 108 miles, to irrigate in all an extent of 2.2 million acres, partly for paddy and sugarcane and other millets. Two flanking, earthfill dams, with a length of 6,500 feet will complete the main impoundings structures. The reservoir will have a capacity of 5,400,000 acre feet. The quantity of food production anticipated is 0.8 million tons per annum under the present phase of the scheme and 1.2 million tons in the ultimate scheme. The second stage involves the raising of the masonary dam by 40 feet taking it to 404 ft. The earth-fill dams in this stage will be raised by 45 ft. and the total storage capacity will be increased to some 9.2 million acre feet. Eight 50,000 kilowatt turbine generators will also be installed at the base of the dam as part of the Stage II development. Although a long way off, the hydro-electric development is expected to contribute 400,000 kw. of electric power to the State's severely limited supply when the second stage is completed to permit expansion of present and establishment of new industries. This then would help solve the unemployment problem to a considerable extent. The completion of the first stage would help in providing irrigation facilities to the waste and uncultivated land. The project no doubt has huge benefits in store for the people of this area, but the only complaint is that it is moving too slow. Cannot the State Government rise to the occasion and at least see to it that it is completed within a stipulated period? The project has received Public Law 480 assistance amounting to Rs. 29.5 crores. It now rests with the authorities concerned to give it the necessary tempo of execution.

Business Notes

Sugar

A WELCOME STEP

THE UNION Ministry of Food and Agriculture has shown commendable realism in withdrawing totally the 10 per cent cut on sugar production, imposed last year, in view of the huge carry-over stocks from the previous season, and only partially restored in U.P. and Bihar in May last to enable the industry to crush the surplus cane supplies. The withdrawal of the cut was warranted not only on account of the fears that the sugarcane crop this year—although the area under it has gone up further by about 92,000 acres—would be lower due to the adverse weather conditions that have visited the main cane-growing areas of North India, but also owing to the fact that a target of 5 lakh tons has been fixed for sugar exports during the next year. Domestic consumption too has shown more-than-expected increase and with nearly 3.6 lakh tons of sugar exports this year, the carry-over at the beginning of the next crushing season, starting in November, will not be much in excess of 7 lakh tons against a normal carry-over of 5 lakh tons.

The situation, especially in regard to exports, needs to be kept under close scrutiny for, if sugar output next year fails to reach about 27 lakh tons, it might have very adverse effects on the prices of the commodity in the internal market. The increase in the domestic demand for sugar next year may not be of the same order as this year because approximately two lakh tons out of the likely total increase in releases for internal consumption of the order of 4.5 lakh tons this year can be attributed to absorption by the trade pipeline after the removal of the price, distribution and movement controls on the commodity. Instead of the domestic consumption next year going up due to increase in population, it may even slightly show a decline. Even so it can be anticipated to be approximately 24 lakh tons. If exports next year have to be 5 lakh tons, production cannot be allowed to fall below 27 lakh tons. Only then the industry will be having a normal carry-over at the end of the next sugar season.

With near-normalcy having been restored now in the sugar industry, it is perhaps, time to abolish the one control that remains on it, i.e., the control on monthly releases. No doubt, releases during the past two months have been stepped up from 2.25 lakh tons to 2.5 lakh tons, but the recession in prices has not been of the warranted magnitude. The firmness which the sugar market experienced during the three months before the decision to step up monthly releases was taken, has not been wiped as yet.

E.C.M.

AN ANALYSIS OF U.K. MEMBERSHIP'S EFFECT ON INDIA

IN AN outspoken address to the Indian Council of World Affairs, Bombay branch, Mr. Woodrow Wyatt, the well-known Labour Member of the British Parliament, completely endorsed the nearly lone stand of 'The Eastern Economist' in this country that, apart from a transitional state of disturbance, India would, in the long run, reap the benefits of enhanced trade via the UK, if Britain should join the Common Market. India's trade with the UK, asserted Mr. Wyatt, would not be adversely hit by Britain joining the Common Market and proceeded to substantiate his statement by giving a break-up of the latest Indo-British trade figures. He claimed that, while 65 per cent of India's present exports to the UK would not suffer any adverse effect, some 16 per cent would actually benefit; for the rest, he felt, while the effect on 6 per cent of our exports was uncertain and 5 per cent might be adversely affected to some extent, only 4 per cent would really suffer.

This, obviously, is too pleasing a picture to be accepted readily. Moreover, from India's point of view, it is perhaps necessary not only to look at the problem as Mr. Wyatt has done (taking exports of individual commodities to the UK as percentages of her total exports to that country), but also to consider it from the point of view of what percentage of India's total exports the exports of a given commodity to the UK constitute. For example, while textiles might constitute less than nine per cent of India's exports to the UK, they constitute around 60 per cent of India's overall exports.

By and large, however, as Mr. Wyatt maintained, India would stand to benefit by Britain's entry into the Common Market, inasmuch as it would secure for India, as 'The Eastern Economist' has pointed out ere now, new markets which she never had before. The ECM with its 220 million rich people, to quote Mr. Wyatt, would indeed be a substantial market. The Labour MP also made the point that, after joining the ECM, Britain would become more prosperous, and, therefore, be able not only to buy more from India but also to give greater aid to her. He further seemed to convey, rather significantly, that, whether Britain joined the Common Market or not, India could not escape for long higher duties on her exports to the UK; on the much debated exports of textiles to the UK, already, he indicated, the same British interests who are opposing Britain's entry

into the Common Market, even as some sections in India, are now demanding imposition of tariffs on Indian textiles. In short, he opined, there was not much sense in India opposing the UK's entry into the Common Market. (In any case, it was too late, he added). On the other hand, he exhorted India to concentrate on capturing the expanded ECM market by a thorough re-orientation of her export promotion methods. And this, again, is what 'The Eastern Economist' urged as long ago as in July, 1961.

Bokaro Project

NEED FOR EARLY AID

BEFORE RENDERING any aid for the Bokaro Steel Plant, the Americans want to be satisfied that steel would be manufactured at a competitive price at this project and that uniform supply of raw materials would be assured. They also want to be assured that the mistakes made at Bhilai, Durgapur and Rourkela would not be repeated. This is the impression one forms after a tour of India's development projects receiving U.S. aid and the site earmarked for this project.

A good deal of spade work has been done by the Hindustan Steel Limited on this project which would cost totally Rs. 230 crores. The foreign exchange element for this would be Rs. 84 crores. Some of the details of this project have already been dealt with in the last week's issue of "The Eastern Economist" in the Capital's Corridors. Here it is to emphasise that the site located is an ideal one. The raw material position appears to be quite satisfactory. Iron ore, as explained by Mr. Dani, Officer on Special Duty, could be had from Kiri Buru, Megha Hatha Buru and Baldila mines. The site is on the bank of the Damodar River and so there can be no danger of any shortage of water supply. Coal is plentiful as the site is within only 40 KM of the richest coking coal belt of Jharia. The electrical power required for the operation of the steel works at Bokaro and for use in the township will be supplied by the Chandrapur Thermal Station, a U.S. financed project. About 60,000 KW have been reserved for use for the first stage works at the Bokaro steel works, from one of the generators being installed at Chandrapur and any additional power required for further expansion will be supplied by the Damodar Valley Corporation. The problem of the coal wagons returning empty from Bhilai and Rourkela factories is also likely to be obviated as with the setting up of this plant, the wagons returning from Bhilai and Rourkela will be in a position to carry iron ore from these areas.

The position hence in regard to the setting up of this plant seems to be satisfactory in every way. It would be no exaggeration to say that within 10 to 15 years the area around Bokaro will become the Ruhr of India since the overwhelming probabilities are that it will attract a number of industrial plants. All said and done, the need at the moment is for early aid because more steel would be required for various industries as the years pass by which the existing plants even when expanded would not be in a position to meet. It is, therefore, only to be hoped that the report of the American experts' team on which depends the decision about this project would be favourable. If American aid could be supplied by the end of the year, there is a possibility that the first of the three blast furnaces might go into production by the end of 1965. There is a very strong case why America should come forward to provide aid for this key project as she has done in the various sectors of India's economy.

Package Programme

AN ASSESSMENT

WHILE THE objectives of the Intensive Agricultural District Programme, at present in existence in 15 districts, are laudable, it is wonderful if full use is made of the facilities offered and whether the programme is being implemented in a fully satisfactory way. It is partly because of the reason that there is lack of adequate personnel to administer the programme and partly because of the fact that limited publicity has been given it as yet. The primary objective of the programme is to show that agricultural production can be increased through improved farming practices, adequate drainage and irrigation, efficient use of chemical fertilisers and improved seeds and more adequate marketing facilities, etc.

In the Saragaon village of the Raipur district in Madhya Pradesh, the cultivators explained to a party of journalists visiting this place that their financial needs were not adequately met. While a farmer needs about Rs. 1,500 as a medium-term loan to meet his requirements, he was being given only Rs. 250 as a short-term loan, repayable in a year's time. This was obviously insufficient to bring about the necessary improvements in their farming techniques. Then again only meagre facilities existed to ensure a uniform supply of water for irrigation purposes throughout the year. The breed of cattle was also very poor and hence the land could not be ploughed deep. There was also lack of godown facilities. The immediate need, therefore, appears to be to provide better quality cattle and adequate credit and irrigation facilities. Ford Foundation assistance is available for all this and needs to be utilised effectively. The U.S. assistance for FY-1963 totals $45,000. The total contemplated assistance for the Raipur district is estimated at $203,000. All said and done ultimately it would depend on the success of this programme how far we will be able to achieve the Third Plan target of 100 million tons of foodgrains. The

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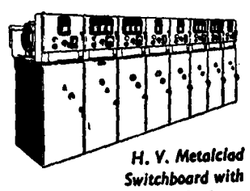
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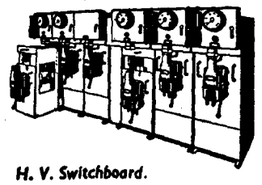
Applications for transfers received in this Office before 12 O'clock noon on Tuesday, the 13th November, 1962, will, if otherwise satisfactory, be registered at that date for the purpose of participation in the above dividend.

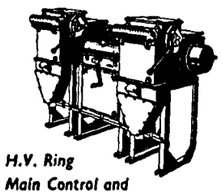
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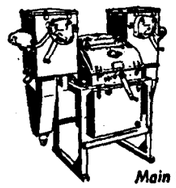
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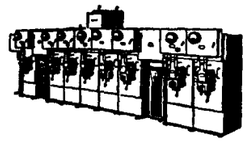
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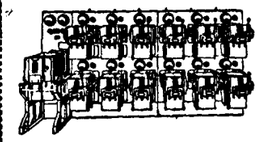

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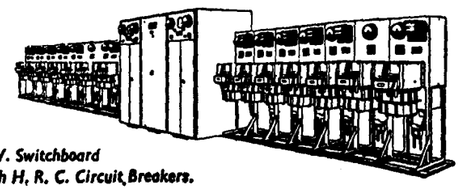

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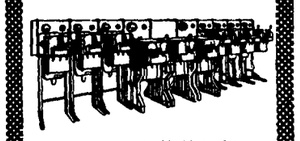

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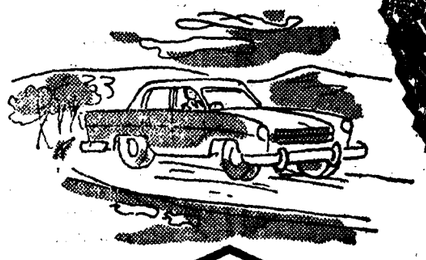
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Raipur District land is amenable to double cropping. So every avenue should be tapped to raise in addition to paddy, groundnut and other suitable crops that can be effectively raised on this soil.

At the end it needs to be recorded that the district of Raipur with the coming in of this package programme has benefited to a certain extent. The cultivator perhaps would have been worse off but for this programme. It goes to the credit of this programme that cultivation of wheat has become known to many cultivators and there are plans to bring more area under it. Similarly, the growing of vegetables and fruits is also becoming quite common. Contour bunding as a water conservation measure, previously unknown in this district, is now appreciated, in more or less all the villages where this programme is being administered. The importance of veterinary service to improve animal husbandry is also being appreciated and many poultry units have been established in the area.

New Issues

BHARAT FERTILIZERS

THE BHARAT FERTILIZER INDUSTRIES, at present a private limited company, but envisaged to be converted into public limited concern very soon, is expected to enter the market early next year to raise from the public subscriptions for its share capital. The present authorised capital of the company is Rs. 25 lakhs. It is proposed to be doubled to Rs. 50 lakhs on conversion into a public limited enterprise. The paid-up capital is envisaged to be raised from Rs. 10 lakhs to Rs. 25 lakhs, all in equity shares of Rs. 100 each. Of the new capital to be issued, shares worth Rs. 2.5 lakhs would be subscribed by the directors, their friends and associates. The balance Rs. 12.5 lakhs worth capital is proposed to be offered to the public for subscription at par.

The proceeds of the issue are to be utilised for financing the setting up of the company's new granulated fertilizers manufacturing factory at Thana, near Bombay. The company at present manufactures fertilizers in powder form. Land for the Thana factory has already been secured.

The capacity of this plant will be to turn out annually 30,000 tons of mixed fertilizers. Production is expected to start towards the close of 1963.

The Industrial Credit and Investment Corporation of India has been approached for a Rs. 7 lakh rupee loan.

SANCTIONS BY CONTROLLER OF CAPITAL ISSUES

THE CONTROLLER OF CAPITAL ISSUES has given his consent this week to the following six companies for issuing fresh capital. The consent is valid for twelve months in all cases.

Tropex Batteries Ltd., Bombay, a new company, has been given consent to issue capital to the tune of Rs. 50 lakhs, at par, divided into one lakh equity shares of Rs. 50 each. Capital worth Rs. 7 lakhs will be issued for considerations other than cash and the remaining Rs. 43 lakhs for cash. The proceeds will be utilised for the manufacture of drycells, layer (or flat) type cells and batteries.

The Lake Palace Hotel and Motels Private Ltd., Udaipur, has been permitted to issue capital of Rs. 20 lakhs in equity shares of Rs. 1,000 at par privately. The proceeds will be utilised for running hotels and motels at Udaipur.

Galileo Instruments Ltd., Bombay, has been allowed to raise capital to the extent of Rs. 35 lakhs in equity shares of Rs. 100 each to be issued at par. Shares worth Rs. 8 lakhs will be issued to Officine Galileo S.P.A., Florence, Italy, against supply of machinery. The remaining shares will be issued to Indians. The proceeds will be utilised for manufacture of instruments, gas meters etc.

Kerala State Small Industries Corporation Ltd., Trivandrum, has secured permission to issue further equity capital of Rs. 8 lakhs in shares of Rs. 100 each, to be subscribed entirely by the State Government of Kerala. The proceeds will be utilised for providing working capital for the company.

Natraj Spinning And Weaving Mills Ltd., Hyderabad, has been allowed to issue capital of Rs. 25 lakhs, at par, in 2,00,000 equity and 50,000 9.5 per cent (subject to tax) preference shares of Rs. 10 each for establishing a spinning mill.

Suryalakshmi Cotton Mills Ltd., Hyderabad, has obtained consent for issuing capital of Rs. 25 lakhs, at par, in 2,00,000 equity and 50,000 9.5 per cent, preference shares of Rs. 10 each for establishing a spinning mill.



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FROM THE CAPITAL'S CORRIDORS

CONCENTRATION OF WEALTH AND ECONOMIC POWER

THE Mahalanobis Committee, some extracts from whose Report are now available, has made it abundantly clear that the policy of total protection and existence of a vast and growing protected market in the country, coupled with the constitutional safeguard relating to compulsory payment of adequate compensation for acquisition of private property, will never materially change the present position of concentration of wealth and power in the hands of a few persons.

The Committee has studied, in considerable detail, the different forms of privately-owned wealth. It estimates that 75 per cent of the privately-owned wealth is under individual ownership. The remaining 25 per cent is owned jointly through the corporate sector.

The report also makes a comparative study of the concentration of distribution of stocks, securities and other property, on the basis of the distribution of assessed income from these sources. Concentration is stated to be the highest in the case of stocks, followed by securities and other property, in that order. It is estimated that in 1959-60, assessees with incomes above Rs. 1,00,000 per year shared as much as 26.48 per cent of the stocks, 15.52 per cent of the securities and 6.10 per cent of property assessed to income-tax. A comparison of the figures for 1955-56 and 1959-60 shows an unmistakeable evidence of a reduction of concentration, but to what extent this is the result of a deliberate attempt by assessees to avoid higher rates of taxation is a difficult question to answer.

Looking at it from another angle, the report estimates that the percentage which the number of households assessed to income-tax in 1959-60 bears to the total number of households may be taken as one per cent and that the percentage which the assessed income (of individuals and Hindu undivided families) bears to the total personal income may be taken as 6 per cent; the latter, however, includes about 75 per cent of the total dividend income—which indicates roughly that some one per cent of the households in the country own 75 per cent of the stocks. Even within this one per cent group, the distribution is very skew—in fact, the report estimates that more than half the privately-owned share-holdings in joint stock companies in the private sector are held by 14,000 households i.e. one hundredth of one per cent of the households in the country.

THE CONTRIBUTION OF RISE IN PRICES

Even without changes in the ownership or physical growth of wealth, mere changes in the price of different forms of wealth would mean accretion to the share of those persons whose assets have risen more steeply in value at the expense of other owners, the prices of whose assets have not increased to the same extent. Most forms of wealth have increased in terms of money value during the 10 years and the only people who have not gained in money terms are those who had no wealth of any kind or whose wealth was in forms of constant money value such as provident funds, bank deposits, Government securities etc. The report traces the change in prices of a number of different forms of wealth. It is noticed that the prices of variable dividend industrial securities have moved much faster than all other forms of wealth; next in order have been gold and silver, followed by machinery, equipment and construction; prices of Government securities, preference shares and debentures have registered practically no change.

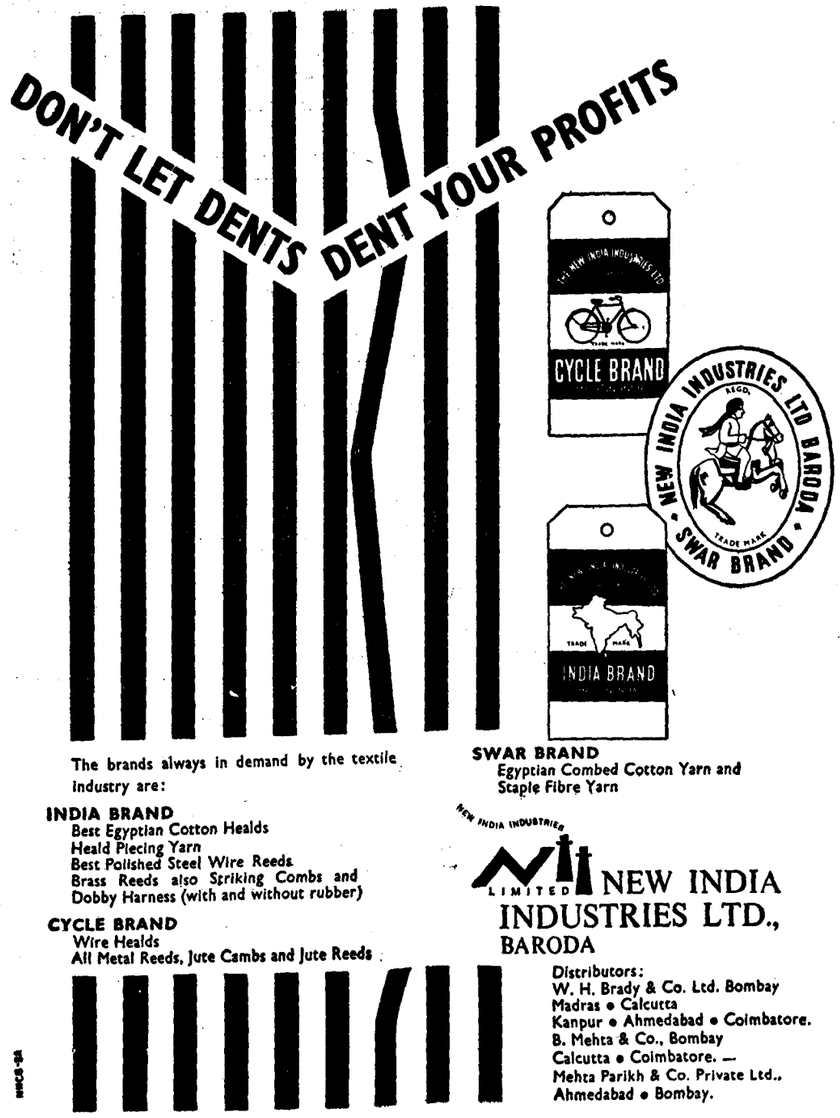
With 1952-53 prices as 100, the report estimates that prices of variable dividend industrial securities appreciated to 171.7 in 1960-61. It is estimated that the value of these items constituted nearly 25 per cent of privately-owned capital and as such the concentration of distribution of this item has been incredibly high. The benefit of the price increase as also the preferential benefits conferred by our taxation laws on these gains have, therefore, been distributed among a microscopic section of the people at the very top of the income-brackets.

The form of wealth which rose next in value was house property which increased by nearly 50 per cent on the whole. The share of house property (31 per cent) in the total private tangible assets is more than that of shares, but although its distribution is certainly concentrated in relation to the total population, its concentration is nowhere near that of shares. According to estimates of the NCAER quoted in the report, as against 1.6 per cent urban savers who invest in shares and bonds of private companies, 17 per cent invest in 'own house'; also according to income-tax statistics of 1959-60, while one per cent of the top income-tax assessees appropriated 20 per cent of the dividend income, they appropriated only 8 per cent of the property income. Although, therefore, the accretion of wealth in respect of house property has been considerable and its distribution quite concentrated in relation to the total population, it was nowhere near as concentrated as that of shares. Incidentally, it is noticed from the NCAER estimates on savings cited above that the most popular form of urban savings is provident fund (including chit fund) and the next popular form life insurance. These attract 27.5 per cent and 15.7 per cent of savers respectively. Neither of these two forms have benefited by price changes.

The Report devotes a special chapter to a factual study of the problems connected with the existing concentration of control of industrial and economic activity. Referring to the arguments in favour of bigness, based on economies of scale in modern industry, the Report points out that engineers and entrepreneurs do not apply the same scale in judging bigness. The matter is really one of quantitative judgment and not merely qualitative logic. While it is indisputable that an individual unit should be large enough to employ the most efficient technology, the Report points out that big undertakings often consist merely of a large number of identical smaller units (or units spread among unconnected industries) whose association is sought to be justified on grounds of convenience and economies of management and not technique. Facilities for such 'management' may result in the emergence of monopoly and oligopoly. The existence of a single dominant unit is hardly necessary for this purpose; a small group of large units which sell a large share of the industry's output can lay down prices and other business policies within the industry, to subserve their own ends which may not necessarily be consistent with the interests of the consumers or the over-all objectives of the country. The Report suggests that "even where big units are technologically necessary, such situations should be counteracted by supervision of their operations and the setting up of a sufficiently large number of big firms, wherever possible, to avoid risk of dominance".

OWNERSHIP AND MANAGEMENT CONTROL

A distinction is drawn in the Report between ownership control and management control. It points out that statistics obtained by adding up the number of shareholders of different companies would lead to a gross over-estimation of the spread of ownership of industry because of inevitable multiple counting and benami holdings (including holdings by Banks on account of undisclosed persons). While the statistics analysed show that ownership control of industry is more concentrated than any other form of wealth, the Report proceeds to show that management control is incredibly more concentrated and it is difficult to measure the extent of such concentration. It is common knowledge and experience that persons or 'houses' with comparatively small shareholdings are able to secure charge of the policies and operations of companies. So long as they are able to



guarantee good dividends and capital gains to the shareholders—and that is rendered easier in an era of protection and rising prices—there is no risk to their positions and freedom tc manage their affairs to subserve whatever policies they think proper. The greater the dispersal of share-holdings, the smaller the size of the concentrated share-holding required to obtain and maintain control of the business.

The report also points out that the contribution of the share owners in the form of paid-up capital accounts for only a part of the resources required to finance industry; borrowings accounted for as much as 53.6 per cent of their total funds in 1957, nearly 30 per cent out of it being obtained from banks. In fact, according to the purpose-wise analysis of advances made by scheduled banks, the share of advances made to industries increased from 36 per cent of the total in 1951 to 47 per cent of the total in 1961. It is also observed that the bulk of the lending was to the bigger units and that comparatively little was advanced to small industries. The report also refers to the amounts advanced to private industry through the IFC and other financial institutions set up for the purpose. That the borrowings have not always been used for the purposes of the borrower is clear from the following quotation from the Third Annual Report of the Working of the Companies Act. "Cases have come to notice where companies with large reserves have invested heavy amounts in shares of other companies in the same group while borrowing heavily from the Government and quasi-Government institutions. In some cases, the investments in industrial holdings have been found to be of the order of half a crore of rupees, matched by an overdraft from the State Bank of India for a like amount".

The close working association between industry and banking may be inferred from the results of the analysis of common directorships of banks and large industrial units.

An analysis of the interlocking between directors of the leading banks and 296 large public companies with paid-up capital of more than Rs. 50 lakhs, for the year 1959-60 shows that, of the 248 Bank Directors concerned, 24 were also Directors of one large public company each, 37 were also Directors of 2 to 4 large public companies each, and 14 were directors of 5 or more large public companies each. The analysis also showed that of the Directors of the big-sized public companies under study, as many as 23 per cent held more than 10 Directorships each.

MANAGEMENT CONCENTRATION

The report gives the conclusion of certain special studies made regarding the mechanics of operation of some of the most important business houses (called Controlling Interests) in the country in exercising management control over large areas of the industrial sector called 'Groups'. The concept of "Group" is quite different from the companies "under the same management", as contemplated in section 370 of the Companies Act and there is no suggestion that the controlling interests are doing anything illegal in arriving at or implementind decisions which are solely intended to promote the interests of the companies, their shareholders, and the controlling interests themselves, often by enabling them to do indirectly what they are prohibited from doing directly, namely, purchasing their own shares, entering into transactions to transfer profits and losses, avoiding tax burdens, manipulating to create favourable market situations etc. The controlling interests do not find it necessary, for the purpose of acquiring and exercising control, to own the majority of shares in every company of the Group. By a process of inter-corporate investment—some of these investments have been laboriously traced in the studies concerned—it is possible to acquire control over a large industrial empire with comparatively little investment. The powers acquired by inter-corporate investment (subject to section 373 of the Companies Act), are supplemented by powers obtained under managing agency agreements and shares held on account of Investment Companies, Charitable Trusts, Banks, etc., belonging to the Group. This system constitutes a useful and flexible mechanism for the promotion of new enterprises and is capable of promoting the interests of the community. But it would be futile to expect the groups themselves voluntarily to set up and observe ethical standards in the exercise of their powers and opportunities. The Report shows how, through a chain of minimum investments,complying with the present legal requirements, controlling intersets are able to secure wide areas of industrial investment for their operations. The setting up and enforcement of ethical standards to be observed by them in the course of their operations is a formidable task for the Government and for the Company Law Administration.

Ten such groups considered in the Report—which are certainly among the largest of their kind in the country—controlled between them 542 companies in 1951 and 550 companies in 1958, with total share capital of Rs. 173.43 crores and Rs. 264.16 crores on the two dates; covering 29.35 per cent and 34.53 per cent respectively of the total share capital of non-Government companies. Excepting for two of these group—namely, Andrew Yule and Bird Heilger — the general picture presented by these groups is one of growth in their shares of the total private sector between the two dates. The groups selected include Tatas, Birlas, Dalmia, Sahu Jain and Martin Burn.

The study further divides the concerns of each group into "Inner Circle" concerns, namely, concerns in which they have direct majority control and "Outer Circle" concerns in which they do not control majority shares but in the day to day management of which they have nevertheless acquired sufficient control. The aggregate

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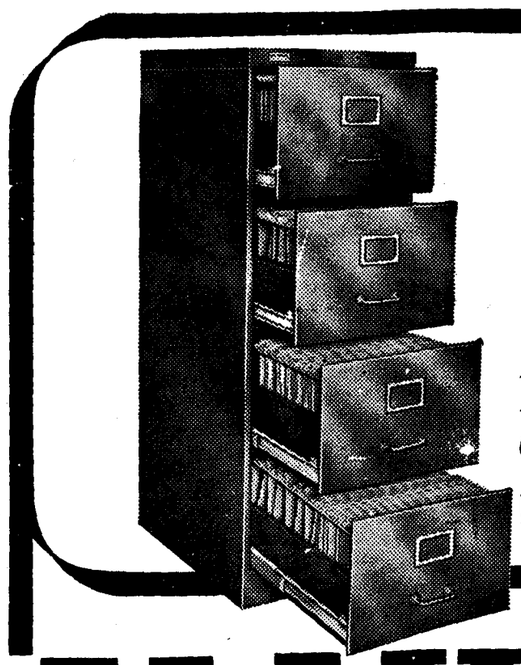
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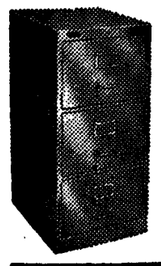
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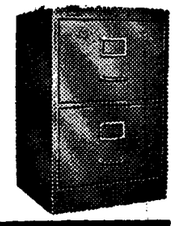
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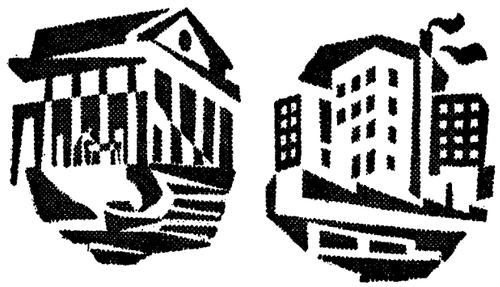
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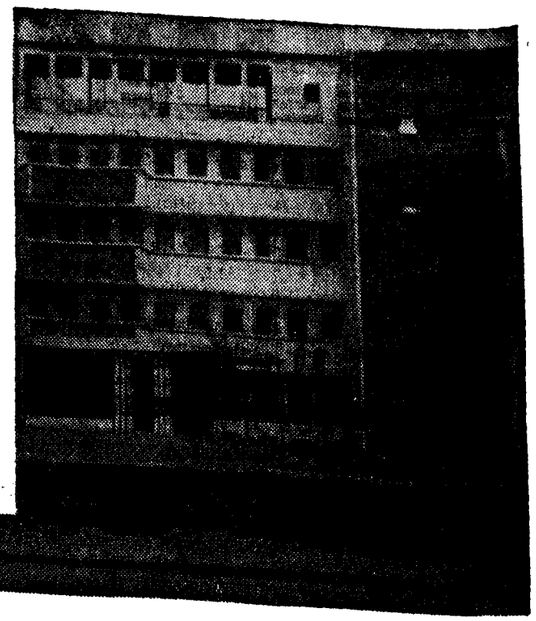
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share-holdings of 18 controlling interests in 737 companies of the Inner Circle and 168 companies of the Outer Circle amounted to only 45.6 per cent and 9.5 per cent respectively.

EXPORT CONTROL ON MOST ITEMS REMOVED

The Union Government has issued a new Exports (Control) Order, freeing a large number of items from all export control.

Under the new Order, which became effective on October 10, export restrictions will operate only on a small number of items in respect of which control is inescapable.

At the joint meeting of the Import and Export Advisory Councils held on September 8, 1962, it had been announced that a review of the licensing restrictions on export items had been undertaken with a view to removing such control on as many items as possible.

The items on which there will now be licensing restrictions have been set out in a schedule attached to the Order. List 'A' of the schedule consists of six categories of items, the export of which will not normally be allowed. These are specified kinds of metals; minerals; oilseeds; seeds; wild life and wheat and wheat flour.

List 'B' of the schedule contains 31 categories of items, the export of which will be allowed on merits or subject to ceilings or subject to some stipulations to be specified from time to time. Among these are specified animals; coal and coke; raw cotton and cotton waste; raw jute and mesta; wheat bran and rice bran; hides and skins; grains, pulses and flour, other than wheat and wheat flour; metal scraps; certain types of minerals; ores and concentrates; certain varieties of oil-cakes; raw wool; wood and timber; arms, ammunition and military stores; mineral oils; aircraft and parts; tapioca meal and wastes; rock salt and specified types of metals; cinematograph films (not exposed), mustard oil and rapeseed oil.

All the items which are not included in either of these two lists will be allowed for export without any licensing formalities whatsoever.

TRADE WITH RUSSIA

A substantial further increase in trade between India and the Soviet Union is envisaged under an agreement concluded in Moscow last week. In 1961, the total volume of trade between the two countries, both ways, was of the order of Rs. 50 crores. During the current year it is likely to go up to Rs. 80 crores. Next year attempts will be made to raise it to somewhere near Rs. 100 crores.

Among the items which will be available for import from the Soviet Union during 1963 are included raw materials like raw asbestos; newsprint; refractories; metal items like lead, zinc, alloy and special steel; chemicals, fertilizers; machinery and equipment; capital goods; oil and oil products, including mineral lubricating oil, and electric equipment.

The important items which India will be exporting to the Soviet Union, apart from the traditional goods, will be woollen and textile fabrics; leather footwear; leather cloth; safety razor blades; rolled steel products and other consumer goods like tanning materials, linoleum, coir products, handicrafts, etc.

INDO-MEXICAN TRADE

As a result of the visit to India last week of President Adolf Lapez Mateos of Mexico and his Minister of Industry and Commerce, a favourable atmosphere was created in which Indo-Mexican association in the field of economic activity was discussed. The joint communique issued by the visiting President and the Indian Prime Minister at the conclusion of the former's visit contained a specific mention in this regard. It stated: "It has been decided to send a (Mexican) Trade Delegation to India in the near future in order to study and recommend the commodities and goods which may be exchanged; an Indian Trade Delegation will also visit Mexico with the same purpose. The possibilities of exporting from India locomotives and engineering goods, not manufactured in Mexico, have been tentatively considered. On the other hand, Mexico would be in a position to export to India steel plates, lead and zinc concentrates and sulphur."

During his stay here, the Mexican Minister for Commerce and Industry, Dr. Raul Salinah Lozano accompanied by other senior Mexican officials had meetings with Mr. Manubhai Shah, Minister of International Trade and senior officials of the Union Ministries of Commerce and Industry and Finance. In the course of these meetings they discussed common problems of trade between the two countries and expressed their desire to increase the field of mutual commercial and economic co-operation. The Mexican delegation showed interest in buying from India railway equipments including locomotives, structurals, engineering products, pharmaceuticals and some other manufactures. On the Indian side, the possibilities of buying cotton, hides and leather, some categories of steel plates, non-ferrous metals including zinc concentrates, from Mexico were indicated.

THE COCHIN SHIPYARD

The Minister for Shipping, Mr. Raj Bahadur, who returned to New Delhi this Sunday after a ten-day visit to Japan, told newsmen on Monday that two Japanese ship-building concerns, the Mitsubishi Ship-building and Engineering Company, Nagasaki, and the Ishikiwajima-Harima, Tokyo, have shown considerable interest in collaborating with the Government of India for setting up the second shipyard at Cochin. Mitsubishi, one of the world's biggest ship-builders, is understood to have even made some definite proposals in this regard on the basis of participation in the equity capital of the project on a minority basis and will be sending a team of experts in November to examine the project in details with a view to draw up concrete proposals for their collaboration. Mr. Raj Bahadur, on his part, categorically pointed out to the Japanese ship-building interests that all the foreign exchange component for this project would have to be provided by the collaborators. Mitsubishi has promised to find the necessary foreign exchange funds if it finally decides to enter into this collaboration arrangement which it terms as a "prestige project for it." The imperativeness of the foreign exchange allocation for this project being outside the Yen credit already promised by Japan has been impressed upon Mitsubishi by Mr. Raj Bahadur. Some small contribution in this regard, however, may have to be made by the Government of India also, but that will have to be found from "free" foreign exchange resources. This would also necessitate the upgrading of this project by the Planning Commission from the low-priority category "C" to the medium priority category "B".

The Government of India's anxiety to have Japanese collaboration for this project emanates from various reasons, the primary one being that India at present is placed in similar conditions as Japan with its high cost of ship-building machinery and cheap labour. Secondly, Japan is the largest ship-building nation in the world today. The collaboration with Japanese interests would make the cost of production of ships at the proposed Cochin shipyard more competitive. The lukewarm response from Western ship-builders also is perhaps an additional reason. The British ship-builders have not shown any interest in the project apart from technical collaboration, although an experts' team from there had submitted a project report for it some years ago, which put the cost of implementation of this scheme at Rs. 20 crores with foreign exchange component estimated at Rs. 3.5 crores. Two West German and Dutch ship-building interests had made some overtures for participating

in this project last year, but their keenness appears to have died out since not much progress has been made in negotiations with them. In regard to the West German offer, Mr. Raj Bahadur remarked that he could not say whether this offer was closed or still alive. The Dutch proposals are stated to be still in the preliminary stages of negotiation.

If the negotiations with the Japanese shipbuilders fructify on the basis of their participation on minority financial basis and they agree to find foreign exchange resources required for it from outside the Yen credit already made available by the Japanese Government for the current Plan projects, the Government of India would be willing to allow them to have ful technical control of the project in the interest of its being executed properly and expeditiously.

IRON ORE EXPORTS TO JAPAN

Mr. Raj Bahadur also had discussions with the steel interests of Japan in respect of stepping up the share of Indian shipping in the iron ore trade between the two countries. India at present exports about 5 million tons of iron ore to Japan. Only 5.4 per cent of this is being carried in Indian bottoms. Japanese shipping interests carry from the Indian shores another 62.5 per cent of this iron ore, while the remaining quantity is shipped in third flag carriers. The Government of India is anxious to raise the share of Indian shipping in this iron ore trade with Japan to at least 25 per cent. This presumably will not be done at the expense of the Japanese shippers, but will be sought to be brought about as a sequel to diversion of traffic from the third flag carriers to Indian bottoms. The Japanese importers of iron ore have promised to consider the proposal favourably.

The Japanese Government and the tourist trade there has suggested to the Government of India through Mr. Raj Bahadur devising of ways and means for promoting foreign tourists traffic between the two countries. They have emphasised the desirability of creating some sort of Asian Common Market for tourism, which implies that foreign tourists visiting Japan or India should be encouraged to visit other Asian countries by offering them what are known as "package tour programmes."

HONG KONG INDIANS' GESTURE

On way back from Japan, Mr. Raj Bahadur had informal talks with the Indians in Hong Kong. An Indian hotel-owner there has come forward with a proposal to make available Rs. 1 crore in foreign exchange for setting up a hotel in this country. Some other Indian concerns doing business in Hong Kong have also indicated their desire to make some investment in Indian industries. These tentative proposals have been asked for by Mr. Raj Bahadur in concrete forms so that the Government of India could consider them.

U.S. LOAN FOR TROMBAY POWER

The U.S. Ambassador, Mr. John Kenneth Galbraith announced on October 12 a $17.9 million United States Government loan to finance the full foreign exchange cost of a major 125 megawatt expansion of the Trombay Thermal Power Station. The loan will be repayable by the Government of India over forty years with no payments due in the first ten years. It will carry no interest but will bear a service charge of three-fourths of one per cent. These terms are the most favourable of any assistance from any country, and substantially relieve the impact on India's present balance of payments position.

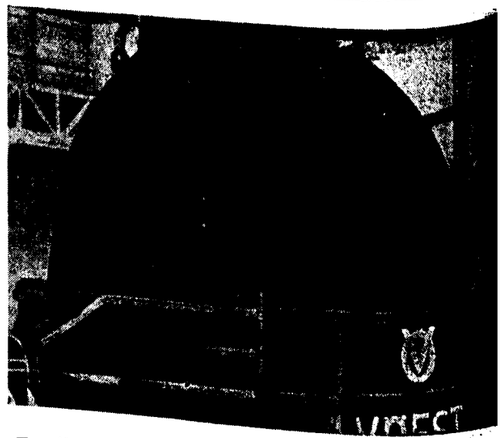
The loan agreement is with the Tata Power Companies which will be required to repay its loan to the Government of India over 20 years at an interest rate of three and one-half per cent. The expansion will involve the installation of a single generating unit of 125 megawatts, with associated boiler and other facilities.

Engineering consultants on the Trombay Project expansion are the American firm of Ebasco Inc. of New York City. This is the fifteenth loan granted by the U.S. Agency for International Development and its predecessor, the Development Loan Fund, for power development. The projects financed, have a total generating capacity of 2,412 megawatts and are the equivalent of forty per cent of the total Third Plan power requirement.

LOAN FOR CHANDRAPURA POWER PROJECT AND DUGDA COAL WASHERY

During a recent visit to the Chandrapura Thermal Power Station and the adjoining Dugda Coal Washery, the U.S. Ambassador Mr. John Kenneth Galbraith said the U.S. Government would announce in a few weeks its decision on financing major extensions of both projects. Applications for financing of the two project expansions were presented to the U.S. Agency for International Development about two months ago. The Ambassador said that detailed technical and economic consideration would proceed rapidly because of familiarity with the present projects. He said that previous involvement with the projects would no doubt help toward a favourable decision on the expansions.

The Chandrapura Power Project presently calls for two 125 MW generators with associated boilers and other equipment—the biggest power generatoring unit in Asia. It is being totally financed by the U.S. Government through a $30 million (Rs. 14.3 crores) foreign exchange loan, and a Rs. 20.5 crores loan from the sale proceeds under Public Law 480. Both the loans are being offered through the U.S. Agency for International Development. The expansion will involve the installation of a third 125 MW unit and will require an estimated $16 million foreign exchange loan. The Dugda Coal Washery, which will process metallurgical coal for Hindustan Steel and provide poorer grades for the Chandrapura Power Station, has been completed with foreign exchange financing of $4.8 million from the U.



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Government provided through the Export-Import Bank. The expansion, which will double the capacity from 3 to 6 million tons of washed coal per year will require an additional estimated $5.0 million.

DEVELOPMENT OF PRADEEP PORT

A project for the export of iron ore from Pradeep Port in Orissa was considered by the Planning Commission last week. This port is being developed to export, in the first instance, two million tons of iron ore every year starting from 1965. The financial cost of the project is estimated at about Rs. 32 to 35 crores including some foreign exchange expenditure. These estimates include the construction of a 98-miles Express Highway already being built by the Orissa Government between Daitari and Paradeep Port to the extent of handling mechanically up to 3 to 5 million tons of ores per year with two main iron ore berths, mechanical handling equipment, dredging etc. These estimates will also cover expenses for development of the mines which consist of high, medium and low grade ores.

The Planning Commission took note of the development and progress made on this project. It is considered quite likely that with the concurrence of the Transport Ministry, the State Government will undertake the construction of the Pradeep Port as an Agency of the Central Government.

The ores are to be exported principally to Japan. In this connection an 18-member high level Japanese experts team is arriving in India at the invitation of the Goverment of India in November this year to survey and negotiate the terms of the project with the Indian Government. The Japanese Government and the Japanese Steel Industry, which have shown great interest in this project are also likely to assist the building of various aspects of this project, and some iron and coal based industries and power development.

The work on the development of the mines, the construction of the road and the construction of the Port are progressing satisfactorily and the Government hopes that the trucks required for transporting ore by road will be made available by the Heavy Truck Project being undertaken by the Ministry of Defence and other automobile manufacturers within the next two or three years. The Railway Ministry is also likely to conduct a survey of the railway line connecting the major iron ore mines at Nayagarh to Pradeep Port passing through the iron ore belt at Tomka and Daitari. It will also serve as a connecting link to Talcher, for export of ores through Pradeep Port. The Talcher coal deposits it may be added, are among the biggest coal deposits in the country which will help to development thermal power to the extent of 2 million killowatt per year to start with.

REAPPRAISAL OF FOREIGN EXCHANGE REQUIREMENTS OF PRIVATE SECTOR

At the instance of the Union Minister for Economic Co-ordination, Mr. T. T. Krishnamachari, a three-member Committee, consisting of Mr. Ranganathan, Mr. T. Swaminathan and Mr. Tarlok Singh, has been constituted to undertake an appraisal of the foreign exchange requirements of the 21 industries for which priority in licensing of imports of machinery and components is being accorded by the Union Ministry of Commerce and Industry. This review will take into consideration the 1965-66 targets fixed for these industries and the gaps that exist today in their installed capaciy vis-a-vis the targets laid down.

Tentatively, the foreign exchange requirements of these 21 priority industries are estimated at Rs. 250 crores.

CUT IN CALCIUM AMMONIUM NITRATE PRICES

The price differential between calcium ammonium nitrate and ammonium sulphate, two fertilisers of comparing values to the Indian agriculturist, has been increased from about Rs. 18 to at least Rs. 50 per metric [illegible] equal to the last week's cut in the prices of CAN, when sold for use by cultivators and plantations, will now be Rs. 310 per metric ton, except in U.P. where it will be Rs. 314 per metric ton. (This price includes the sales tax and other taxes). In Madras, with the sales tax added, the price will be Rs. 319.60 per metric ton. The minimum price of ammonium sulphate when sold for use by cultivators is Rs. 360 per metric ton, except in U.P. and Orissa where it is Rs. 366 and Rs. 370, respectively, inclusive of the sales tax and other local taxes. In Madras, the price, inclusive of the sales tax, is Rs. 370.20 per metric ton. The price for plantations is Rs. 284.60 per metric ton.

The price of calcium ammonium nitrate has been cut with a view to popularise it, this fertiliser being new so far as India is concerned.

Calcium ammonium nitrate is stated to contain as much nitrogen as ammonium sulphate i.e., 20.5 per cent. It can be used on a wide range of soils and crops. Like ammonium sulphate, it can be used for most of the crops both as a base fertiliser and for top-dressing. Compared to ammonium sulphate, calcium ammonium nitrate, however, has a distinct advantage because of the presence of calcium carbonate in it. It has neither an acidic nor an alkaline effect on the soil. Further, as it adds calcium to the soil, it is of particular benefit to acidic soils. It is claimed that CAN "does better" than ammonium sulphate on soils moderately to highly acidic and also on soils known to cause injury to crops.

Calcium ammonium nitrate has one drawback. It absorbs moisture on exposure to air and tends to "cake" on drying. This difficulty has been attempted to be obviated in the manufacture of fertiliser-grade CAN, which means its manufacture in granulated form. The granules are quoted with anti-caking materials. The finished product for delivery to the farmer is also packed in moisture-proof polythelene-lined hessian gunny bags.

POWER AND TRANSPORT DISCUSSIONS

At a meeting here last week between the Federation of Indian Chambers of Commerce and Industry and the Planning Commission, discussions mainly centred round the Third Plan power and transport targets and the major policy aspects as well as administrative details thereof. Expressing satisfaction over the improvement in rail transport of coal, the Commission ruled out any large-scale use of furnace oil as a substitute for coal in the Southern and Western parts of the country in view of the shortage of foreign exchange. During the discussion on transport, it was agreed that large industrial units should indicate one month earlier their transport requirements for each monthly period so as to enable the zonal railway authorities to plan for full train-loads as far as possible. A detailed scheme would be worked out for each industry and each railway system within the next two months. While reviewing the position about use of box wagons, the dicussion brought out two points for further study. The first was that consumers would be required, at the present stage, to resort to manual labour for unloading even though some of them were equipped with mechanical facilities suited to four-wheelers. The second point related to the installation of weighbridges. It was contended on behalf of the railways that the rebates allowed on installation of weighbridges should be deemed enough inducement for setting up the same. Whether adequate facilities for fabricating weighbridges were available, it had yet to be decided. No distinction, it was agreed, should be made between large consumers in the public and private sectors in regard to the order of priority for the use of box wagons.

Two suggestions were made about the use of surplus capacity available on coastal shipping services. The first related to carriage of steel by rail from Rourkela, Bhilai and Jamshedpur to Visakhapatnam for topping up vessels from Calcutta and Visakhapatnam, and the

Visakhapatnam. The FICCI expressed preference for the second suggestion.

As regards the implementation of the power programme of the Third Plan, the Planning Commission came out with categorical assurance that the power target of 12.5 million KW would be achieved. The Federation, however, derived little satisfaction from the Commission's this emphatic assurance. The indication by the Commission that the Union Ministry of Power and Irrigation was considering an increase of one per cent in the return to electricity undertakings to cover higher interest charges, also failed to satisfy FICCI, which had pleaded for a liberal return.

Through an integrated operation of power stations in the Bengal-Bihar-DVC area, additional power of 350 KW is envisaged to be available at the end of the Third Plan.

The Deputy Chairman of the Planning Commission, Mr. G. L. Nanda pointed out that the setting up of industries should necessarily be in tune with the availability of power. On the question of the lack of trained personnel, it was explained that apart from getting the services of foreign consultants, if necessary, special unit for construction and erection of plant was being set up in the Central Water and Power Commission.

The FICCI representatives urged special considera-ation for the provision of power in areas where there was large-scale unemployment. The FICCI, led by its President, Mr. Shriyans Prasad Jain, included Mr. G. D. Somani. On the Planning Commission's side, besides Mr. Nanda, Mr. T. N. Singh, Mr. C. M. Trivedi and Mr. Tarlok Singh were present.

AN INDO-U.K. COLLABORATION

An agreement was signed last week under which a new factory is to be built at Palghat, in Kerala State, to manufacture laboratory meters and component test equipment currently produced in Britain. A company with £90,000 capital, known as British Physical Laboratories (India) Private Limited, is to be set up to finance the scheme. The factory is scheduled to begin production in January 1964. The new industrial partnership will be owned 49 per cent by British Physical Laboratories Ltd., and 51 per cent by Universal Refrigeration Corporation, of Bombay.

The Board of the new company will consist of three Indian and two British directors. Dr. V. A. Sheridan and Mr. A. D. Sheridan will be the directors on behalf of the British company.

The agreement also includes the provision of long-term technical aid to the Indian firm. A number of Indians would be visiting Britain for training. The British company would begin producing equipment for the new factory immediately. All the equipment would be ready by September next.

IN BRIEF ....

Sir Donaki Kaberry, head of the British firm, BUXTERS, has been here during the week, finalising the arrangements for the manufacture of stone-crushers and other equipment in India, through Marshall and Sons Limited.

*

The financing of the Trombay Fertilizer Plant by the U.S. Aid included a substantial payment for know-how to France. This had been cleared by the U.S. Government in 1961, but due to its balance of payment difficulties the actual payment to France had been held up. Recently, the French party has agreed to accept payments in goods.

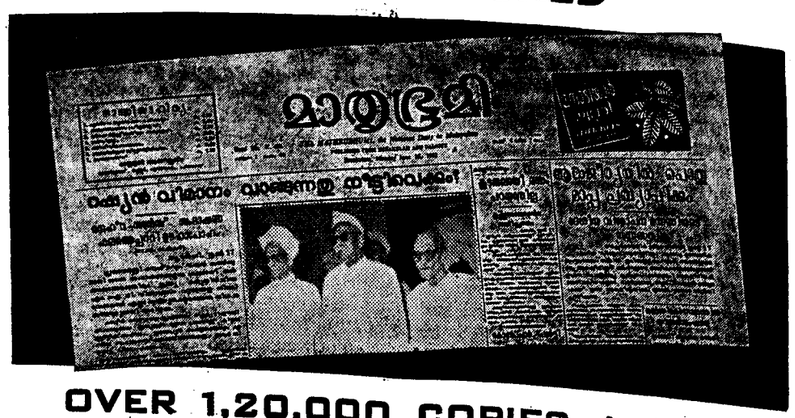
*

Talks with Rumania, now in offing will include request for aid for petro-Chemical Industries and Fertilizer Plant. Similar talks with Poles relate to the import programme of Coal Mining Machinery Plant, Coal Washeries, Fertilizer Plant, Machine-making Factory, Machine Tools.

*

Czechoslovakian project reports on High Pressure Boiler Plan project and Heavy Electrical Plant project at Ramachandrapuram have been received and are under examination by a Technical Committee, a Joint Ministerial Committee and Technical Committee of Heavy Electrical Corporation. Meanwhile, the Planning Commission has permitted the three Heavy Electrical Plants at Bhopal, Ranipur and Ramachandrapuram to go ahead with the schemes of power equipment.

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NEWS IN BRIEF

INDIAN

*

The Union Government has allocated an additional amount of Rs. 19.75 lakhs for housing schemes in Jammu and Kashmir.

*

The Andhra Pradesh Government has decided to spend Rs. 5 crores every year during the Third Plan period on minor irrigation works.

*

The Rajasthan Government proposes to nationalise the liquour industry in the State.

*

The State Trading Corporation is negotiating several barter deals for the import of about 40,000 tons of fertilizers against exports of manganese ore.

*

Indian shipping has passed the "million" GRT mark, the present tonnage being over one million gross tons, said to be "minimum qualification for international recognition .

*

The Rourkela Steel Plant is expected to achieve 70 per cent of its rated steel output capacity during the current financial year.

*

Seshasayee Wire Ropes Limited has been granted a licence to establish a factory in Kerala State with an annual capacity of 3,000 tons of wire ropes.

*

The four public sector drugs and pharmaceutical units proposed to be set up with Soviet co-operation are expected to go into production before the end of next financial year.

*

Preliminary surveys indicate the occurrence of uranium over large areas in the Kulu Valley of Punjab.

*

The Union Government has approved the export incentive scheme of the Coir Board designed to strengthen export position of the industry.

*

Kerala State will soon have a factory for the production of "instant tea" which could be prepared from comparatively lower quality leaves.

*

The Hindustan Machine Tools Limited will shortly go into an expanded programme of production of watches in collaboration with the Citizen Watch Company of Japan. The production programme envisages a planned rise from 55,000 watches in the first year to 2,40,000 in the fourth year, with the indigenous content rising from 54 per cent to 84 per cent.

*

The Government of India has decided to set up an Export Promotion Committee for handloom goods.

*

The CIBA Research Centre at Goragaon, Bombay for biological and chemical studies is nearing completion. Built at a cost of Rs. 250 lakhs, the Centre will co-operate with university and government research institutions not only in India but also in other parts of Asia.

*

The US Agency for International Development has agreed to provide technical and financial assistance to the Government of India to set up a labour training institute in Bombay.

FOREIGN

The Government of Burma has signed an agreement with the Matsushiya Electrical Industrial Corporation of Japan for the manufacture of transistor radios in Burma.

*

JAT, the Yugoslav Air Transport Company, will begin a new air service between Belgrade and Beirut via Athens from this November.

*

Soviet scientists have designed a new cybernetic machine to study social and biological phenomena.

*

Over 80 industrial projects are at present being built in the UAR with Soviet Assistance.

*

The UAR Government has concluded arrangements with a German firm for the production of birth control tablets for local consumption.

*

BOAC plans to introduce a jet service between New Zealand and Britain next year.

*

The Soviet Union recently signed an agreement with Burma for the purchase of 65,000 tons of Burmese rice.

*

World tobacco harvest in the second half of 1962 is estimated at 6,344 million lbs.—5.7 per cent above the figure for the same period of the previous year.

*

The Spanish Government has approved a contract between tre State-sponsored Instituto Nacional De Industria and a French company relating to oil prospection on the Spanish mainland.

*

The United States has offered a loan of $2 million to Uganda for undertaking some development projects.

*

The Government of Ghana has decreed a general raise in taxes in an effort to tide over its present Budget deficit.

*

Britain's Colonial Development Corporation has decided to grant a loan of £1 million to the Northern Rhodesia Government for the construction of low-cost housing units.

*

A recent study made by the US Commerce Department states that out of an estimated foreign investment of $7,500 million, the UK holdings account for nearly $2,500 million.

*

Mr. Mahmoud Younes, Chairman of the UAR Government-owned Suez Canal Authority, has hinted at the possibility of a rise in the canal tolls in view of the rising costs.

*

Dr. Adenauer announced on October 9 a three-point economic programme designed to combat inflation and improve West Germany's competitive position in world trade.

*

A communique of the Petroleum Bureau, London, States that 61.5 per cent of the proven reserves of crude oil in the world are located in the Middle East.

*

The Government of Burma has issued an order limiting the grant of open general licences for imports to registered national firms only.

*

The International Cotton Advisory Committee has predicted a record world output of cotton for the year 1962-63, viz., two million bales more than in 1961-62.

COMPANY AFFAIRS

TRAVANCORE SUGARS

During the year to April 30, 1962, The Travancore Sugars and Chemicals Limited, recorded a profit of Rs. 3.42 lakhs which was a lower figure than that of the previous year's Rs. 5.78 lakhs. During the season 1961-62, which commenced on September 6, 1961 and concluded on April 30, 1962, the company crushed 1.25 lakh tonnes of cane and produced 10,769 tonnes of sugar showing a recovery of 8.62 per cent. Last season 1.18 lakh tonnes of cane was crushed and 10,502 tons of sugar was produced showing a recovery of 8.88 per cent. This slightly declined recovery this year is mainly due to climatic conditions. Sale of sugar was approximately at the same level as in the previous year. Sale of spirit continued to be satisfactory though the profit margin was lower due to the increased competition. As regards liquors, the Chairman in his annual report indicated that the growth of sales in North Indian markets were considerable though an increase in cost of production and distribution tended to keep down profit margins. The Chairman also added that the company has been compelled to close down the pharmaceutical works because the Government of Kerala discontinued to place orders with this company on the basis covered by the agreement until then in force.

Out of the profit of Rs. 3.43 lakhs, after making provision for taxation, there remains a surplus of Rs. 46,532 to which is added Rs. 1.50 lakhs transferred from general reserve and Rs. 68,170 brought forward from the previous year. The Directors have recommended the payment of a dividend on ordinary share capital at the rate of 5 per cent which will absorb Rs. 1.50 lakhs. Dividend on preference share capital is to be distributed at the rate of 6.5 per cent.

ROHTAS INDUSTRIES

The Chairman of the Rohtas Industries Limited in his statement appended to the annual report of the company for the year to March 31, 1962, indicated that due to continuing serious difficulties in respect of transport for movement of coal, raw materials and finished products, production during the year was considerably affected, as is clear from the table below:

PRODUCTION

(In Tonnes)

	1960-61	1961-62
Paper and Boards	50,936	46,565
Cement	3,14,945	2,67,885
Clinker	2,86,981	2,85,860
Asbestos Cement	15,510	17,770
Sugar (Season)	14,898	11,611
Vanaspati	10,655	9,795
Caustic Soda	5,484	5,575

In the face of continuing rise in costs due to higher prices of raw materials like bamboo, coal, additional railway freight, additional excise duties etc. without a corresponding increase in the prices of finished products particularly in respect of paper and boards, the working results suffered. Insufficient availability of bamboo due to transport and other factors necessitated slowing down of the pulp mill. Moreover the credit of the paper machines could again not be fully utilised for want of pulp. Efforts to obtaining licence for import of pulp did not materialise during the year. In the current year, however, some licence has been received for import of wood pulp and assurance of leases of bamboo areas for additional supply has also been received from Bihar Government. The company expects, therefore, that the production of paper and boards would show an upward trend during the current year.

Sugar production of the company was affected due to non-availability of cane on account of weather conditions and Government's restrictive policy towards production.

The profit after taxation was to the extent of Rs. 109.13 lakhs out of which a sum of Rs. 59.84 lakhs was provided for depreciation and another sum of Rs. 3.20 lakhs was separated towards Development Rebate Reserve. The Directors have recommended the payment of a dividend on ordinary shares at the rate of 8 per cent i.e. 80 nP. per share which will absorb a sum of Rs. 40 lakhs.

KERALA STATE INDUSTRIAL DEVELOPMENT CORPORATION

Kerala State Industrial Development Corporation in its report for the period ended March 31, 1962, reveals that during its first six months, the Corporation has drafted the rules and procedure for the conduct of the business of the Corporation. They have also finalised the terms and conditions for the grant of each of the four main types of financial assistance contemplated to be rendered by the Corporation. Moreover, it actually participated to the extent of a maximum of Rs. 1 lakh in the share capital of each of the 11 spinning mill units licensed recently to be set up in the State. This, it may be added, would not debar any of the units concerned from applying to the Corporation for additional financial assistance in the form of further share capital participation or loan or underwriting as the case may be. The finalisation of the scheme in which the Corporation participates, for the institution of the new zinc smelter unit in State is estimated to cost Rs. 5.08 crores. The scheme is to manufacture 20,000 tonnes of zinc per year as well as 120 tonnes of sulphuric acid per day. The Corporation is also likely to grant a long term loan of Rs. 1.6 lakhs to a water meter manufacturing company for the manufacture of 24,000 water meters per year. Because the Corporation's business activities have had no time to bear fruit during the first six months covered by their report, it registered a loss of Rs. 26,850. In the years to come the Corporation is bound to show some profit.

SATHE BISCUIT

The working results of the Sathe Biscuit and Chocolate Company Limited for the year to March 31, 1962, reveals a profit of Rs. 4.44 lakhs after providing for normal depreciation of nearly Rs. 1.5 lakhs. The Directors have also proposed a provision of nearly Rs. 30,000 for contingency reserve and Rs. 2.50 lakhs towards taxation. A dividend at the rate of 9 per cent on ordinary shares will absorb a sum of Rs. 88,650.

The report reveals that the sales during the year recorded an increase of Rs. 10.50 lakhs over that of the last year. The work of extention of the factory building was started during the year which is progressing and is likely to be completed towards the end of 1962. The company has obtained a licence for the automatic oil-fired wire mesh oven under the US Export-Import Bank programme. To meet the expenses of the building construction and the oven the company has applied to the Bombay State Financial Corporation for a loan of Rs. 8 lakhs which has been granted.

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
June 1961 ..	120.6	100.1	123.3	148.8	139.7	123.9	126.2	126.2
July „ ..	124.2	98.6	122.1	151.4	141.9	125.3	127.6	128.8
August „ ..	124.3	99.9	122.3	144.6	140.9	123.9	126.3	127.5
June 1962 ..	125.4	99.7	123.4	136.1	139.5	127.1	128.8	127.4
July „ ..	128.4	98.5	124.5	138.8	142.6	127.2	129.4	129.6
August „ ..	131.5	99.2	124.5	139.6	143.1	126.7	129.0	131.1
18-8-1962	132.5	99.6	124.5	139.9	143.0	126.5	128.9	131.7
25-8-1962	131.5	99.5	124.4	139.6	142.5	126.7	129.0	131.1
1-9-1962	130.6	99.5	124.4	140.2	142.3	127.2	129.4	130.9
8-9-1962	130.5	99.9	124.4	139.7	142.7	127.1	129.3	130.8
15-9-1962	130.8	99.9	124.3	139.4	143.0	127.5	129.7	131.0
22-9-1962	129.9	99.9	124.3	139.8	143.4	127.1	129.4	130.5

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	All India†	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†
		Bombay			Delhi	Bengal	U.P.	Central Provinces		Madras	E.P.	Bihar
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
1962 January	415	436	295	170	399	513	495	180	482	177	174	175
February	417	438	295	170	399	513	492	192	480	177	177*	175
March	418	439	300	170	403	503	493	198	480	179	175*	175
April	418	439	300	170	410	491	492	198	480	182	175*	177
May	422	433	303	167	417	491	496	199	480	180	177*	178
June	426	447	308	171	417	505	497	201	484	182	177*	179
July	427	448	—	175	420	515	501	202	487	185	177*	181*
August	433	454	—	177	431	—	510	—	488	—	—	—
September	—	—	—	—	—	—	—	—	488	—	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

WEEK ENDED

	5-10-1962			28-9-1962			21-9-1962			14-9-1962		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 gram)	120.95	118.25	119.60	125.00	120.10	121.98	125.50	121.50	123.61	127.00	122.50	124.57
Silver (per kilogram)	219.90	217.40	218.54	220.65	219.90	220.13	221.15	218.55	219.99	219.90	219.50	218.57

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										
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
April „	927,18	1,240,90	2,132,08	51,77	83,78	6.36	1,198,27	229,73	66.96	592,07
May „	920,22	1,230,84	2,151,06	52,43	83,85	6.34	1,216,77	220,89	66.83	580,32
June „	911,54	1,266,78	2,178,32	53.30	84,92	6.35	1,235,93	197,66	65.81	584,76
July „	909,70	1,288,13	2,197,83	51,28	99,24	6.85	1,240,45	169,86	64.17	613,11
August „	915,52	1,305,73	2,221,21	50.04	90,22	6.30	1,213,47	180,08	62.74	678.24
Sept. „	913,02	1,283,49	2,196,52	48,53	82,13	5.95	1,203,38	197,61	63.79	678,63
Week Ending										
31-8-1962 ..	923,92	1,287,56	2,211,48	48,57	77,06	5.61	1,213,31	190,68†	63.48	699.35
7-9-1962 ..	904,95	1,280,11	2,185,06	49,04	87,28	6.24	1,219,46	199,98†	64.96	678,63
14-9-1962 ..	913,46	1,280,82	2,194,28	49.75	80,37	5.93	1,212,31	195,96†	64.18	662,13
21-9-1962 ..	915,86	1,286,17	2,202,03	47,96	81,83	5.89	1,193,99	196,35†	63.14	683,82
28-9-1962 ..	917,81	1,286,89	2,204,70	47,38	79,05	5.74	1,187,76	198,14†	62.86	689,93
5-10-1962 ..	920,73	1,290,81	2,211,54	49,18	79,96	5.84	1,194,90	202,29†	63.18	692,57

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(REVISED SERIES)

(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)
1951-52 ..	1,849,96	1,285,51	564,45	544,85	19,60	—159,82
1955-56 ..	2,219,92	1,571,01	648,91	636,90	12,01	+262,53
1956-57 ..	2,345,30	1,622,73	722,57	710,92	11,65	+125,38
1957-58 ..	2,417,00	1,674,07	742,93	723,06	19,87	+ 71,70
1958-59 ..	2,530,27	1,792,02	738,25	719,00	19,25	+113,27
1959-60 ..	2,725,04	1,930,86	794,18	772,39	21,79	+194,77
1960-61 ..	2,874,11	2,098,05	776,06	757,10	18,96	+199,84
1961-62 ..	3,049,45	2,201,79	847,66	824,26	23,41	+175,34
November* 1961 ..	2,800,11	2,021,77	778,34	757,72	20,62	+ 18,73
December* „ ..	2,840,48	2,059,62	780,86	761,95	18,92	+ 40,37
January* 1962 ..	2,900,10	2,105,11	794,99	774,89	20,10	+ 59,62
February* „ ..	2,954,85	2,154,75	800,10	781,08	19,02	+ 54,75
March* „ ..	3,049,45	2,201,79	847,66	824,26	23,41	+ 94,60
April* „ ..	3,104,88	2,254,14	850,74	826,65	24,09	+ 55,43
May* „ ..	3,096,73	2,256,18	840,54	819,27	21,27	— 8,15
June* „ ..	3,046,80	2,202,65	844,15	823,89	20,26	— 49,93
July* „ ..	3,025,00	2,168,84	856,16	833,47	22,69	— 21,80

* Provisional. † Excluding balances held on I.M.F. Amount No. 1 and other extraordinary items.

Source: Monthly Bulletin of Reserve Bank.

EXTERNAL ASSISTANCE: 1956-57—1961-62

(Rs. crores)

	Second Plan			Aid authorised during 1961-62	Total available for use in the Third Plan	Utilisation during 1961-62	Aid undisbursed at the end of March 1962
	Available for utilisation after March 31, 1956	Amount utilised	Amount undisbursed at the end of March 1961				
I. Loans							
A. Repayable in Foreign Currencies							
1. From International Institutions							
(i) I. B. R. D. Loans	286.2	222.8	63.4	69.5	132.9	35.9	97.0
(ii) I. D. A. Loans	..	..	..	51.0	51.0	1.2	49.8
2. From Foreign Countries							
(i) **From the U.S.A.**	108.5	36.8	71.7	32.7	104.4	29.5	74.9
(a) Ex.-Im. Bank loans for import of machinery†	102.6	30.9	71.7	15.6	87.3	28.4	58.9
(b) U.S. Banks' loan to Air India	5.9	5.9	..	1.1	1.1	1.1	..
(c) A.I.D. loan	..	..	..	16.0	16.0	..	16.0
(ii) **From Canada**	15.7	15.7	..	9.5	9.5	..	9.5
(a) Wheat loans	15.7	15.7	..	..	..	..	..
(b) Import of capital equipment	..	..	..	9.5	9.5	..	9.5
(iii) **From the U.K.**	122.6	121.8	0.8	60.0	60.8	23.0	37.8
(a) Lazard Brothers' Credit (Durgapur)	15.3	15.3	..	..	..	..	..
(b) E.C.G.D. I (Durgapur)	20.0	20.0	..	..	..	..	..
(c) E.C.G.D. II (Capital Goods)	38.0	38.0	..	..	..	..	..
(d) E.C.G.D. III (Capital Goods)	25.3	25.3	..	..	..	..	..
(e) U.K.-India Oil Pipe Line	4.0	3.2	0.8	..	0.8	0.8	..
(f) E.C.G.D. IV (Capital Goods)	13.3	13.3	..	..	..	..	..
(g) E.C.G.D. V (Capital Goods)	6.7	6.7	..	..	..	..	..
(h) E.C.G.D. VI (Capital Goods)	..	..	..	13.3	13.3	13.3	..
(i) E.C.G.D. VII (Capital Goods)	..	..	..	40.0	40.0	2.2	37.8
(j) E.C.G.D. VIII (Capital Goods)	..	..	..	6.7	6.7	6.7	..
(iv) **From West Germany**	133.9	119.7	14.2	59.5	73.7	66.0	7.7
(a) Credit for Rourkela Steel Plant	75.5	61.3	14.2*	..	14.2	6.5	7.7
(b) Credit for import of machinery etc.	19.0	19.0	..	..	..	..	..
(c) West German Credit of May 1960	14.1	14.1	..	..	..	..	..
(d) West German Credit of Nov. 1960	14.1	14.1	..	..	..	..	..
(e) West German Credit of Jan. 1961 (Rourkela Prolongation)	11.2	11.2	..	..	..	..	..
(f) West German Credit of April 1961 (Rourkela Prolongation)	..	..	..	27.4	27.4	27.4	..
(g) West German Credit of April 1961 (DM100 m.)	..	..	..	11.9	11.9	11.9	..
(h) West German Credit of Sept. 1961 (DM170 m.)	..	..	..	20.2	20.2	20.2	..
(v) **From Japan**	27.6	16.0	11.6	38.1	49.7	7.3	42.4
(a) 18 billion yen credit for import of capital goods	23.8	16.0	7.8	..	7.8	5.4	2.4
(b) Loan for Orissa Iron Ore Project	3.8	..	3.8	..	3.8	1.9	1.9
(c) Japanese Credit for Third Plan	..	..	..	38.1	38.1	..	38.1

† Includes two loans to the Air India by Ex.-Im. Bank and the Boeing Co.
* Undisbursed amount in the case of West German Rourkela credit has been raised by 5 per cent to take into account the revaluation of DM in March 1961. To the same extent loan authorisation figure has also been raised.

EXTERNAL ASSISTANCE: 1956-57—1961-62 (CONTD.)

(Rs. crores)

	Second Plan			Aid authorised during 1961-62	Total available for use in the Third Plan	Utilisation during 1961-62	Aid undisbursed at the end of March 1962
	Available for utilisation after March 31, 1956	Amount utilised	Amount undisbursed at the end of March 1961				
(vi) **From the U.S.S.R.**	383.7	74.7	309.0	..	309.0	24.7	284.3
(a) Credit for Bhilai Steel Plant	64.7	64.5	0.2	..	0.2	0.2	..
(b) Credit for Industrial Enterprises	59.5	8.0	51.5	..	51.5	13.5	38.0
(c) Credit for manufacture of Drugs	9.5	..	9.5	..	9.5	0.4	9.1
(d) Credit for Barauni Oil Refinery	11.9	0.4	11.5	..	11.5	0.5	11.0
(e) Credit for Third Plan* I	178.6	1.8	176.8	..	176.8	10.1	166.7
(f) Credit for Third Plan* II	59.5	..	59.5	..	59.5	..	59.5
(vii) From Switzerland	10.9	..	10.9	..	10.9	..	10.9
(viii) From France	..	..	..	14.3	14.3	..	14.3
(ix) From Italy	..	..	..	21.4	21.4	..	21.4
(x) From Poland	14.3	..	14.3	..	14.3	..	14.3
(xi) From Yugoslavia*	19.0	..	19.0	..	19.0	..	19.0
(xii) From Czechoslovakia*	23.1	..	23.1	..	23.1	..	23.1
Total of loans repayable in foreign currencies	1,145.5	607.5	538.0	356.0	894.0	187.6	706.4
B. Repayable in Rupees							
From the U.S.A.	196.9	76.9	120.0	47.6	167.6	37.1	130.5
(a) Loans from Development Loan Fund	9.5	..	9.5	..	9.5	2.3	7.2
(b) Asian Economic Development Fund Loan for Orissa Iron Ore Project	39.9	39.9	..	..	..	..	..
(c) Loans under T.C.A. (excluding P.L. 665)	246.3	116.8	129.5	47.6	177.1	39.4	137.7
Total of loans repayable in rupees							
II. Grants	140.2	123.7	16.5	18.3	34.8	20.9	13.9
(i) **From the U.S.A.**	88.3	76.2	12.1	6.8	18.9	8.6	10.3
(a) T.C.A. (excluding P.L. 665)	13.8	9.4	4.4	0.6	5.0	1.4	3.6
(b) Ford Foundation	38.1	38.1	..	10.9	10.9	10.9	..
(c) P.L. 480 Titles II and III	82.9	71.1	11.8	13.0	24.8	9.5	15.3
(ii) **From Colombo Plan Countries**	70.9	60.3	10.6	11.9	22.5	8.6	13.9
(a) Canada	8.1	7.4	0.7	1.0	1.7	0.7	1.0
(b) Australia	3.1	2.9	0.2	..	0.2	0.2	..
(c) New Zealand	0.8	0.5	0.3	0.1	0.4	..	0.4
(d) The United Kingdom	2.1	0.6	1.5	..	1.5	0.1	1.4
(iii) From West Germany	1.9	1.9	..	0.7	0.7	0.3	0.4
(iv) From Norway	227.1	197.3	29.8	32.0	61.8	30.8	31.0
Total of Grants**							
III. Other Assistance	1,113.0	515.5	597.5	..	597.5	86.3	511.2
(i) P.L. 480 (Gross)	26.8	26.8	..	..	..	..	..
(ii) P.L. 665 (Gross)	2.8	2.5	0.3	..	0.3	0.3	..
(iii) Third Country Currency Assistance from the U.S.A.	1,142.6	544.8	597.8	..	597.8	86.6	511.2
Total of III							
Total of loans and grants (including other assistance)	2,761.5	1,466.4	1,295.1	435.6	1,730.7	344.4	1,386.3

* Earmarked for use of the projects included in the Third Plan outlay.
** Excludes grants received by the Government of India out of the U.S. P.L. 480 (Title I) and P.L. 665 funds.
Note: Assistance under P.L. 480 and P.L. 665 are shown on a gross basis, representing the rupees deposited against the value of goods received from time to time.

Source: Reserve Bank of India.

WORLD BANK LOANS*

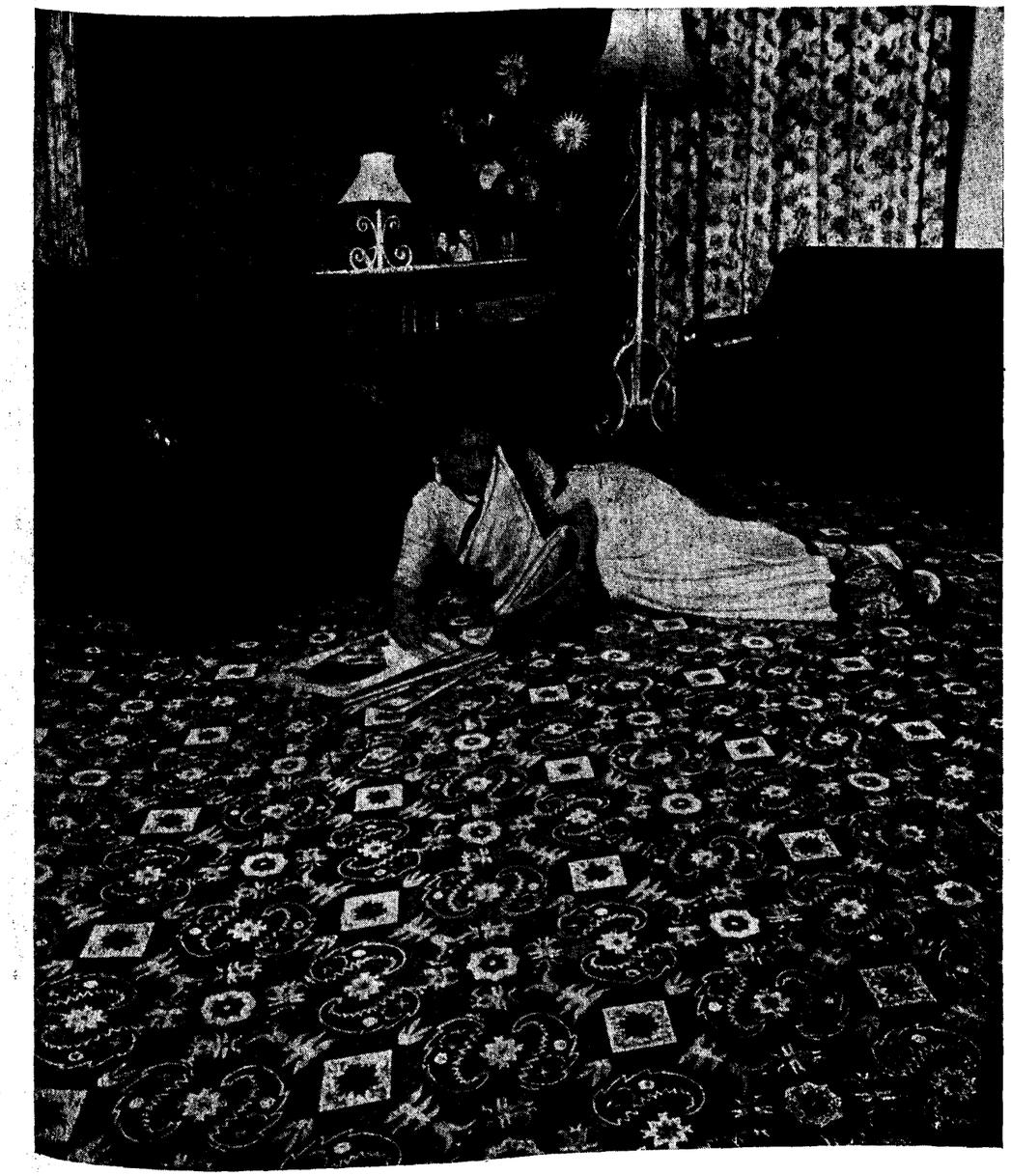
(Classified by Purpose and Area)

(In million U.S. dollars)

Purpose	Total	Africa	Asia and Middle East	Australia	Europe	Western Hemisphere
			(As on June 30, 1962)			
Development Loans						
1. **Electric Power** Generation and Distribution	2,213.8	247.4	493.0	129.3	388.0	956.1
2. **Industry**						
Iron and Steel	350.3	..	314.2	13.4	22.7	..
Paper and Pulp	138.7	..	4.2	1.1	113.4	20.0
Fertilizer and other Chemicals	82.0	..	25.0	0.2	56.8	..
Other Industries	97.0	..	5.2	23.7	58.8	9.3
Mining	203.5	101.0	54.5	14.3	11.9	21.8
Water Supply	2.0	..	..	..	2.0	..
Development Banks	145.6	4.0	94.4	..	46.7	0.5
TOTAL	1,019.1	105.0	497.5	52.7	312.3	51.6
3. **Agriculture and Forestry** Farm Mechanization	122.1	..	..	89.4	2.0	29.7
Irrigation and Flood Control	306.5	35.0	154.9	6.0	73.3	37.3
Land Clearance; Land and Farm Improvement	49.3	22.1	13.6	6.0	2.1	5.5
Crop Processing and Storage	7.0	1.0	..	..	4.2	1.8
Livestock Improvement	12.6	1.0	1.0	..	..	10.6
Forestry	8.2	..	..	2.0	6.2	..
TOTAL	504.7	59.1	169.5	103.4	87.8	84.9
4. **Transportation** Railroads	1031.0	274.2	584.8	37.3	2.3	132.4
Roads	631.1	87.8	152.0	50.9	..	340.4
Shipping	12.0	..	..	..	12.0	..
Ports and Waterways	283.2	17.2	193.5	..	46.9	25.6
Airlines and Airports	56.9	..	5.6	44.1	7.2	..
Pipelines	64.6	50.0	14.0	..	..	..
TOTAL	2,078.2	429.2	949.9	132.3	68.4	498.4
5. **Communications** Telephone, Telegraph and Radio	28.8	4.4	..	..	0.2	22.2
6. General Development	205.0	40.0	75.0	..	90.0	..
7. **Total Development Loans**	6,048.8	885.1	2,184.9	417.7	946.7	1,613.2
8. **Reconstruction Loans**	496.8	..	..	..	496.8	..
Total Loans (Development and Reconstruction)	6,544.4	885.1	2,184.9	417.7	1,443.5	1,613.2

* Net of cancellations and refundings.

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THE EASTERN ECONOMIST

OCTOBER 26, 1962.

"Actuality" with a Vengeance

CHINA'S offer of cease-fire of October 24 is based on the fundamental acceptance of what she has chosen to call "actuality". The technique of "actuality" was conceived by her under similar circumstances as now prevailing, when she proposed the basis of talks for the settlement of the boundary in the western sector. "Acutality" is a euphemism for the recognition of the actual state of affairs, as created by blatant acts of military aggression and forcible occupation of the territory so seized. This time it is clear that the technique of "actuality" is being asserted with a vengeance, since it is being extended to the eastern sector where China had not laid any claims before to Indian territory. India's rejection of this offer was a foregone conclusion and China herself had no illusions about it.

While China has made aggressive intrusions in the eastern sector extending as far as 40 to 60 kilometres, her offer calling upon both the parties to withdraw 20 kilometres behind the 'line of actual control' is tantamount to a declaration of an uncompromising claim to the rest of the territory which she is now holding. To add a touch of a conciliatory mood, her statement explains that once withdrawal 20 kilometres behind the 'line of actual control' has been effected, China would agree to withdraw her frontier guards to the north of the line.

But more aggressive is her attitude in relation to the western and middle sectors, where she is not prepared to budge an inch from what she calls the traditional line—the boundary which she has illegally established by her advance and grabbing of 12,000 square miles of Indian territory in the Ladakh region. Here she has offered to throw a few crumbs of talks relating to some points scattered over the vast area in her forcible occupation. In sum, the cease-fire requires as a condition precedent India's recognition of the new boundary south of the McMahon Line as the actual and final boundary in the eastern sector and the virtual maintenance of the status quo in the middle and western sectors.

How far China is sincere in making even this offer should be clear from the sequence of events leading to it and certain specific statements in her note. It is not without significance that the note was handed over to Dr. P. K. Bannerjee, India's *Charge d'Affaires* in Peking, more than six hours after it was released to Press correspondents. This note was the outcome of the mediatory efforts performed by President Nasser, whose Ambassador in Peking handed his personal letter to Mr. Chou En-lie on very much the same lines as another letter delivered by the UAR Ambassador in New Delhi to Mr. Nehru. The substance of this letter was to make an earnest plea for settling the border dispute by peaceful negotiations. But the kind of offer that has been made by China as a result of it has thrown light on some painful and agonizing facts in this entire affair. The sting is in the tail. China's note concludes with an appeal to the Afro-Asian nations to make efforts for bringing about a peaceful settlement of the India-China border dispute. This is another subtle move to isolate India from the rest of this region by holding her out as intransigent.

Apart from the Afro-Asian countries the only mediator acceptable to China is apparently Russia. But Russia is conspicuous by the omission of her name. Her willingness to supply supersonic fighter jet aircraft to India and of collaboration in their manufacture in this country has been the subject of a strong protest by China. And the attitude of neutrality maintained by her in this dispute was hitherto another cause of anger and resentment on the part of China. But the latest publication of the Chinese version of the dispute in the eastern sector in *Izvestia* has come precisely at this juncture. Is it a straw in the wind? As these lines are about to be printed the doubts have been dispelled. An editorial in the *Pravda* endorses China's position in the eastern sector and calls upon 'brotherly' China and 'friendly' India to settle the matter by peaceful negotiation. Blood, after all, is thicker than water.

The nation's determination to clear out the aggressor and re-establish its territorial integrity poses a question of supreme and immediate importance. A high level of morale is not enough. It must be backed by an uninterrupted and massive flow of resources in sophisticated armaments, aircraft, in particular adequate fleets of transport planes and a range of defence aids of which we produce but a part. There is no time to lose. In this hour of crisis, the Government must show not the least hesitation to come to a quick decision on the sources of supply—sources which will stand by us loyally. They have already given an indication of readiness to rush to our help if they are approached.

Expansion of Trade

IT is not the twentieth session of GATT which commenced on Tuesday this week at Geneva that is in the forefront of public attention so much as quite a different and spectacular event. The GATT session is no doubt loaded with a heavy agenda which contains some items of direct interest to the developing countries. But even a brief examination of these items would reveal that only one out of the three of urgent interest to the under-developed countries will bring concrete results and some relief to them, hard pressed as they are by their chronic and almost insurmountable poblem of their payments deficit. The annual report of the EEC will be discussed at the session with parti-

cular reference to the policies of the Community. Nevertheless, from their angle the discussion is unlikely to prove more useful than providing an opportunity to them to express their aspirations, already reiterated on several occasions before, in regard to their trade relations with the EEC.

GATT's ministerial declaration of November 1961 calls upon the industrialised countries to find positive solutions to the expansion of the exports of the developing countries by a reduction of tariffs and removal of quota restrictions in respect of no less than thirty commodities. In the intervening period of two years little action appears to have been taken on this declaration and, in the result, the debate on this item will be utilised as yet another occasion to press for its implementation as a matter of urgency. But the one subject of vital importance to India, along with more textile exporting countries of the underdeveloped world, is the disclosure of the plans of the industrialized countries with respect to the dismantling of their restrictions on textile imports and the measures they propose to undertake to stimulate the exports of the less developed countries during the next five years in pursuance of the agreement which was recently concluded.

The spectacular event which constitutes a significant land-mark in the post-war expansion and liberalization of world trade is the US Trade Expansion Act, recently placed on the statute book. This Act is a most eloquent illustration of the fast moving new trend towards the demolition of tariff barriers as the major step in the expansion of world trade. It is a far cry from the Reciprocal Trade Act with its restricted powers of tariff reduction vested in the President and now replaced by the latest Act. The Trade Expansion Act abandons, by and large, the item-by-item basis of tariff reduction and substitutes it by a group-wise basis covering products of importance in the export trade. The President is vested with the authority to reduce tariffs by as much as 50 per cent on a five-yearly basis by direct negotiations. But a more revolutionary power has been conferred on him in regard to the total removal or substantial reduction of tariffs on such items in respect of which the US and the EEC together claim a joint share of 80 per cent in the global volume of trade. Tariff reduction through GATT's mechanism will place at the disposal of the Contracting Parties the most-favoured-nation principle.

There are important clauses for the liberalisation of trade in respect of agricultural commodities. An outstanding feature of the Trade Expansion Act is a substantial elimination of the escape clauses which detracted from the practical utility of the Reciprocal Trade Act. This does not, however, imply that the escape clauses have been expunged totally, but they are kept to the minimum for the strict purpose of redress in real cases of hardships, where American industry or labour stands to suffer a grievous injury from the President's exercise of powers under the Act.

It can hardly be disputed that the impressive dynamism disclosed by the EEC in its march towards rapid economic progress, with its emphasis on trade expansion, was instrumental for overwhelming support in the US being ranged behind the original proposal for the Trade Expansion Act. Few Acts with such far-reaching repercussions have escaped controversy. The onward march of the EEC and the impressive record it created in consistently raising the rate of economic growth brought a vivid realisation that the days of seeking prosperity behind the shelter of tariff walls were numbered and to cling to them would be nothing short of clinging to a state of economic stagnation. The overbearing competitive strength which began to unfold itself in the trade of the EEC was apprehended to create vital maladjustments and even some disruption in the economic relations between the Community and the rest of the Western world. This was, of course, the immediate and potent cause for a veering round of public opinion in the US to tariff demolition.

But it would be doing less than justice to the imaginative policies advocated from time to time by her for the economic rehabilitation and prosperity of Western Europe to attribute the outstanding shift in her tariff policy to the massive impact of the EEC. It is an interesting phenomenon that, while the emerging strength of the EEC throws up a challenge to the US, she has exerted calculated influence on Britain for moving towards entry into the Community. This seemingly paradoxical attitude springs from a basic faith in economic cooperation and integration between the countries of the Western world as the single potent force for the economic prosperity of the free world as a whole. It will be recalled that American efforts and exhortations were the basic sources of inspiration for the setting up of the European Coal and Steel Community. This initial move of integration is being followed up under her influence to its logical sequel.

The larger purpose of adopting economic policies in general and trade policies in particular for achieving higher levels of prosperity is certainly not confined to the Western world. On the momentous occasion of the signing of the Trade Expansion Bill, President Kennedy made a solemn declaration that the liberalising powers incorporated in it would be used to stimulate and broaden the markets of the Western world for the intake of the primary products and manufactured goods of the developing countries. It is this assurance which is of immediate and direct relevance to the less developed countries sorely in need of the expansion of their existing outlets of exports and the establishment of new outlets—for their traditional as well as unconventional exports.

It is now some years that the export prices of primary commodities have sunk to very low levels without much prospect of a reversal of this depressing trend. Add to this the slow response from the industrialized countries to encourage the flow of exports of manufactures from the less developed countries. The net effect is to reduce the share of these countries in the increasing value of the exports of the free world. Last year they could obtain no more than one-third of the share in the increase in global exports. This stagnation urgently calls for a break-through. It now seems within the range of possibility without indefinite delay in view of President Kennedy's fresh accent on stimulating their export trade. If his proposal for a ministerial meeting of the Contracting Parties to the GATT some time in February or March next year meets with an enthusiastic response, it is reasonable to expect that positive courses of action will be devised for expanding the exports of the under-developed countries. This proposal, and not the move for a world trade conference under the auspices of the UN or otherwise, promises to yield concrete results.

The Failure on Housing

THE Seventh Annual Conference of State Housing Ministers in New Delhi last week brought into sharp focus the deteriorating housing situation in this country. The Union Housing Minister, Mr. Mehr Chand Khanna, pointed out that the gap in urban housing had doubled during the last decade from 2.5 million in 1951 to about 5 million in 1961. According to the current estimates, the Third Five-Year Plan is likely to throw up a further demand for 5 million houses, taking the total gap to 10 million houses by 1965-66. In financial terms, it may be translated into a capital cost of Rs. 5,000 crores. In the rural areas, the investment needed to bring the present sub-standard houses to the level where basic min mum requirements could be provided was Rs. 7,500 crores. Thus, the total demand in terms of funds for bringing the available housing capacity to reasonable minimum standards was Rs. 12,500 crores—a sum which cannot be provided by our Plans during the current decade. This prospect explains the Prime Minister's blunt warning to the Housing Ministers that they should not look to the Government for funds.

At the present juncture, in view of the border warfare with China, defence has acquired indisputable priority over every other project and there is no possibility of enhancing the allocation of funds for housing. There is no way out except to tackle the problem with the available resources. The Prime Minister urged upon all those who were associated with this problem to think in terms of "a scientific approach" whereby cheaper building materials could be utilised to the same effect by developing new techniques in processing and building. The country could not afford any more Chandigarhs which are nothing short of monuments of costly experiment in architecture and building. In keeping with the present living standards in the country, engineers have to evolve methods whereby the building cost could be kept to the minimum, so that the maximum number of houses could be built with the limited available resources.

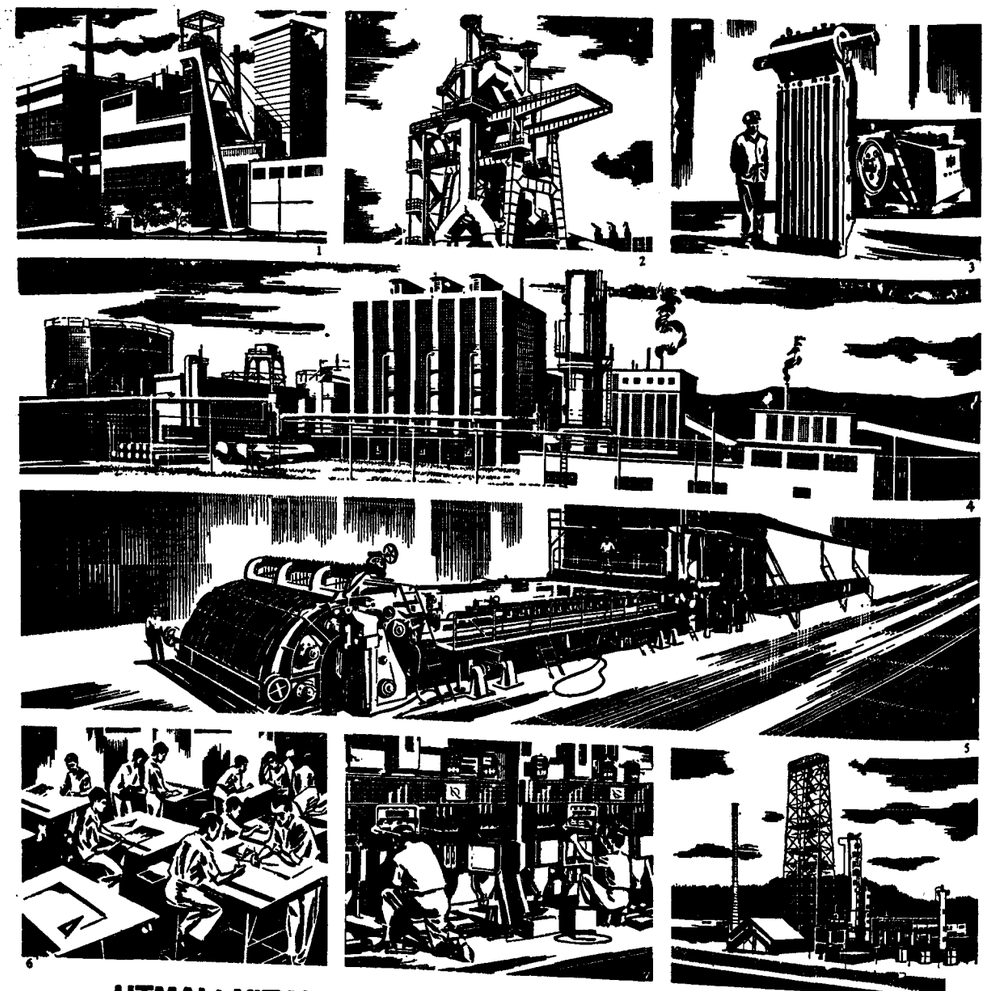
While the paucity of funds with the public sector has kept down the growth of housing, the private sector has also, for various reasons, not been able to contribute its full mite. During the First Five-Year Plan, according to the official estimates, houses built in the private sector were in the region of 6 lakhs as compared to nearly 7½ lakhs in the public sector. Again, in the Second Five-Year Plan, houses constructed in the private sector were 8 lakhs as compared to nearly 9 lakhs in the public sector. The private sector's lower performance is not of its own making. It failed to receive the aids and incentives necessary for the construction of new houses. According to the estimates made by the Reserve Bank of India, the private sector investment during the Second Five-Year Plan in housing was about Rs. 600 crores. This could certainly be doubled if the essential facilities were provided by the Government. Even in the co-operative sector, progress in housing has been slow because of the red tape. In a well-informed, and lucidly argued article in the issue of this journal of October 12 Croesus has explained at length the difficulties that housing co-operatives have to face in Bombay. The growth of housing co-operatives was cribbed by the unimaginative behaviour of the bureaucrats. Whatever success has been recorded in the private sector is mostly due to the determined efforts of the people, without any help from the officials. Rather, the contribution of the officials has taken the form of raising technical hurdles.

A typical illustration of the bureaucratic failure is provided by Delhi. The public was promised no less than 60,000 plots, after development, at reasonable prices. As it turns out, the prices charged for these plots by the Government are much higher than the prices which were being charged by the private development companies before the freezing of lands. Even after the hurdle of acquiring the piece of land is over, many other obstacles raise their heads. Bricks are under control in Delhi and procuring first class bricks has become a big headache. There is an almost chronic shortage of cement which costs fifty per cent more in the black market—the premium could have been higher but for the Cement Marketing Company of India's efforts to maximise supplies at the controlled prices. As things stand today, the story of Delhi is being repeated in almost all the other towns throughout the country.

The slums in urban areas are like running sores which have provoked bitter outbursts from the Prime Minister times out of number. All steps taken so far have failed in arresting the growth of the slum areas. Not only that no solution has been found for the old slums, but a number of new spots of disgrace and human miseries continue to crop up all over the big cities. All attempts to rehabilitate the slum dwellers have been defeated because of their means of living being in the vicinity of their hutments. In the absence of the provision of subsidised houses and cheap and efficient transport in the urban areas, this problem will remain unresolved. There seems to have descended a degree of helplessness in the bureaucratic circles about this problem which has degenerated into a pathetic attitude of amazing inaction.

Another sphere where positive action could have been hastened is that of industrial housing. Incentives have been provided by the Government to the industries but even then, the industrial workers have not been able to get adequate shelter; in any case not more than 10 per cent of the industrial workers are in the happy position of being provided with healthy housing conditions by their employers. The provision of better houses will go a long way in increasing the productivity of our labour.

In the short period, it seems, the housing problem will drag on. It is linked with the larger problems of growth in population, the standard of living and the speed of urbanisation. The solution on western lines can be had only perhaps through efforts continued over four to five decades Unless a more imaginative approach is made, as suggested by the Prime Minister, to put some further "scientific work" on building material the problem will remain as acute as ever. On top of that, cheap plots of land, building materials at reasonable rates and cutting down of the red tape are absolutely essential to accelerate the flow of private funds into housing. Otherwise the current trend in deteriorating housing standards will not be arrested and the rot will bring in its train social, political and economic tensions of a grave magnitude.



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THE WEEK'S NOTES

The Congo

FLARE-UP AGAIN?

THERE ARE ominous indications that the Congo is almost on the way to a flare-up again, undoing all the work of conciliation that has been so strenuously undertaken by the U.N. This tragedy must be prevented at all costs. The agreements which were reached between the Central Government and the Government of Katanga have now been rejected by Mr. Cyrille Adoula, since it is his conviction, in the light of recent happenings, that no agreement can be implemented effectively unless Katanga is re-integrated with the Central Government first and that, too, without loss of time. This precisely is the crux of the whole matter. Mr. Tshombe is too shrewd a politician — and he expects indirect support from powerful quarters in a significant measure — to appear that he is adopting an intransigent attitude. His offer of launching an immediate fund of $2 million for the Central Government is an eye-wash, when it is recalled that last year itself he recovered not less than twenty-one times as much from the Union Miniere which should have gone to the Central Government. His agreement on the cease-fire in North Katanga between the Central Government's troops and the Katangese irregulars is in reality plausible. Recently, strong reports have been reaching — and they cannot be dismissed lightly — about substantial arrivals of mercenaries again in the Province of Katanga. Add to this Mr. Tshombe's acquisition of a large number of aircraft as a preparation to meet possible UN military action.

The federal constitution, which has been drafted at the instance of Mr. Adoula with the good offices of the UN, takes care to ensure that the key sectors of power remain in the hands of the Central Government. They are the control of the armed forces and the police throughout the provinces of the Congo, including Katanga. The division of Katanga into two provinces is another significant feature of this draft constitution. It is to a federal constitution of this type, that denies provincial autonomy practically bordering on independence (which is the real target of Mr. Tshombe's attack) that Mr. Tshombe offers resistance. It is unlikely that he will ever consent to a division of the revenue of Katanga between the province of Katanga and the Centre on the basis of 50 : 50 and, furthermore, the integration of the Katangese army with the Central forces may be made in practice an insurmountable task. Against this background, events seem to be heading towards a strong pressure from Mr. Adoula to move the UN to intervene, if necessary, in the military sense, to bring Katanga within the fold. This step is so delicate that no precipitate decision can be taken on it. For one thing, the UN itself is in a financial quandary and, for another, a military operation in the Congo will lead it to the brink of bankruptcy. Before the UN is moved, it is necessary that U Thant convenes a meeting of the Congo Advisory Committee, postponed until the end of the current month, to sound it before any positive recommendations are placed before the UN. All in all, the situation is fraught with grave possibilities.

Tripura Border

A WELCOME AGREEMENT

THE AGREEMENT reached between India and Pakistan for cease-fire across the small segment of the eastern border is to be welcomed for two reasons. Primarily it gives an opportunity to demarcate the border-line on the eastern part of the frontier and terminate a small matter which has kept on dragging for a long time. In the next place, an absolutely avoidable diversion of the Indian defence operations now demanding total concentration on the Sino-Indian border has been eliminated. It is pointless to probe into the motives of Authority in Pakistan in stirring up trouble along the Feni river now that an amicable agreement has been reached. It is of the utmost importance that the agreement should be carried out to the final conclusion in the same spirit in which it has been arrived at.

The armed forces which have been mustered on the border are to be withdrawn by October 27 which is a clear indication of the intention of the two parties to let the work of demarcating the boundary proceed peacefully and without interruption. India, however, is not directly involved in this withdrawal operation as she has not deployed any troops there. The fortifications which have been raised as a matter of temporary strategy are to be demolished for the same reason. No fresh settlements of occupants are to be made in the disputed area. This term of the agreement is important for the reason that the occupation of the border region which is in dispute and which awaits division between the two countries after demarcation gave cause for provocation recently. Then there is also an important point which has been agreed upon. The grievances of the peasantry in this area are to be given a careful hearing by the officials of the two governments and no action is to be taken on the settlement of the undemned border without disposing of these complaints.

For a considerable time past there have been infiltrations of Muslims into Tripura and there have also been intermittent cases of exodus of Hindus from East Pakistan. The infiltrators started their manoeuvres ostensibly under extraneous inspiration or else it is difficult to account for the large numbers in which they continued to conduct their movements across the border. India had to consider the problem of the repatriation of these illegal entrants in its full repercussions and no strong and prompt action could be taken by the Government, as demanded in several quarters in this country, for the likely consequences on the Hindu population in Pakistan. Highly coloured reports about the hardships of the repatriates and the twist that was being given about forcible expulsions of Muslims legally entitled to stay in India, would have resulted in retaliatory action against the minority in East Pakistan. It was for this reason that the pace of the repatriation of the infiltrators was moderated by the Government. All these unconnected, but inevitable, consequences of the unsettled state of the border and the movement of the armed forces there will be removed by the agreement.

Truck Transport

THE LESSON OF THE STRIKE

IT WAS by no voluntary choice that the truck transport operators in Madhya Pradesh went through the ordeal of a three-week strike. A strike throughout the State for such an unusually long period of time inflicts great injury on the economy of the State of which the operators are fully aware. What they are painfully aware of is the fact that it inflicts an equally great injury on their own financial and business interests. This perspective should be sufficient to bring home the genuineness of the grievances which impelled the operators to take the extreme decision which they did. Their central grievance was the unbearable incidence of taxation.

Ultimately the State Government realised its genuineness and agreed to arrive at a compromise. But the price of the ageerment must be recalled. Well over 11,000 trucks were immobilized in Madhya Pradesh for a period of three weeks and, furthermore, on October 17 there was a sympathetic one-day token strike of the lorry operators in Delhi, Rajasthan, Uttar Pradesh, Gujarat and Maharashtra, immobilizing, according to a rough estimate, something like 60,000 vehicles. The loss caused to trade and industry as well as to the operators as a result of the token strike is difficult to calculate, as also the great magnitude of the loss involved in the prolonged strike in Madhya Pradesh. The truck operators eventually succeeded in getting redress of their grievances. The State Government has agreed to amend the Motor Vehicles (Taxation of Goods) Act so as to reduce by 50 per cent each the fee levied on inter-regional permits from Rs. 534 per quarter to Rs. 267 per quarter and the composition fee from Rs. 678 per quarter to Rs. 339 per quarter of a year. It is not clear how far an understanding has been reached on the dispute over the abolition of the distinction between the regional and inter-regional permits.

It is not in Madhya Pradesh alone but throughout India that motor vehicles are considered as the milch cow from which ample milk of taxation can be squeezed. This taxation takes various forms from direct permit taxes to indirect levies of a considerable variety. In the aggregate, motor vehicles taxation in India has acquired the ill-fame of ranking among the top-heaviest in the world. The iniquity of such heavy taxation as well as its direct harmful effect on the development of transport, agriculture, industry and trade are now accepted facts. There has been a spate of reports on this particular subject beginning with the report of the Motor Vehicle Taxation Enquiry Committee. The Masani Committee is the latest to utter a warning to the Government against the ill-conceived and short-sighted policy of inflicting an unbearable tax burden on motor vehicles. Much the greater part of the aggregate tax collections from motor vehicles is appropriated by the State Governments and they have found in it a very fruitful source of revenue. Their stake in this source of taxation has become so deep-rooted and the limitations on the expansion of State taxation by policies like prohibition has strengthened that stake to such an extent that they can now confront the Centre with a blunt poser as to how they are to be compensated for the loss of motor taxation if they are to relax motor taxation.

There is no doubt some truth in the grievance of the State Governments that, in case they are asked to surrender a part of their revenue from motor taxation, they should be provided with compensatory or alternative revenues. But this argument has been exaggerated. Lower taxation of motor vehicles will encourage rapid expansion of truck transport and it will make a significant impression on the net revenue of the State Governments. As it is, something like 40 per cent of the road capacity is said to lie unexploited in most of the States. It can be pressed into service within the limits of the availability of foreign exchange to step up the supply of vehicles, domestic or imported. Road repairs and maintenance are in an awful condition not only on the provincial roads but on the national highways. If they are brought up to the normal standards, the volume of truck traffic will certainly go up. All these remedies will stimulate economic activity to an extent which will bring revenue to the State fisc in diverse ways. The loss on motor vehicle taxation will be more than compensated by the earnings of tax revenue and from other activities. The Madhya Pradesh ordeal of strike should serve as an appropriate occasion to take an agonizing stock of the whole situation.

C.P.I.

ESCAPE IN EQUIVOCATION

AT A time when all the parties and groups are spontaneously sinking their differences and issuing exhortations to the nation to stand solidly behind the Government and strengthen its hands in the defence against the Chines aggression, the Communist Party of India has the notorious distinction of deciding by a deliberate choice t remain in segregation. The resolution adopted by th Central Secretariat of the CPI on October 17 is an unabashed illustration of a purposeful resort to equivoca tion, the purpose being to evade calling an aggressor a aggressor and dealing with him as such. The relevan portion of the resolution adopted by the Secreta riat reads: "Reports of the Government of Indi 'show' that the Chinese forces have crossed t the south of the McMahon Line and, thus violated Indian territory, though the Chinese deny it." When Mr. E. M. S. Namboodiripad, the Party's General Secretary, was cornered and confronted with the question whether his Party equated the Government of India's statement with Chinese denial, he stated with a conviction that the Chinese denial was a fact and asked whether the Party should not state facts. But curiously enough, what the Government of India had stated was depicted as an inference of doubtful validity as the use of the word 'show' signifies. The CPI most reluctantly committed itself to the recognition of the McMahon Line as the border line between India and Tibet. Now that it is difficult for it to resile from this position, it is seeking refuge behind the reliability of the version about the aggression. When specifically asked whether the Communist Party of India supported the Government's firm policy that no proposal for talks could be entertained until the intrusion into NEFA was vacated, Mr. Namboodiripad once again gave the evasive reply that it had not gone into the details of the issue but discussed the NEFA situation in very broad terms. Mr. Dange's face-saving assertion that defence was better than condemnation was yet another telling example of the attitude of equivocation. To cap everything, the Secretariat's resolution describes the aggression in NEFA as the generation of 'new tensions' on the NEFA border.

The truth of the situation is that the CPI is now brought face to face with a positive situation in which it can no longer conceal the internal conflicts between its two factions—one, an out-and-out China lobby and, the other, inclined to take a realistic and nationalist view of the Indo-Chinese border problem. These exercises in tight-rope walking and finding an escape in equivocation cannot last long and the Party has to make its position clear beyond the shadow of any doubt. The extent to which the China lobby in the CPI is still rooted is easy to gauge. Mr. Jyoti Basu and Mr. B. T. Ranadive are reported to have denied in public statements the fact of aggression by China. The significant fact is that the party is led by leaders of such ideological-cum-anti-national loyalties. Many would quite reasonably hold that in issues like the present one the demarcation between the tight-rope and treason is thin.

A CORRECTION

In the leading article on **Nutritional Standards** in the last issue of 'The Eastern Economist,' "not" was inadvertently missed between the words "does" and "appear" in line 21 of paragraph 2. The sentence should read: "Though no data are available in respect of the consumption of vegetables, the 1943 picture does not appear to have very much changed."

The World Abroad

THE SECRET OF ECONOMIC ADVANCE

By ODYSSEUS

IN HIS ENDEAVOUR to ascertain what it is that starts economic growth in an undeveloped traditional society, Professor E. Hagen, a leading American economist, asserts in his new book "On The Theory of Social Change" (Dorsey Press. Illinois, $7.50.) that the generally accepted economic explanations—outlined here last week — mostly explain what happens once growth has started, not how it started.

Until recently, the weakness of most Western economists seeking to advise undeveloped countries on how to initiate growth was that they did not try to understand the structure of a traditional society, and the incentives and motives which governed its people. They dismissed these as "backward", and tried to instil in them the economic motives that govern wholly differently motivated industrialised societies.

CHANGE VERSUS SECURITY

Every society seeks, with varying success, to provide its people with security. In the West, security is promoted by the sanctity of contracts within a framework of written law. I am disposed to argue that, broadly speaking, Western societies, based on contracts, which enable the citizen to promote his own welfare, have been outstandingly successful in multiplying wealth, but only relatively successful in attaining individual security, and further, to assert that the substantial security achieved in a traditional society is incompatible with the multiplication of wealth. There is logic in this. Because it is the Western individual's *sense* of anxiety on behalf of himself, his family, his group, and his country, which drives him to work hard, to earn more money, to find new techniques, new solutions to old problems. He expects change. His history has accustomed him to see stage coaches displaced by railways, railways by motors, lorries, and aeroplanes—the steam engine by the internal combustion engine, internal combustion by jet propulsion. Although it is not true to say that the average Western individual sees no threat in change and offers no resistance to it—examples to the contrary will readily occur to everyone—nevertheless the structure of society is biased towards change, and it is this bias which gives scope and incentives to creative, innovating personalties.

The typical traditional society is very different. First, it is based on agriculture. Society consists, broadly on the one hand, of peasants and small traders and, on the other, of an elite of landed proprietors (who are by no means necessarily land owners). The peasant depends for help against the hazards of life not merely on his hierarchical overloads, but on a recognized system of mutual help amongst the members of his village or clan, who help each other in planting, harvesting, irrigation, house building, and at births, deaths, or marriages and, of course, at times when disaster strikes. The forms vary from society to society, but the result is the same: life depends on this mutual help. Many economic and religious functions cannot be carried on without it. In the West, the sanction against an individual for inadequate co-operation in the general aim of society (which is, broadly, the creation of wealth) is either failure to add to his present income or a decrease in it, or, finally, poverty and hardship. This is not to ignore the manifesting existence of important religious, cultural, artistic and other non-material values, but it remains true that the wealthier that a society is, the more it can afford the time and money to cultivate non-material values.

In a traditional society, the sanction against an individual to compel him to observe his customary obligations is the refusal of his group to co-operate with him. In extreme cases, he is ostracised. Because no one has labour or goods to spare, the obligations of mutual help are scrupulously observed. The enforcement of a rigid contract, which turned out to bear harshly on a villager, might endanger all social relationships in the village. Hence in the typical traditional society, there are no contracts and no legal code. In many traditional societies, each case of discontent is decided by the elders, not merely on grounds of equity, but with keen consciousness of the relative status, power, and social connexions of the parties, the resentments that might be aroused, and the implications for life in the village of alternative decisions. The headman's role is to ascertain and enforce the consensus of village opinion.

Because all this preserves the traditional social structure, the Westerner, accustomed to expect change and, indeed, anxious to promote it in order to speed economic advance, assumes that the villager leads a life of frustration and apathy. It is true that in many parts of Asia today he is sullen and apathetic, but the forces which make him so are those which are disrupting his traditional society, not the circumstances of that society. In an undisturbed traditional society, the villager takes the structure as the natural order, as unalterable as the sun, the moon, and the seasons. He feels the security of knowing his recognised place in it. He honours the elite without envy, as members of a world far outside his ken. He respects himself as a peasant. It is a Western mistake to picture the elite as holding the peasants down in grinding misery.

The citizen of an industrialised country seeks release from his anxieties in ceaseless activity that inevitably leads, sooner or later, to change. In the 19th century, he sought the change of political enfranchisement. Today, he seeks "fair shares" or equal opportunities to secure other changes that he thinks will better his condition. But in a traditional society, peasant and elite seek release from their anxieties in preserving the known and the familiar. The great stability of traditional social structures bears this out. A powerful elite might hold the people in hated peonage for a generation or two, but it is inconceivable that an elite could hold their position by force throughout the many centuries in which traditional societies have persisted. Peasants find satisfaction in depending for decisions on individuals above them in hierarchy which ensures them their respected place. Conversely, anything that interferes with, or erodes, the structure must arouse their anxiety; they recoil from having to make decisions or to cope with problems on their personal initiative outside the protecting structure of mutual self-help.

THE BASIC CAUSE OF CHANGE

The basic cause of the changes which disrupted the once traditional societies of Europe and elsewhere, was the perception by the members of some social group that their purpose and values in life were not respected by groups in the society whose esteem they valued. Thus, in Japan, a struggle for power among the elite led to the victory of the Tokugawa dynasty, who depressed the samurai and the class known as "wealthy peasants". In Russia, the Czar's religious reforms in the 1660's constituted a rejection of the Old Believers. Professor Hagen

outlines these and other erosions of the traditional structure in other countries in great detail, and he convincingly argues that a "withdrawal of status respect" causes cumulative discontent in the group affected, which, over a period of some generations, leads to the emergence within it of "innovational personalities", ready and anxious for change in the traditional structure. Instead of finding satisfaction in preserving the known, the innovator finds it in testing his capacities against the unknown. He is not necessarily a happy man who faces problems with pleasure. Rather, most creative individuals are driven to creative activity by incessant anxiety. Their feeling that the world is a threatening place leaves them only while they are active, then, after momentary satisfaction in the solution of a problem, it returns to drive them on again.

It is often said that social mobility is essential for economic progress, but it is not the mere possibility of social ascent that is necessary but specifically the social recognition accorded to economic prowess. If traditional channels of gaining status are open, then they will attract talent. For example, if social acceptance be gained by prowess in war, literary learning, the priesthood, and so on, then these careers will attract. However, if traditionally honoured roles are not open to an individual, and if armed rebellion or emigration is impossible, then he must seek other—non-traditional—channels for recognition. Whether or not he turns to technology depends on various factors, including the state of scientific and technical knowledge. Today, however, advanced technological information is readily available to innovating personalities in virtually all countries. Furthermore, the experience of colonial rule under industrialised nations in many traditional societies has given economic innovation widespread prestige, so that the chances are increased that dissatisfied groups will turn to economic activity.

It emerges, however, from Professor Hagen's study that the process of evolution from a traditional to an industrial society must be expected to be gradual and full of explosive social tensions, rather than quick or painless. To adopt non-traditional occupations is not only beyond the knowledge and skills of a traditionally educated adult: it is against all his instincts. He will direct his energies towards recovering the status that he has lost. If he fails, he becomes apathetic, sullen, or rebellious. The constructive effects of lost status will be on the young, especially on children in their formative years. The young are adaptable. The future lies with them. Professor Hagen concludes that since the impact of the West on traditional societies is world-wide, loss of status has started changes towards conditions making for economic growth everywhere, but their speed cannot be forecast. Nor does he offer any views as to how the leaders of traditional societies in transition may seek constructively to ease the social tensions that are inevitable.

I am conscious that this is an inadequate outline of an important and challenging book, but Professor Hagen's 500 closely documented pages, covering economics, psychology, and anthropology, defy summary.

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The European Scene

CHANGING CONSUMPTION PATTERNS

From Our Special West European Correspondent

PARIS, October 21.

THE evolution of consumer habits in response to a steady rise in real incomes (and also—this is a different matter—in response to recurrent falls in the rate of rise in real incomes) is a subject that naturally concerns planners and producers alike. Unfortunately, each nation seems to react differently to prosperity, and special studies are required in each case. For example, recently published enquiries reveal that the West Germans and the French have shown, on several points, diametrically opposite reactions to the long spell of prosperity of the 1950's; the Germans, especially young people and women, have spent much more on alcohol, and the French very much less. The Germans have gambled more (an increase of 300 per cent in sums left on gaming tables in five years), and the French less. The proportion of the family budget devoted to food has been stable in Germany and other Western countries, but it has declined in France quite sharply. Nevertheless, there are obvious common trends, such as the larger sums spent on automobiles, on tourism and on health.

Perhaps both the discordant and the concordant trends point to the same thing: to the gradual appearance of a common living pattern throughout West Europe, a pattern that may be called Americanisation. The French used to outlay more on food and drink than the others, and in reducing their relative expenditure on those things they are falling into line. In boosting their outlays on cars and holidays, West Europeans in general are following the American lead. However, this notion of a universal Western approach to the American way of life is based on a very hazardous extrapolation. Having visited each of the six Common Market countries this year, I was struck by some evident inroads of Americanism everywhere: the craze for "convenience foods" (deep-frozen and ready-prepared dishes), the mushrooming of motels and the spread of consumer-credit are too obvious to be missed. On the other hand, one has to look at the figures, rather than the shop-fronts, to see that certain attempts to introduce American ideas have failed or not even been tried: coin-operated laundries and dry-cleaning outfits have been resisted by Continentals, and the immense sums invested in bowling alleys have so far brought no return. Again, some consumer goods that have little or no place in the American budget have shown sharp rises, such as natural mineral waters. Finally, some of the most obvious new uniformities in European consumer habits are not American in origin at all, but Italian; this concerns food (ice-cream, espresso bars, ready-prepared dishes like pizza and antipasti) as well as clothing (shoe styles, seamless stockings, silk ties, etc.)

For that matter, the outlays on foreign travel, of which the increase marks an Americanisation of the traditionally stay-at-home French, reflect the Italian vogue too, for it is Italy that attracts most tourists from north Europe. As far as concerns the organisation of production and credit, there is a clear trend toward Americanisation, but in what relates to consumption as good a case could be made out for the Italianisation of West Europe. In any event, the common trends, if any, are less apparent than the different national reactions to increases in incomes, if only because consumption is influenced as much by national tax systems, by relative prices and by certain political options, as by imitation of foreign tastes. Belgians are not going to drink as much wine as their southern neighbours as long as the powerful brewery interests see to it that wine is severely taxed; nor Frenchmen eat as much veal as others when the price is maintained extravagantly high to subsidise peasants; nor Europeans spend as much on television when a government monopoly restricts the choice of programmes.

First one must recall the extent of the increase in real revenues in West Europe in recent years. Between 1950 and 1960, on average, consumer outlays per head at constant prices rose: by 6.1 per cent in West Germany; by 4 per cent in Italy; by 3.7 per cent in France; by 2.8 per cent in Holland; by 1.7 per cent in Belgium; as compared with 3.3 per cent in the United Kingdom and 2.1 per cent in the USA. How consumers react to these sizable increases in spending power depends on the level from which they began: Belgium used to have the highest living standards on the Continent, but has so no longer; France, in this period, overtook Belgium, approached British standards and improved her living standards from 40 per cent of American to 50 per cent; the Italian increase, of course, begins from a very low level. It depends, too, on how obvious the increase was to the consumer. The figures quoted are in constant prices and thus are known only to the statistician, after he has subtracted from the total volume of consumer outlays the part due to increase in prices and to expansion of the population. In some countries, prices were relatively stable and consumers at once noticed the rise in real spending power, but elsewhere, as in France, there was a considerable rise in prices, so that consumers got richer while complaining bitterly about "impoverishment" due to inflation. Naturally, they tended to spend their money differently in each case.

The German experience is set out in a study just published by the Economic Research Institute of Rhineland-Westphalia. It indicates that about one-quarter of the increment in real revenues was spent on motor-cars and holidays. Outlays that more than doubled were for radios, television, musical reproduction sets, strong liquor, gambling, collector items from stamps upwards, and some types of household amenities. Great detail is available for the revolution in French spending habits in the 1950-60 decade in a study of family budgets by Credoc, a consumer research organisation. The big change was from food to durable consumer goods. Apparently defying Engels' law, French families used to spend 49 per cent of their outlays on food as recently as 1950, but this has now dropped to 41 per cent. The main victims were brandy, liqueurs, aperitifs and similar products for pickling the liver; and bread, potatoes and starchy food in general. Consumption of milk, chocolate and ordinary wines stagnated or declined, apparently because saturation point had been reached, while purchases of mutton and veal could not increase in view of high prices. Products that flourished mightily were drinks containing little or no alcohol (fruit juices, mineral water and beer), sweets, cakes, biscuits and ice-

cream (and hence the champagne that goes with them), cheese and fine wines. Convenience foods prospered (tinned vegetables, package soups) and pork products, no doubt for similar reasons, for they come ready to eat. There were only modest rises for products of which saturation point had been reached (eggs, sugar, coffee, dried vegetables) or of which high prices and inefficient distribution hampered sales (beef, fish, fresh fruit and vegetables.)

Outlays on clothing declined from 15 to 12 per cent of the family budget, and less was spent on soap and cycles. The savings in these classes of goods went mainly to durable consumer goods, sales of which tripled: television, records, refrigerators, washing machines, musical reproduction sets, games, toys, camping equipment and motor cars. Less notable increases occurred in household amenities: furnishing fabrics, heating and cooking appliances, radios and furniture. Well behind that group came articles and services for personal use: toiletries, perfumes, hair-dressing, newspapers and magazines. Outlays on these items did not double in the decade. An exception here is expenditure on medical care and pharmaceuticals, which more than doubled. The picture that emerges is of a steadily richer citizen who is becoming more health-conscious and more of a family man. Responding to governmental campaigns as well as to his own desire to share his pleasures with the whole family, he has cut down items that are deleterious to health, consumed alone or out of the house; he has made his home more comfortable, favouring goods that are enjoyed jointly, such as motor car, TV and more varied meals, against personal items like clothing.

What happens to this choice if times get harder? The period in question was not free of economic accidents, for there were recessions in 1953 and 1958-59 as well as spells of accelerated inflation in 1951 and 1957-58. They show that when incomes cease rising or fall, total consumer spending, needless to say, stabilises but the various items are very differently treated. Some things are not sacrificed at all, such as outlays on medical care and drugs, whereas others slump at the least turn of the wind. Food outlays are relatively rigid; when circumstances are more difficult, the family seeks to keep up its newly acquired alimentary standards at any cost and the housewife refuses to go back to the old, cheaper foods. A second group of products or services is regarded as privileged and continues to increase, though at a slower rate: these are items whose intake is governed by previous decisions, such as heating and lighting power, schooling, housing and products required for upkeep, or whose consumption depends on contractual arrangements (rent, insurance).

This leaves the full burden of the belt-tightening to fall on a third group of goods, which are promptly sacrificed or put off for better times. These are clothing, motor cars, radios, household gadgets, photography and camping gear. It will be noticed that some of these are items that are especially favoured in affluent moments, and thus the industries concerned are highly cyclical: cars, camping equipment, electrical household gadgets. Others are products that get relatively less attention even in good times and yet are axed in bad times: clothing is the most notable case, and the fact is cheerless for the textiles industry. However, traders interested in the West European market for specific products need not rest content with the very general indications I have given. They can refer to the 800 statistical series covering 200 products or groups of products, giving for each the evolution over the last decade of sales in value and volume, which are published by the Centre for Research and Documentation on Consumption (Credoc), 30 rue d'Astorg, Paris, 8, and the similar studies by the Economic Research Institute of Rhineland-Westphalia.



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Economic Report from the U.S.

HUMAN SIDE OF THE DEVELOPMENT PROCESS

By

GUY SIMS FITCH

WASHINGTON, Oct. 16.

IN reviewing the results of the 43-nation, US sponsored middle-level manpower conference in Puerto Rico last week, one element stands out with particular force. It is the evident determination of the delegates to come to grips with the subject at hand—not merely to talk about it in theory, but to discuss real problems in real terms, and to do something about them. It is not hard to see why this was so. In the first instance, the conference was dealing with a subject of tremendous appeal—the human side of the development process. Too often ignored in the past amid the concerted efforts directed at investment in physical resources, investment in human beings—in the development and utilization of their skills and their productive potential — now has drawn widespread attention as both a worthy end in itself and an indispensable ingredient of lasting economic and social progress.

More than one project in the history of economic development has had to be postponed or abandoned, not because capital was lacking, not because labour was in short supply, but because the skills needed to carry out the plans were unavailable. This matter of skills is important to all countries, whatever their stage of economic advancement. But it figures to be particularly pertinent to developing economies. Where education and training are scarcer, the contribution of a skilled individual to the economy promises to be greater. Awareness of the problem is only the starting point, of course. Much of the significance of last week's conference lies in the vast and fruitful exchange of information that took place, as participating countries detailed not only their manpower difficulties, but also the steps they were taking to cope with them, to upgrade the skills of their citizenry. These programmes range from carefully formulated public education efforts to tax and other incentives for private enterprise to train personnel for productive jobs. Among the heartening moves to come out of the conference were announcements by a number of industrialized countries that they have set up or will set up "peace corps" programmes of their own. These appear to be modelled largely on the example of the US Peace Crops, whose volunteer personnel are contributing to manpower training and skills development in nearly 40 countries around the globe.

This interest in volunteer training programmes is not confined to industrialized countries. Several developing nations also announced that they will be establishing domestic peace corps programmes of their own to help develop needed middle-level skills and to work with the volunteers from the United States and other industrialized nations. In keeping with the spirit of international co-operation that motivated the conference, US Peace Corps Director Sargent Shriver indicated that the United States stands ready to aid other nations in these endeavours. To help follow through with the efforts begun in Puerto Rico, the conference set up a small interim secretariat in Washington which will keep the entire subject under review and will help disseminate essential information about manpower needs and training to all interested nations. The work of the secretariat will be examined before a year has passed, with an eye to determining what else needs to be done.

Even this readiness to face up squarely to the issue of manpower resources is not the full measure of the significance of this international conference. It was no mere technical discussion of labour input, output and related questions. Virtually every delegation present indicated its agreement, open or implied, that what is at stake, in the final analysis, is the transformation and modernization of entire societies. To the extent that people become more literate, better educated and trained to take up productive roles in a changing and advancing society, they are in effect laying the foundation for the creation of new and dynamic social and political institutions. Through such institutions they can find growing opportunities for realizing their human aspirations for a better life with dignity and freedom. As Governor Munoz Marin of Puerto Rico noted in opening the conference, economic development should be the servant of civilization, not its master.

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Special Article

THE TEHRAN SYMPOSIUM ON OIL

(CONTRIBUTED)

THE preponderance of manual labour in agriculture and a low level of industrial development in the countries of Asia and the Far East have kept the demand for petroleum products in this region at a low ebb; in 1960, the ECAFE region's aggregate consumption of oil products formed only 5 per cent of the world total. But the increasing stress that is placed on industrialisation all over this area and the greater resort to mechanised farming in at least some of the more advanced countries among them is bound to push up this demand at a fairly rapid rate. During the next few years, the ECAFE region's requirements of petroleum products are estimated to go up by 100 per cent, if not more.

This has naturally given a tremendous fillip not only to the setting up of the oil processing industry in this vast region, but also to oil exploration and prospecting. During the four years to 1960, the overall production of oil in the ECAFE region increased by nearly 40 per cent and the refining capacity by as much as 34 per cent.

A major part of the increase in production has obviously taken place in Iran which has been for a long time one of the premier oil-producing countries in the world. But substantial additions have been made to the proved reserves of oil and gas in various other countries as well as a result of enhanced exploration activities. In Afghanistan, for instance, the total area under oil exploration has been increased to 1,13,000 square miles. Exploratory deep wells have been drilled in six structures. At one place oil has been found at a depth of about 2,200 feet. At two other places several commercially exploitable gas horizons have been encountered and plans are formulated to develop one of these by the end of 1963.

Pakistan has met with tremendous success in respect of natural gas availability, though not in the discovery of oil. So far eleven gas fields have been discovered in this country, the total recoverable reserves being estimated at 14 million million cubic feet. The discoveries have been in both the wings. Pakistan today is counted among the world's most prolific gas regions.

In India, substantial successes have crowned the ambitious programme of oil and natural gas exploration launched by the Government of India through the State-owned Oil and Natural Gas Commission and by the Burmah Oil Company. Fairly extensive oilfields have been discovered in Assam and Gujarat States and a gas region has been located in the Cambay area of the latter. Plans have been chalked out to intensify exploration in the Rudrasagar area in Assam and expedite it in the Indo-Gangetic plains in North India, the Cauvery Basin in the South and off-shore near Kutch on the Western Coast.

Though little success has been achieved so far in Australia, the Australian Government in spending large amounts on its quest for oil or natural gas in the Papua/New Guinea area as also on the mainland. The Japanese oil concern, the Arabian Oil Company, is stated to have intensified its production programme in its off-shore concessions in the Kuwait-Saudi Arabian neutral zone. In Iran, exploration is being continued in central and northern parts of the country. Similar extensive programmes are in operation in all other ECAFE region countries where there are hopes of finding oil or natural gas.

So far as stepping up of the oil refining capacity of this region is concerned, India has made quite a good deal of advance over the position obtaining in the mid-fifties, when four private sector refineries were in operation here, by setting up the 0.75 million tons Noonmati Refinery and planning for establishing three more refineries in the near future at Barauni (2 million tons), Koyali (2 million tons) and in South India. The total refining capacity in India by 1965-66 is estimated to go up to nearly 12 million tons. In Ceylon, consideration has been given to setting up a 1.4 million tons refinery. Pakistan is planning to add to its 8,000 b/d capacity refinery at Rawalpindi two more refineries, one at Karachi having a capacity of 1.5 million tons with a provision of expansion to 2 million tons and the second one at Chittagong having a capacity of 0.8 million tons. In Burma, which since recently has become a net importer of both crude oil and refined products, after remaining a surplus country for a long time, the Burmah Oil Cimpany (1954) expects to raise its total refining capacity to about 17,500 b/d.

With a view to providing a further fillip to the development of the oil industry in the ECAFE region, the Petroleum Symposium held last month at Tehran—the second one to be organised by the ECAFE—obviously was a significant event. As many as 27 countries, both from the ECAFE region and from the West, including the United States and the Soviet Union, participated in this Symposium where a larger number of papers on technical matters were discussed. The ECAFE region, though comparatively a new-comer in the oil industry, except for Iran and Brunei, has both to contribute to the knowledge on oil exploration and processing techniques as well as to receive guidance from the nations where this industry has made great strides since the turn of the present century. The various suggestions and recommendations made by the Tehran Symposium on the development of the petroleum resources of Asia and the Far East are obviously of considerable interest to all those countries which aspire for building up the oil industry within their bounds.

For facilitating and expediting oil exploration in the ECAFE region as a whole, the Symposium has laid great stress on photo-geology or aerial surveys and promotion of communications between palaeontologists and sedimentologists working within the region as also with those outside it. Joint exploration programmes in border areas in the neighbouring countries have also been suggested. This suggestion was given a concrete shape immediately when Pakistan and Iran proposed to set up a joint team to carry out geological exploration around their common frontier. Iran has also proposed a similar arrangement with Afghanistan. The extension of such arrangements of collaboration to other countries in the region which have similar topography can obviously be of great advantage and should yield wholesome results in obviating unnecessary duplication of work and expense.

While exchange of geological data between the neighbouring countries is thus helpful, it is but imperative that there should be some standardisation of the various definitions and nomenclatures used. It is encouraging to note that the ECAFE Secretariat, which has already prepared an oil and gas map of the area and is engaged in the preparation of regional mineral distribution, techtonic and metallogenic maps, has undertaken

this task. The other important jobs that the ECAFE Secretariat has been suggested to undertake are the compilation and printing, in a single volume, of the case histories of oil and natural gas fields and an inventory of the training facilities available in the region. The proceedings of the Tehran Symposium in regard to the training of oil technologists were heightened in significance by the offer made by Iran to accommodate a fairly large number of trainees at its NIOC production laboratory, the only laboratory of its kind in the whole of Asia and the Far East. The ECAFE Secretariat would shortly be preparing training schemes based on this offer. A number of countries, included in which are Afghanistan, Burma, India, Pakistan, the Philippines and even Japan, have welcomed this facility and indicated their desire to avail themselves of it. Part or whole of the travelling expenses of these trainees, if the number involved is large, will be required to be borne by the participating governments themselves for the simple reason that the financial resources available at the disposal of the ECAFE are only limited.

The training programme also envisages making available to the needy countries the services of experts, especially when the number of persons to be trained is very large. Arrangements will as well be made by the ECAFE Secretariat for sending some trainees to countries outside the ECAFE region as the demand arises.

While noting that drilling speeds in the ECAFE region have increased significantly in the recent past, the Symposium called for further relentless efforts in this regard through careful selection or modification of the drilling equipment, provision of special transport facilities and speedy rig moves, proper attention to mud technology, etc. The discussions at the Symposium in respect of injection experiments to raise recovery from an oilfield were also quite illuminating and instructive. Great interest was also shown in the new developments in the injection of hydrocarbons in blast furnaces, in the experiment on petroleum agricultural mulch, application of bitumen in civil engineering works and transport of high-wax Assam crude through pipelines.

In the field of natural gas uses, the contribution of the Tehran Symposium was of particular significance to countries like Iran, India and Pakistan, where sizable gas reserves have been discovered. The experts from the leading oil and natural gas producing and processing countries brought to the ECAFE nations a panoramic view of the contribution that the petro-chemical industries can make to a nation's well-being.

Iran's offer, during the deliberations on natural gas utilisation, to make available to the countries in the ECAFE region its vast gas reserves at reasonable prices and under favourable conditions, could be of particular interest to India. The long distance involved in transporting this gas may not make its utilisation as an industrial fuel a feasible proposition, but the availability of liquid ammonium produced from it, as suggested by Mr. Walter J. Levy, the renowned oil economist from the United States, may help this country, as also others, in stepping up their fertilizer and chemical production programmes.

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THE BUSINESS WORLD

How to Resist Rising Prices?

By CROESUS

FAR too much is being made these days, I am afraid, of the contribution made to the present rise in prices by the middlemen, without any concrete evidence to substantiate the charge. That the charge is more an impression than a conclusion based on facts is evident from the pertinent point made in a leading article in "The Eastern Economist", last week, that neither the Centre not the States have any reliable information in regard to the distributive trades. Generally, at times of acute shortages, superimposed on a deficit-finance-generated inflationary economy, there may be a tendency, on the part of some unsocial elements in the distributive trade, at some point or other in the supply pipe-line, to exploit the situation and extort a more than legitimate share of profit, but to make a sweeping generalisation on this basis is neither scientifically objective nor fair to the distributive trade as a whole. The margin of profit of middlemen is by no means an unearned income, and it is a moot point whether any agency that may take the place of middlemen will be able to render the same sort of — let alone better — service that the latter have been rendering. Moreover, very little attention, it seems, is being paid to the consequential unemployment that any hasty move to supplant the existing distributive agency would give rise to. Further, there is no guarantee of any worthwhile relief, at any rate so long as it takes the new agency that has to step in to familiarise itself with the distributive role — and that provided that this new agency will cost less for its service than the agency of middlemen. On both these points, though a firm believer in co-operation, I have my own doubts about the availability of the right type of personnel to man the proposed co-operatives — the problem becomes the more difficult, because the number needed is legion, which means that we must be prepared to accept any one that offers himself, good, bad or indifferent. Co-operation, however, presupposes the availability of good men with a missionary zeal who have not only the time but the will to work and, in more cases than not, on but an honorarium, not a handsome return.

These thoughts forced themselves on me, as I sat listening to the longwinded reply of Mrs. Tarakeshwari Sinha, Union Deputy-Minister for Finance, to the welcome speech of M. Lalchand Hirachand, President of the Maharashtra Chamber of Commerce, at the Thirty-fifth Anniversary Day of the Chamber, last week-end. Perhaps the blunt truth voiced by Mr. Lalchand when he told Mrs. Sinha: "there has been a tendency to put all the blame on the business community if prices soar" and "the rise in the price structure is mainly dependent upon Government's policy of deficit-financing, increasing controls, etc.", provoked her to give a whole homily on the price position today which was more impressive for its rhetoric than for its reasoning. I do not know whether Mrs. Sinha realised that, in her ardent attempt to defend the present policy — is it lack of policy? — with regard to prices, she was repeating a particularly vulnerable criticism of the present Government's policy often made by other political parties in the country, namely, that, "under a democratic system, it is not possible to control every sector of the economy". Is this not an open admission that the present price policy is ineffective? One only hopes this retarded realisation will not drive the powers-that-be to persuade themselves to drop the democratic system in sheer despair.

Be that as it may, after saying this, the Union Deputy Minister proceeded to disclose the Government's intention to "normalise the price of strategic commodities". Whatever that may mean, she seemed to set much store by distribution through co-operatives and stamping of retail prices, and, of course, called for sacrifices on all and sundry. For the rest, she said the Planning Commission was seized of the problem and it would make its recommendations to the Government. Meanwhile, she almost decreed a complete closure on all speculations in the press about either the reported proposals of the expert committee or the discussions by members of the Planning Commission on the subject. This is too tall an order to the press in any democracy and, in any case, does Mrs. Sinha want the Press to close its eyes and shut its ears even when some absurd proposals are bandied about, be they by Ministers of Government or members of the Planning Commission? Take, for instance, the suggestion to fix a quota for coarse cloth production. If, in their anxiety to bring down cloth prices (that cloth is a "strategic commodity" is admitted by all), the authorities were to stipulate that mills should produce more coarse cloth, what will happen? Have the likely consequences been foreseen by those that are credited with making the suggestion, even if one is charitable enough to concede that they may possibly not have cared to take note of the cloth consumption pattern in recent years, on the one hand, and the actually officially-inspired changing trend of cotton cultivation, on the other? How can any sensible newspaperman afford not to comment on such ineptitude? It is positively necessary to tell such people, if only in the larger interests of the country, that any such decision would be tantamount to turning the clock of progress — progress in cloth consumption (the shift in taste from coarse to fine counts) and progress in cotton cultivation (from short-staple to long staple) — apart from actively sabotaging the country's export drive. For, if it should become necessary for mills to consume more short-staple cotton, as any switch-over to more coarse cloth production (if it is at all feasible for all mills to do so) would entail, there would be a corresponding fall in the volume of one of our few relatively easily exportable commodities—short-staple cotton.

The problem of rising prices cannot be solved by resort to any such quixotic short-cuts. Rising prices can be effectively tackled only in two ways, first, by raising the output, especially of consumer goods — this is particularly so in the case of developing or underdeveloped economies which have to reckon with a greater measure of consumer-propensity for very understandable reasons — and, secondly, by reducing unproductive or highly slow-productive expenditure even if they hold out the presently irresistible prospect of being labour-intensive (they can only be so temporarily) to the irreducible minimum. There is also one negative approach that the authorities must take note of, namely not to talk incessantly or too much of shortages. For shortages produce different psychological effects on different nations, depending upon their respective degree of discipline. In a country that can boast of a highly

disciplined people such as the U.K., for example, the mere declaration of a state of scarcity, whether accompanied or not by an appeal to consume less, would lead to a spontaneous self-imposed restraint; on the other hand, in a country where people have still to develop that high measure of discipline such as ours, the very first whisper of shortages induces many people to rush to the marketplace and seize as much stocks as their resources permit. In the case of our people, persuasive appeals to consume less because the country needs it in this critical hour would perhaps produce far more encouraging response.

Business Notes

Power

PERSPECTIVE PLANNING AND PROBLEMS

THE COUNTRY'S achievement in the development of electric power supply during the last decade has been fairly substantial, as is evident from the fact that the installed capacity of generating plants, which stood at only 2.30 million kW. at the beginning of the First Plan, rose to 5.70 million kW. at the end of the Second Plan. And, by the end of the current Plan, the aggregate capacity of the plants (in commission and under erection and testing) is expected to be of the order of 13.40 million kW., of which 12.70 million kW. would be in commercial operation. Notwithstanding this admittedly impressive achievement, as Mr. O. V. Alagesan, the Union Minister for State for Irrigation and Power, observed, "even this huge programme contemplated for the Third Plan may not keep pace with the growth in power demand". In these circumstances, the powers-that-be must adopt realistic and imaginative approach to solve this problem, by pressing into service other means—e.g. Thermal, Nuclear, etc.—to augment power supply.

Inaugurating the Licensees' Conference, organised by the Federation of Electricity Undertakings of India, in Bombay, the other day, Mr. Alagesan called for a long-term approach in the planning of power development and suggested a 15-year perspective planning, instead of only five-year ones as we have today. While no one may disagree with the anxiety of the Minister, thus, one would, at the same time, expect a measure of realism from the authorities in their approach to current problems being faced by the Electricity Undertakings in the country. It is known, for instance, that there have been repeated representations from electricity undertakings in the country urging a suitable amendment of the provisions of the Electricity (Supply) Act so as to enable them to raise new capital for their much-needed expansion schemes to augment power generation. Reiterating the plea of the undertakings—it must be for the umpteenth time now—Mr. S. M. Zubair, President of the FEUI, summed up the demand by saying that the industry should be allowed: (1) an increase in the "Standard Rate" of return on capital by at least one per cent per annum; (2) the elaboration of the permissible appropriation, namely "all taxes on income and profits", so as to cover all forms of taxation, including the tax at the prescribed rate deductible from dividends (the object being that all tax liability or tax relief redounds to the consumers' account); and (3) a provision in the amending Act to enable the 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. It is gratifying to note that the authorities have reacted favourably to the question of raising the Standard Rate. What is now needed is a quick action to translate the assurance on the part of the Government in the interests of the undertakings, as also of the country. It is to be hoped that this will not lag far behind.

Import Substitution

MEHTA PANEL'S FIRST MEETING

THE PERSISTING foreign exchange problem and the halting growth of the country's exports have suddenly brought to the fore the question of import substitution. During the last twelve years, under a sustained industrialisation drive, this country has set up industrial capacity, much of which, for full utilisation, must needs depend on imports. And when imports cannot be had or have to be drastically curtailed, thanks to the severely limited availability of foreign exchange, this is but a natural development. As a matter of fact, the Government of India set up a Technical Panel on Import Substitution (TPIS) quite some time ago, but, owing to the sudden illness of Mr. G. L. Mehta, the Chairman of the Panel, no meeting could be held so far. The first meeting of the TPIS was held only last week in Bombay.

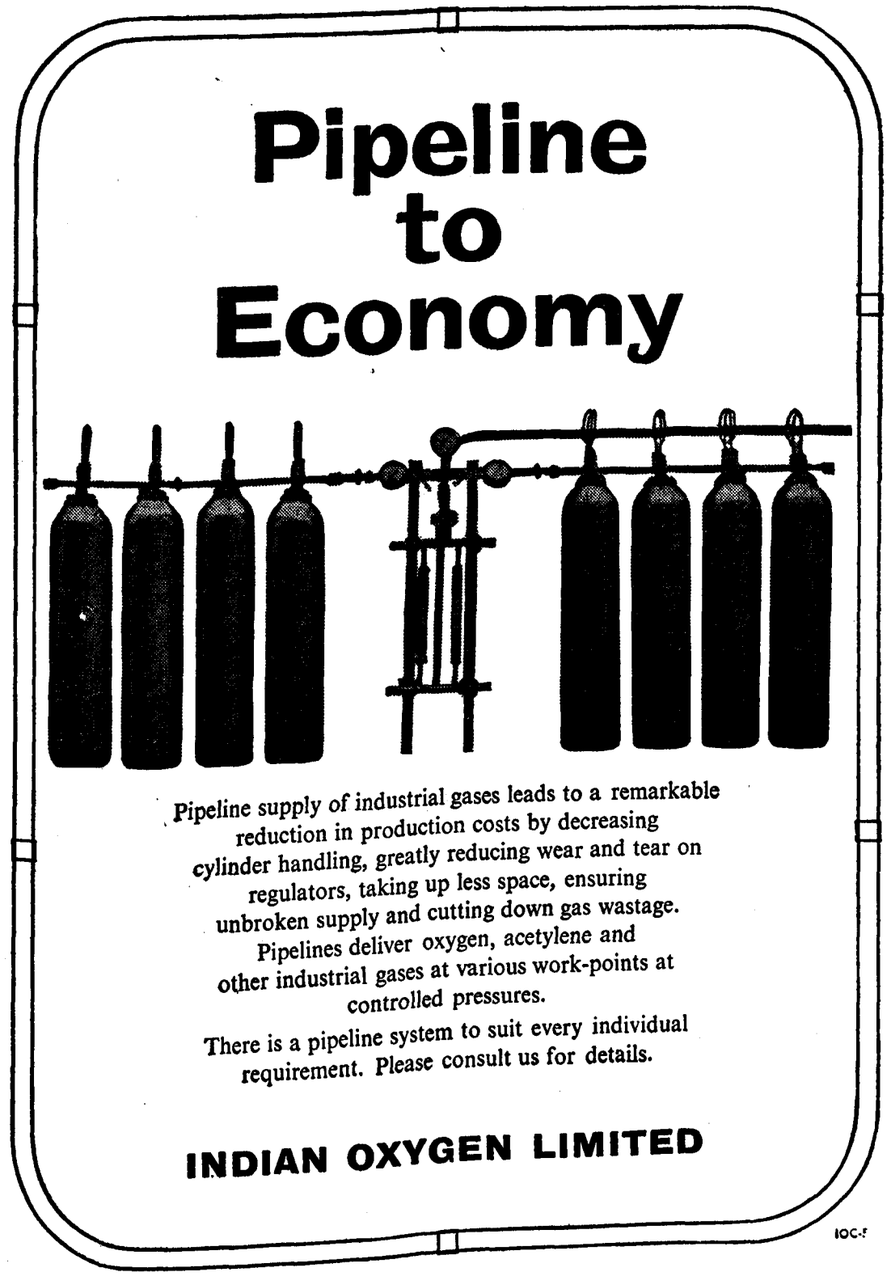
Addressing the Panel on the occasion, Mr. Mehta noted that no country could afford to do away with imports except at the price of high cost or uneconomic production which, in the process, would only help bring about the stifling of development. Viewed in this context—and it is the right context—he said, a policy of import substitution could only mean that imports are so regulated as to meet the changing needs of a dynamic economy. There has been a marked change in the composition of this country's imports since the last decade, and the pattern is likely to change continually and radically. Considering the recent developments in the export trade, as also the trends in external aid, Mr. Mehta stressed that the quantum of imports in the near future would have to be contained within a range more or less around what is obtaining at present, if not less. This makes it imperative for the existing users, whenever possible, to release their imports to make them available to newer claimants, he observed. But it could only be done by a process of import substitution, either by using indigenously available raw materials in place of the imported ones, or by importing semi-finished or intermediate products in place of finished products. Though the import of such substitution may not be immediately felt, as Mr. Mehta pointed out, it has an important function to perform in a developing economy faced with a foreign exchange crisis such as ours.

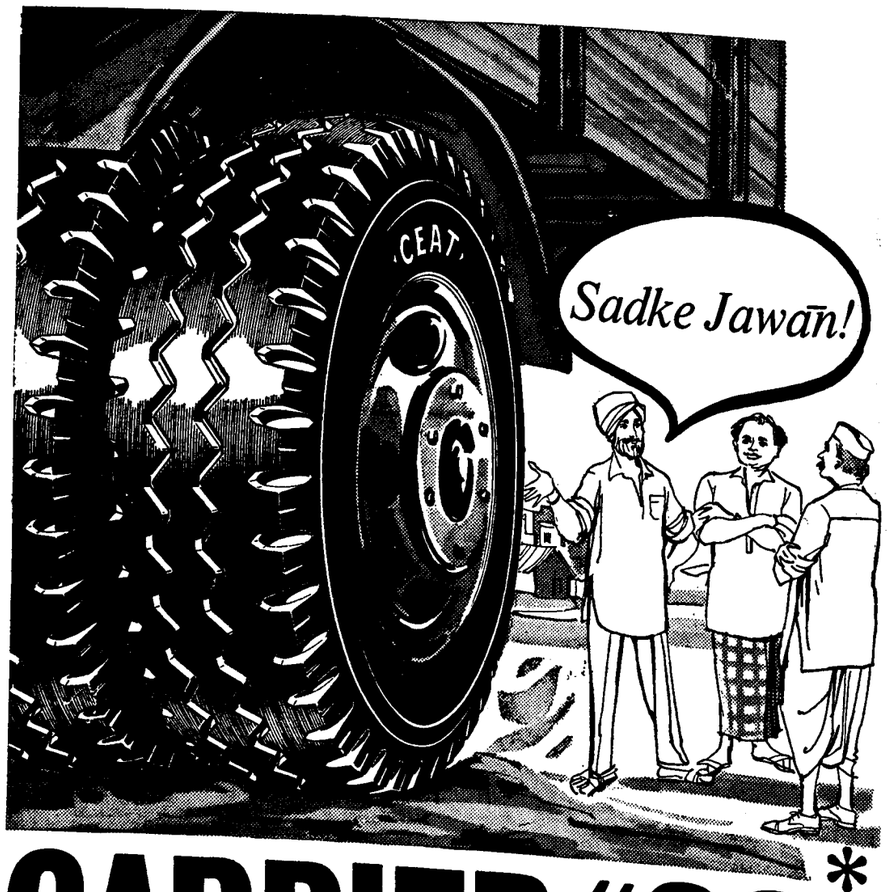
As Mr. Mehta clearly indicated further, the situation as is obtaining today demands a sense of urgency and a sense of responsibility from all users of foreign exchange, and the Government should have a comprehensive and co-ordinated view in this matter. Referring to the private sector, Mr. Mehta said that it should not be tempted to import more by exaggerating its import requirements. He regretted that incessant efforts had been made by some industrialists to get import licences for materials and components, even when corresponding indigenous materials and components could be had in the country, for the simple reason that the imported goods are cheaper and nearly always better in quality. Nobody wants to pay high price, but, as Mr. Mehta said, the remedy for high prices is encouragement of efficient production in a country poor enough for every anna's worth of efficiency to matter. Meanwhile, he added, it would be prudent for the public sector and the private industries alike to plan their projects in such a way as to keep their requirements of imports low enough to be able to insulate their production, as far as practicable, from the vagaries of our foreign exchange predicament.

Oil India

DEBENTURE ISSUE

OIL INDIA, a fifty-fifty partnership venture of the Government of India and the Burmah Oil Company, is floating a Rs. 30 crore debenture issue on October 30, 1962. The debentures carry the usual 6½ per cent interest per annum and are repayable in 1968-77. They





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will be issued in units of Rs. 5,000 each. The Government of India has agreed to take up debentures worth Rs. 12.50 crores. Another Rs. 8.75 crores worth debentures have been agreed to be taken up by various financial institutions. The remaining Rs. 8.75 crores worth, which are fully underwritten by some banking concerns, are to be issued for public subscription. The list is to close at the discretion of the Directors, but not before November 1, 1962.

The proceeds of the issue are to be utilised for financing the construction of the oil-pipeline of the company, connecting the Nahorkatiya-Moran oilfields with the Noonmati and Barauni refineries. The first stage of this pipeline project, the 250 miles connection between Nahorkatiya and the Noonmati refinery, has already been commissioned into operation and the second stage of laying the pipeline from Noonmati to Barauni, over a distance of 470 miles, has been completed and is under test. The total cost of the pipeline is estimated at Rs. 49.50 crores, of which nearly Rs. 36 crores have already been expended, the rupee resources having been secured to the extent of Rs. 20 crores from an overdraft from the State Bank of India and to the tune of Rs. 6 crores from an advance by the Government and the foreign exchange component being provided by a sterling loan from the UK Government to the Indian Government to the tune of £3 million and overdraft facilities of £10 million made available by the Bank of Scotland in London on a guarantee given by the Burmah Oil Company. The proceeds of the debenture issue are to be utilised for repayment of the rupee overdraft of the State Bank and the Government of India's advance to the company, the surplus being meant for meeting the further expenditure on completing the pipeline project and for the development of the company's oilfields. Taken together, the pipeline project and the development of the Nahorkatiya-Moran oilfields are estimated to cost over Rs. 75 crores.

The proved and indicated oil and gas reserves of the company's oilfields as on July 1, 1962, amounted to 46 million tonnes and 7,56,000 million cubic feet, respectively, excluding 3.2 lakh tonnes of crude already supplied to the Noonmati and Digboi refineries. The development work in the oilfields is in full swing. The company has already completed drilling of 137 wells, of which 104 have proved to be successful commercial producers of oil or gas. Seventeen wells have yet to be tested fully to establish their status and only 16 wells have proved to be dry holes. By the time the 2 million tons Barauni refinery goes on stream, these oilfields will be in a position to supply nearly 3.5 million tonnes of crude to all the three refineries at Digboi, Noonmati and Barauni. The efficient working of the company should be evident from the fact that its annual report for 1961 showed a net surplus of Rs. 1,15,43,888, after providing for depreciation, taxation and statutory development rebate reserve.

Although Oil India's debenture issue is being floated at a time when Communist China has launched a full-scale invasion on our north-eastern frontier, the investing public should not be deterred from subscribing to this issue, firstly, because the company's fields of operation, no doubt situated in Assam, are no less than 350 to 400 miles away from the theatre of hostilities and secondly, owing to the fact that investment in the country's oil industry is all the more warranted at the present juncture when our economy is to be geared to war effort. Oil, obviously, has to play a great role in it.

Technical Training

MORE CENTRES WANTED

OF THE many centres where technical training is imparted, the one at Kotah and another at Nagarjunasagar in Andhra Pradesh need particular mention. These centres are being run under the Indo-American Co-operation Scheme. The training that is imparted here relates to theoretical and practical training on operation, maintenance, repairs and overhaul of heavy earthmoving and the allied equipment. The equipment provided is varied and covers almost all the types one is likely to encounter in any big construction work. Special stress is laid on the development of character and leadership in these centres so that the trainees after completion of their courses and with a little more experience can man responsible positions on construction work and can also, in turn, train others. The US Agency for International Development has contributed equipment worth Rs. 10 lakhs to the Kotah centre and has deputed a full-time technician to advise on training. The Government of India on its part has provided equipment worth Rs. 8 lakhs.

The present intake of the trainees at Kotah is only 40 while the demand for technical personnel is quite high. The number of trainees coming out of these training centres being meagre, it becomes important to realise that sooner more training centres are set up to meet the demand for trained personnel the better it would be. For then only would this solve the unemployment problem to some degree and provide the requisite technical manpower needed by the various multipurpose projects coming up within the country. It needs to be emphasised that the standardised equipment to impart training is limited at these centres and there is an urgent need to supply more of this equipment so that the trainees are not handicapped in any way. It is to be hoped that the authorities that are giving aid to these centres would realise the gravity of the situation and fulfil their requirements.

In the context of technical training it also needs to be emphasised that facilities be extended for training instructors at the various training institutes, the like of which exist in Calcutta, Bombay, Kanpur and Delhi. Realising the importance of the trained craftsmen, the Training Directorate of the Ministry of Labour and Employment increased the capacity of craftsmen trainees in the institutes from 10,000 to 47,000 in various industrial institutes in the Second Five-Year Plan. Now it is proposed to increase the seating capacity to 1 lakh in the Third Five-Year Plan. The object of these institutes is to improve the efficiency of the instructors employed in the institutions of Central and State Governments as also in private institutions and industrial establishments by giving them a course of theoretical and practical instructions in their respective States in the art of teaching; to train new instructors to meet the needs of the existing institutions and of new institutions to be started under-development plans, both Government and private, and to provide a refresher course for instructors with a view to ensuring that they are always up-to-date and conversant with the latest methods of production and teaching. Of the Central training institutes for instructors, Kurla (Bombay) is being assisted by the Agency for International Development of the USA. Equipment worth about $31,630 and books etc. worth $14,000 is likely to be supplied under the Agency. Ninety per cent of the equipment has already arrived and is being put to effective use. There are technical experts also from America guiding the various courses. Since the training imparted covers a number of courses in the technical field, better trained personnel are likely to be of great help in furthering the progress and the economy of the country.

AID FOR I.I.T.

FOR THE expansion of higher technical education the US assistance to the Indian Institute of "Technology, Kanpur, is likely to be of considerable help. The importance of

extending facilities in various parts of the country was realised as far back as 1945 and at a later stage it was decided that four technical institutes be set up in the East, West, South and North. Although the IIT at Kanpur was late in coming, it has made up for the deficiency to a considerable extent. Here it needs to be mentioned that the Institute at Kharaghpur was also established near Calcutta with US Government aid. The Institutes at Bombay and Madras were set up by Soviet aid and German aid. The US Government aid for the Indian Institute of Technology now coming up at the new site at Kalyanpur is provided under a contract with Educational Services Incorporated, which represents a Consortium of nine universities. The aid from the Consortium is considered to be useful on the score that it will bring to the Institute a broad spectrum of ideas and resources which perhaps would not have been available from a single institution. Besides it will help bring professors of experience to this Institute and thereby new methods of teaching in engineering education.

The project calls for the supply of the services of 23 technicians and 10 short-term consultants, training opportunities in the US for 30 members of the IIT staff; and commodities worth $1.1 million consisting of library books, laboratory and other equipment and training aids to contribute to the development of the best professional training by the institution.

The IIT is at present housed in Harcourt Butler Technological Institute. The Institute has 9 departments at present and will have more when it is fully established The Institute currently offers courses for branches like chemical engineering, civil engineering, electrical engineering and metallurgical engineering. The US assistance for the IIT upto the end of June 1962 was to the tune of $5.7 million. When the Institute is completed, which is expected to be in 1964, it will have 2,000 students and a faculty of about 250. At present there are nine American project technicians helping in the training programme. All of them are of a very high calibre and have been brought to this Institute from the notable universities in the United States. The training being in such capable hands, it would be no wonder if it soon grows into a flourishing technical centre. The job to be done is, no doubt, great, but it can be expected to be tackled with the help of these technicians in the best possible manner.

U.S. Aid

A REVIEW

EVER SINCE the signing of the Wheat Loan Agreement in 1951, the US assistance to India has been steadily mounting to new heights in an effort to promote the growth of the Indian economy. This aid has been widespread, but now it seems that it would mostly be concentrated on higher technical education, power development and food production. In other words, it means that the U.S. aid will not range over a variety of projects as in the past. This was revealed recently by Ambassador Galbraith to a party of journalists accompanying him on a tour of India's development projects receiving US aid. Amongst the power plants that have received assistance from the US, may be mentioned Bundel, the Chandrapur, Talcher and Cambay thermal projects and Pamba-Kakki Hydro-electric project in Kerala. Total American assistance to river valley and thermal power stations in India amounts to Rs. 382.3 crores. Rihand, Sharavati, Nagarjunasagar and Sabargiri, are some of the other projects which have benefited increasingly from US aid and are likely to play an effective role in developing India's economy.

So far as American aid to Indian railways is concerned, it has been mostly for their expansion and modernisation. In total, the US has contributed Rs. 96.6 crores for this purpose. Part of this aid has been utilised to finance the purchase of 300 diesel engines, electric locomotives and coaches, centralised traffic control equipment, steel for tracks and various other types of materials. This apart, American personnel have been helping the Indian railways in various ways.

In context with the aid, it is important to remember that US P.L. 480 Funds have been of considerable help. The total assistance so far has been Rs. 2,137 crores. So far as the effective utilisation of this aid is concerned there should not be any doubt. It was affirmed by the US Ambassador himself at a press conference recently that India was making efficient use of American aid and that the organisation for utilising the aid was in good shape. This should be enough to satisfy the authorities in Washington and they should readily agree to give further aid for the various other projects for which it has been asked for.

Premier Automobiles

STEADY PROGRESS

BY A visit to the Premier Automobiles Limited, one is straight away struck by the steady progress the company is making. So far as its expansion plans are concerned, it need not entertain any fears now as a loan of $10.2 million has been granted to the company by the United States Agency for International Development. This loan would be utilised for the establishment of a Sheet Metal Project at Kalyan. Thanks need to be given to the United States Government and the Agency for International Development for this help. It would be effective in bringing about an increase in indigenous content of the vehicles produced by PAL, which might even go up to 90 per cent. When the project is completed at Kalyan, 1,500 more people are likely to get employment. The rest of the two million dollar loan will be utilised for the establishment of a balancing plant to remove bottlenecks in production. The company at present produces Dodge and Fargo trucks of different load capacities and different types of bus chassis and Fiat passenger cars. Diesel and petrol engines for trucks, axles and other major components are also being manufactured. The current annual production of the PAL is about 6,000 to 7,000 trucks and passenger bus chassis and an equal number of cars. The 100,000th vehicle produced at PAL rolled out of the PAL plant on March 16, 1962.

It goes to the credit of the PAL that from a very humble beginning, it has risen to a position of strength. When PAL was founded its authorised capital was only Rs. 10 crores and the paid-up capital Rs. 2.25 crores. Today the figures stand at Rs. 25 crores of authorised capital and Rs. 7.56 crores of paid-up capital. There is no doubt that the protection granted to the automobile industry has helped in its consolidation, but it is also due to the effective and efficient management that it has grown to this position.

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AB-21

M. J. Maclaren, General Manager.

Planning

PURPOSE OF ECONOMIC DEVELOPMENT

IN AN illuminating address at Lucknow recently, Professor J. K. Galbraith, the US Ambassador in India, emphasized the need for proper guidelines in order to achieve favourable results from modern economic planning. While admitting the dangers of 'excessive introspection', he exhorted the necessity of taking stock, from time to time, of achievements in the light of the targets set, for all development implies movement towards some result.

Prof. Galbraith has discounted the view that developing countries should follow faithfully the developed ones. This is because, in his opinion, the economically advanced countries are less mindful of their development targets in that the distribution of income and efficiency of markets impart these economies a self-adjusting system. But this is not the case with the less developed countries, where privation, hunger and unemployment are rampant. Indiscriminate expansion of production is not a satisfactory guide in their case. Prof. Galbraith added that the question as to how much should be consumed now and how much should be invested for larger production and consumption later on takes on a vastly greater urgency; for in a poor country the necessary saving may have to come from people who are already insufficiently supplied.

Prof. Galbraith, aiming to be precise, generalized economic development into three broad categories. The first, the Symbolic Modernization, he considered, was a hoax—mainly a strategy of politicians meant to befool the poverty-stricken masses, leading them into believing that something is being done to ameliorate their lot. The second, the Maximized Economic Growth, reflects most strongly the influence of Western economic thought. This is aimed at maximizing economic growth by selecting plan outlays in accordance with their capital-output ratios. This method helps in establishing a large industrial base which in turn makes possible a larger subsequent rate of expansion in investment goods, consumer goods or both. But in the process, immediate needs of the large number of masses, upon whom falls the major burden of development pangs, could be overlooked. Also, vast disparities in incomes, which is another concomitant of such development, may well result in restlessness among the masses. Then there is the third type, the Selective Economic Growth, which has an edge over the second for it recognizes that benefits of planning must accrue as a matter of priority to the more needy sectors of population. This idea, however lofty, meets its equal in its most ardent protagonists—planners and politicians — who have divergent views about the selection of priorities.

Prof. Galbraith contended that whatever the selective choice—agriculture, primary education, or community development—to act as a palliative, a lasting solution will have to be provided only by industrial development. Therefore, rejecting practically all the three accepted norms of economic development, he suggested what he called the Popular Consumption Criterion. This, in his opinion, has been implicit in a good deal of past Indian thinking, and anchors economic development to the consumption requirements, present and prospective, of the typical citizen—of, statistically speaking, the model consumer—organizing development around the protection and increase of the living standards of the consumer. Obviously, it means a major emphasis on food, clothing, shelter, education and medicines since these are the dominant items in the economy of a low-income family.

Transport

NEED FOR CO-ORDINATION

IN THE wake of new and gigantic projects of development that have been launched with the avowed object of dispersing industries all over the country so as to bring about a more balanced development, the problem of transport has naturally assumed very great importance. That this should be solved boldly and with perspective policies needs no stressing. It is in this context that the deliberations which the All-India State Transport Undertakings Conference (A.I.S.T.U.C.) held recently, in Mahabaleshwar, are of considerable import.

Inaugurating the AISTU Conference, Mr. Y. B. Chavan, Chief Minister of Maharashtra, observed that it was the responsibility of the State Transport Under-

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takings to cater to the needs of the people not only living in the newly-developed areas but also to those of the new industries established there. Only common national outlook, common thinking, and common approach could help us to cope with the new responsibilities and the varied problems arising in different States, he said. The Maharashtra Chief Minister also commended the proposal for the establishment of a Central Secretariat for State Transport Undertakings in the country as a step in the right direction. Such an agency should bring about the much-desired co-operation and co-ordination in the country's transport. As he observed, now that the idea of nationalised Road Transport has come to stay in the country, it is imperative that the different States should pool their experience to the benefit of all the undertakings, as also to the country. The necessity for pooling experience arises, because there are both States with long experience and others which have only just started the process, and there is need too to bring about a common pattern of development throughout the country. The proposed research and training institute may be expected to play a significant role in pooling experience. No State, howsoever advanced, could conduct research on its own problems of operational efficiency with all their varied facets requiring detailed attention.

Mr. G. Venketeshwara Iyyar, the Union Transport Secretary, who presided over the Conference also said that the various State Transport Organisations in the country should evolve a common practice and procedure to provide integrated Road Transport Services throughout the country without wasteful duplication of facilities available from other means of transport. It was gratifying to hear him hold out the assurance that the Central Government was keen that these were rendered as efficiently and as economically as possible so that the travelling public could have a fair deal.

Engineering

OKHLA TRAINING CENTRE

THE PROTOTYPE and Training Centre at Okhla celebrated what was called the "Open House Week" from October 15 to 21, 1962. This celebration marked the completion of the first phase of an active programme devoted to gearing up the Centre for production of machine tools combined with advanced and intensive training for workers and other technical personnel in the small-scale industries. In a period of a year and half, the Centre has evidently achieved significant success. The main activities of the Centre include the training of technicians from and for the small-scale industries, the designing and development of machine tools to be manufactured by the small-scale industry and planning a phased production programme for machine tools to support the training programme.

The Centre, it may be recalled, was established as a joint venture of the Government of India and the Government of Federal Republic of Germany for the development of tools for the small-scale sector. The West German Government contributed modern machines and equipment valued at about Rs. 50 crores and also the services of about 20 technical experts to guide the Centre in the initial stages. It is now anticipated that this Centre will involve an investment of approximately Rs. 100 lakhs after completion of its second stage of development and by early 1964 it will reach the peak of its capacity.

It is indeed a sound institution where training is imparted to technical personnel and the record of the first eighteen months is not discouraging. As many as 20 workmen in different trades received their training. The full target, however, is 600 trainees a year. This Centre is also producing various types of machine tools and sufficient amount of research work has been done on the types produced here. Lathes, tool and cutter grinders, horizontal milling machines, mechanical surface grinders and vertical milling machines are some of the items included in the production programme. This celebration also marks the successful commisioning of the first tool precision lathe manufactured at the Centre. This indeed is a happy occasion in the context of the present needs of industrialisation, when more similar institutions would be welcomed in the country.

Kashmir

STATE'S FIRST TEXTILE MILL

A FURTHER evidence is now available of the ambitious programme of industrialisation on which the present Government of the Jammu and Kashmir State has embarked upon. A fortnight ago, the State Premier, Bakshi Ghulam Mohammed, laid the foundation stone of the first composite textile mill to be set up in the State at Kathua by one of the leading industrial houses of the country, namely, Birla Brothers.

The mill, employing 800 to 1,000 workers and costing nearly Rs. 1.35 crores, will have 12,500 spindles and 250 looms. Its annual output of yarn will amount to 40 lakh lbs. The yarn to be manufactured is envisaged to be used partly for feeding the weaving sections of the mill and the remainder for open sale. Plans are to double the capacity in two to three years' time when the number of spindles would be stepped up to 25,000 and that of looms to 500.

Mr. M. D. Dalmia, Executive President of the mill, has struck a note of confidence in the success of this new unit in the chain of industries set up by Birla Brothers as a measure of their participation in the national development.

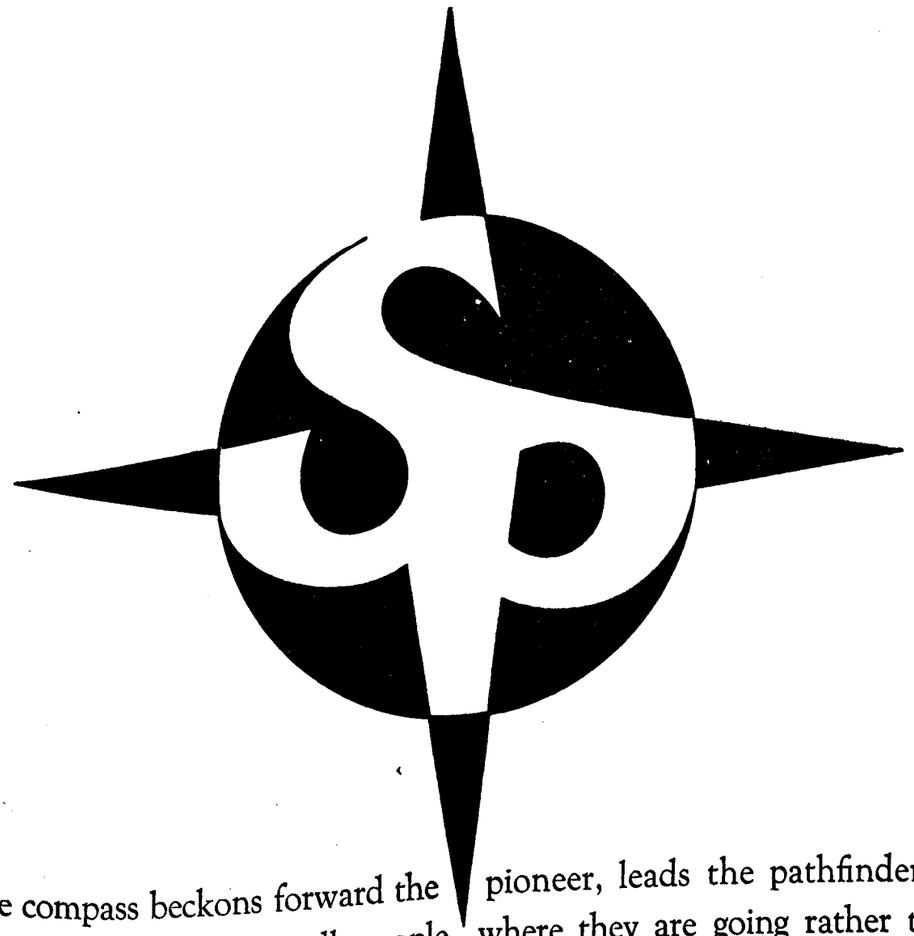
The greater role that the country's industrialists have started playing in the development of the Jammu and Kashmir State is not only indicative of the political stability that has been brought about there by the present regime, but also brings its full-fledged integration with the Indian Union a step further.

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GOOD NEWS

The new well has struck oil. The collection tanks on the site are getting full, and the management have sent their congratulations to the drillers. Now the problems are to estimate the probable size of the field and determine the rate at which it will be practicable to extract the oil. The first well by itself will not give the answers, so a number of outstep wells must be drilled to find how far the oil bearing rocks extend to the North, South, East and West of the discovery. Then the thickness of the productive zone must be measured, and tests made to see whether there are deeper oil deposits besides those discovered in the initial test well.

Although every oil strike is good news, a great deal of drilling, testing and scientific evaluation is required before the real importance of the discovery can be assessed.

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BOKARO STEEL PLANT

MR. N. N. Wanchoo, Secretary, Union Ministry for Steel, will be shortly leaving for Washington to hold discussions with the US Government in regard to financing and the management of the 2 million tons Bokaro Steel Plant. The Americans, it is understood, are in favour of having management of the Bokaro Steel Plant, if they finally decide to collaborate with the Government of India in setting up this fourth steel manufacturing unit in the public sector, on the pattern of the Bhilai Steel Plant. The operations of the Bhilai Plant are under the direct charge of the Russian team there and only the business side of this works is in Indian hands. The insistence of the Americans to have a similar control on the operations of the Bokaro Plant obviously emanates from the fact that they want to avoid the misfortunes that afflicted the Rourkela Steel Plant.

The US Technical Team which has been in India for nearly three months now, to study the feasibility of US collaboration in setting up this plant, is said to be giving final touches to its report. This Team is believed to have accepted India's estimates of demand for steel in 1966 and in 1972. Further, it is also understood to be in favour of locating this plant in Bokaro area, the exact site being still to be determined.

Two issues relating to the Bokaro Steel Plant are stated to be under discussion in the Ministry of Steel here. The first is whether this Plant, which would be producing by and large similar end-products as the Rourkela Plant does, should be taken up after the expansion of the Rourkela Plant or simultaneously with it. The second issue being studied is whether the US aid for this plant should be in two stages, initially for the development of coal and iron ore resources to feed it and subsequently for setting up of the actual plant, or in one stage covering both the activities.

EXPANSION OF BHADRAVATI STEEL WORKS

The project report received from the West German firm, Demag of Duisberg, for the expansion of the Bhadravati Steel Works, in Mysore, by 80,000 tons of finished steel, is stated to be under examination of the Government of India. Half of the additional capacity to be created under this expansion programme is envisaged to be earmarked for the manufacture of alloy steel required by the railways and the automobile industry. The categories of steel planned to be manufactured are: (1) spring steel, manganese and chromium steel required by the automobile and the precision engineering products manufacturing industries; and (2) steels for the manufacture of wheels, axels, hubs and coal-mining machinery.

The expansion programme is estimated to cost Rs. 7.5 crores, of which the foreign exchange component would amount to Rs. 3 to 4 crores.

IRON ORE EXPORTS FROM GOA

Three teams from the principal importing countries of Goa iron ore, namely, Japan, West Germany and Italy, are here at present to discuss with the Government of India the question of iron ore exports from Goa. All the three teams are understood to have asserted that their countries could get cheaper and better iron ore from elsewhere, in view of the world prices of the commodity having gone down. They have also alleged that loading facilities in Goa are not upto the modern standards and as such if the Government of India demanded a higher price for the Goa iron ore, they will have to divert their imports of this commodity to some other countries.

The Government of India has already stated that it does not want to interfere in the arrangements entered into by the private mine-owners in Goa with the importers abroad before this Portuguese enclave on the Indian soil was regained in December, 1961. On the question of the price of this ore, the Government of India's case is quite clear. The Portuguese rulers of Goa obviously were interested in selling iron ore at any price they could get. In formulation of this policy, important role was also played by the free import of consumer goods into Goa from where they could be smuggled into the Indian territory at a premium. With the take-over of Goa by the Indian Government, conditions have changed. India has to fit in Goa's trade in the pattern of the all India trade. India obviously cannot sell Goa iron ore at one price and ore of similar quality mined elsewhere in the country at a different rate. The threats held out by the foreign importers of Goa iron ore in regard to prices, knowledgeable circles here opine, are not the proper way to negotiate trade deals.

OIL EXPLORATION AND REFINING

On the eve of his departure on a tour of the Soviet Union, Rumania, Poland and Italy, the Union Minister for Oil, Mr. K. D. Malaviya, told newsmen here last week that his Ministry had drawn up an ambitious oil exploration and refining programme. The Government, he said, had every intention of sticking to the 3/3.5 million tons crude oil output Third Plan target for the public sector. The total crude ouput in the country, including the production from Oil-India's Nahorkatiya-Moran oilfields and the Digboi Oilfield of the Assam Oil Company, would, by the end of the current Plan period, amount to nearly 6.5 million tons per annum.

The Oil and Natural Gas Commission, Mr. Malaviya stated, would shortly undertake seismic work for offshore exploration near Cambay. Information drilling is also envisaged to be undertaken, in another couple of months, in the Caverey and the Indo-Gangetic Basins. In the Indo-Gangetic plain, the ONGC will drill several wells around the southern fringes of the Himalayas, with the assistance of ENI.

Talking about the Rudrasagar oilfield, Mr. Malaviya observed that two wells in this area had been completely "repaired" and had shown promise of commercial exploitation. The Third well—Well No. 1—is expected to be fully repaired in the near future. Three more deep rigs have been sent to this area for intensifying the exploration work. By the end of this year, there will be as many as 8 rigs in the Rudrasagar area engaged in oil prospecting.

In regard to the exploration work in the Punjab, Mr. Malaviya stated that although about a dozen wells drilled in this State had not yielded any fruitful results, the Government was of the view—on the advise of the Soviet experts—that oil prospecting in this area should not be given up as yet.

Talking about the stepping up of the oil refining capacity in the country, Mr. Malaviya disclosed that the Government was planning to set up a number of refineries during the Third and the Fourth Plan periods, apart from the expansion of the existing public sector units or even some of the proposed ones.

Apart from setting up a refinery in the South to meet the petroleum products requirements of Southern India, a proposal is being examined to set up a refinery at Calcutta sometime during the Fourth Plan period. The Noonmati refinery is envisaged to be expanded to a little over one million tons from its present capacity of 0.75 million tons per annum. The Barauni refinery may also be similarly expanded, but that will depend on the availability of additional crude from Assam. The Koyali refinery, at present planned for a capacity of 2 million tons per annum, may be expanded during the Fourth Plan period by another million tons. The construction of this refinery, Mr. Malaviya asserted, is progressing according to the schedule; the refinery is expected to be brought on stream by the third quarter of 1964.

Questioned about allowing further expansion of the private sector refineries in India, Mr. Malaviya stated that the Government had expressed its inability, for the present, to allow any expansion of the private sector refineries beyond the maximum through-put allowed to them since July last.

The Minister indicated that the gas reserves in the Cambay area were now estimated at a higher than that assessed a few months ago. Exploration in the Ankleshwar area also, he said, was showing more encouraging results.

GATT ON COMMON MARKET AND BRITAIN

The survey of International Trade in 1961, published by the Secretariat of GATT, provides certain interesting facts which go to substantiate the attitude adopted by the UK to seek admission into the EEC. It contains certain sections which throw fresh light on the state of the developing countries vis-a-vis the economically developed countries of the Common Market. These sections of the GATT report would be read with special interest in view of the fact that on Thursday, October 25, the Ministers of the Six were scheduled to meet to prepare for a meeting of the seven Ministers on the following two days.

It is gathered that the agenda for this meeting was supposed to cover domestic agriculture, nil tariffs, India, Pakistan and Ceylon and in restricted session, problems connected with association. It was doubtful if this meeting would be quite fruitful as far as these subjects were concerned. In fact, it was considered likely that the Ministers might give directives to deputies so that they could prepare for later meetings. Indications were available, however, that the 'Six' might rather negotiate trade agreement with India in the immediate future rather than to agree to nil tariffs being continued indefinitely.

Referring to the United Kingdom, the GATT report makes it clear that its trade has more and more been directed towards North America and the Western Europe. The report says: "The overseas sterling area, which was very important for British exports during the early post-war period, has shown a sharp relative drop in recent years and accounted in 1961 for an even smaller share than in 1928. It would appear, therefore, that there has been a relative re-orientation of British exports away from the overseas sterling area and other non-industrial areas towards North America, especially the United States, and Western Europe. The relative decline in sales to the overseas sterling area may have partly resulted from the reduction during recent years in the average margin of preference enjoyed by the United Kingdom under the Commonwealth preference system...The fact that during 1961, despite the tariff discrimination, the United Kingdom expanded its exports to EEC at a considerably higher rate than to any other area including EFTA shows clearly the importance British industry attaches to this fast growing market which already absorbs 17 per cent of its exports of manufactured goods."

The following are some other extracts from this report of special interest to India. "In 1961 the trade deficit of the "developing" countries combined, calculated on the basis of f.o.b. imports, was about $1,750 million as compared with $1,150 million in 1960 and only $200 million in 1959. However, if costs in respect of insurance and freight are added on to total imports, then the trade gap widened from $2,450 million in 1960 to $2,750 million in 1961".

Cotton Textiles: The serious shortfall of shipments of cotton textiles from India has been variously ascribed to unfavourable price differential on account of high prices of cotton, to an undue concentration of exports of greys, demand for which is falling in the less-developed areas where new weaving capacity is being developed, to the relative incompetitiveness of Indian finished cloth on the world market, and to competition from rayon. While production of cotton yarn rose substantially in 1961, exports were well below the previous year's level. Exports of cotton cloth, which amounted to $106 million as compared with $123 million in 1960, suffered particularly in the United Kingdom, Australian markets, and North America. There was some improvement in shipments to Asia and to certain African destinations (Sudan, East Africa). Exports of rayon and mixture piecegoods almost doubled in quantity between 1960-61, having successfully broken into the Moroccan market and having substantially expanded their markets in Ceylon and in Malaya and Singapore.

Jute: The value of jute manufactures exported from India rose from $251 million in 1960 to $266 million in 1961 when higher prices, occasioned by the shortage of raw jute during most of the year, more than made up for the lower quantities shipped.

Sugar: The volume of world trade in sugar rose from 16.8 million tons in 1960 to 19.5 million tons in 1961. While imports by Western Europe, where there was an abundant beet crop, and by the United States declined somewhat, shipments to the USSR and mainland China, mainly from Cuba, more than doubled, rising from 2.1 million tons in 1960 to 5 million tons in 1961. After imports of Cuban sugar into the United States were barred in 1961, the import quota was redistributed among domestic and off-shore producers and other suppliers, resulting in sharp increases in supplies both from the Western Hemisphere (especially Brazil, Peru and Mexico) and from certain other sources namely, Australia, India and Taiwan. In January 1961 the price of sugar in the free market was 2.93 cents per pound. In spite of a short-lived rally brought about by the reduction of export quotas in February to the minimum permissible level under the International Sugar Agreement, supplies looking for markets were abundant and the price fell again. In December 1961 it was no higher than 2.21 cents, the lowest post-war quotation. While the low prices ruling in 1961 stimulated world consumption, which rose at a much higher rate than in 1960, sugar stocks nonetheless showed no tendency to decline. According to FAO estimates, the rise in consumption may be smaller in 1962 but there will also probably be a lower harvest in Cuba, and in particular in Western Europe, which would have to import more. These circumstances may have prompted the recovery in sugar prices which took place in the first months of 1962.

The International Sugar Agreement was reviewed at the United Nations Sugar Conference in September-October 1961. As the Conference, when it reconvened in December, was unable to come to an agreement on the size of the basic export quotas to be applied in 1962 and 1963, the clauses regarding these quotas automatically lapsed on 31 December, 1961. The other provisions of the 1958 Sugar Agreement will, however, continue in force until the end of 1963. Provision was made for reconvening the Conference at any time during the life of the present Agreement. In addition, the Sugar Council was requested inter alia to undertake a detailed study of the problem of stocks and prices and to formulate a plan for promoting sugar consumption.

The United States import regime to be followed when the present Sugar Act expires on 30 June, 1962 will be a factor of importance in the sugar market.

GATT on Developing Countries: The report indicates that in Asia "not only would agricultural output have to increase at a very high rate compared to that of recent years, but particularly acute problems would also have to be solved in the field of foreign trade. It would appear that such a situation calls particularly for a liberal opening of the markets of the developed countries to manufactured goods produced in developing countries. It would therefore seem that an intensive flow of exports of manufactured goods—not only textiles and leather goods, but also 'newer' categories of exports especially in the field of the engineering industries—towards the developed countries, compensated by additional imports of highly-processed products—in particular machinery and transport equipment—would substantially help developing countries in their arduous industrialisation process."

COTTON GOODS EXPORTS TO BRITAIN

Britain is to continue to import cotton cloth and made-up cotton textiles from India, Pakistan and Hong Kong upto the present ceilings till the end of 1965. Her imports of yarn from these countries will, however, be limited to the rate of her imports in 1961. This is stated by the President of the British Board of Trade, Mr. Frederick Erroll, in a letter to the Chairman of the UK's Cotton Board, Lord Rochdale.

Mr. Erroll's letter, released on October 19, says: "In statements to Parliament on 6th and 28th June last, I described the proposed arrangements for imports of cotton textiles from India, Pakistan and Hong Kong and the Geneva long-term arrangement. Since then matters have developed further, and I am now able to add to these statements.

"As regards imports from the three Commonwealth countries, I announced in June the offer by Hong Kong to continue with the present ceilings on her exports of cloth and made-up goods up to the end of 1965 and, in addition, to limit her yarn exports to the 1961 level, provided that India and Pakistan did the same. I said that India had agreed to a similar limitation, and that Pakisan was still considering the matter, but that I hoped to secure her agreement shortly.

"Since then the matter has been very fully discussed with the Government of Pakistan which felt reluctant to agree to enforce limitations of exports on the basis accepted by India and Hong Kong. The British Government recognise and sympathise with Pakistan's urgent and real need to increase her export earnings, but they also feel that so far as cotton textiles are concerned, Britain is already taking her full share of those products.

"No difficulty arises at present because Pakistan exports of cloth and made-up goods to Britain will continue until the end of 1962 to be subject to voluntary control and her exports of yarn since July have been very small. I very much hope that Pakistan may yet find it possible to accept voluntary control on the same basis as Hong Kong and India. If, however, the need should arise, the Government will take whatever steps are necessary to ensure that the arrangement with all three countries is maintained. So far as Lancashire is concerned, therefore, the position is clear: imports from Hong Kong, India and Pakistan will continue until the end of 1965 to be subject to the same ceilings for cloth and made-ups as at present and imports of yarn will be limited to the rate of imports in 1961.

"As regards other countries, the long-term Geneva arrangement has now come into operation. The British Government have accepted it subject to a reservation exempting them from the obligation regarding a progressive increase in imports should restraints be applied under the arrangement. As I said in the House on 28th June, if there is a sudden upsurge of imports from any new supplier, I shall immediately consult the industry with a view to approaching the government concerned and invoking the arrangement if appropriate."

IMPORT POLICY FOR OCTOBER, 1962, TO MARCH, 1963

The adjustments envisaged to be made in the import policy for the second half of the current financial year, which have been delayed by at least one month, owing to stock-taking of the foreign exchange situation of the country, are expected to be announced early next month. Also the export performance during the six months to September last have been by no means encouraging and China has launched an all-out attack on our northern front, there is little doubt left that some further cuts on imports have to be resorted to. The Government of India, as indicated by the Union Commerce and Industry Minister, Mr. K. C. Reddy last month, will regulate further imports during the current financial year strictly according to a programme of priorities.

BUOYANCY IN CENTRAL REVENUES

Central revenue collections continue to show a buoyant trend. Receipts during the first five months of the current financial year at Rs. 391.15 crores showed an improvement of Rs. 52.26 crores over the figure for the corresponding period last year, indicating that the total yield from the new taxes, as also from the old ones, is likely to exceed the budget estimates by a substantial margin.

The following are the details of the revenue realised upto August under various heads :

(In lakhs of rupees)

Revenue Head	August		April to August	
	1962	1961	1962-63	1961-62
1. Customs	19,39	17,04	95,99	78,28
2. Union Excise Duties excluding cesses on Salt, Coal and Iron Ore	45,87	38,26	2,23,48	1,90,36
3. Corporation Tax ..	9,67	3,53	31,31	27,70
4. Income Tax	9,83	8,53	36,67	38,01
5. Estate Duty	14	14	96	95
6. Taxes on Wealth ..	23	26	1,02	1,08
7. Expenditure Tax ..	—	3	2	11
8. Gift Tax	5P	5	18P	19
9. Opium	34	57	1,52	2,21
TOTAL	**85,52**	**68,41**	**3,91,15**	**3,38,89**

P—Provisional.

COLOMBO PLAN ANNUAL REPORT—1961-62

India was the largest donor of aid in the region and ranked fourth as the biggest donor of training places under the Colombo Plan during the 12 years of operation of this Programme, according to the 1961-62 Report of the Colombo Plan Council for Technical Co-operation in South and South-East Asia.

The report says that Colombo Plan technical co-operation activities, growing steadily since their inception, have reached the highest figures so far in 1961-62. The total value of technical assistance that has hitherto flowed into the region amounts to over £102 million (approximately Rs. 136 crores). Since 1950, 24,062 persons from the countries in South-East Asia have received training in other Colombo Plan countries. Besides, 4163 Colombo Plan experts in many agricultural, industrial, administrative and other fields have visited the area to perform a wide variety of highly technical tasks.

While India received training facilities for 4,870 people in other countries, it provided 1,914 training places during the twelve years of the Plan. Nepal turned out to be the largest recipient of aid from India under this Plan. Out of the training places provided by India, 1,244 were given to Nepal nationals. While the value of aid received by India during the 12-year period amounted to £15,588 million (approximately Rs. 20.78 crores) India's contribution came to Rs. 130 lakhs.

The report says that scientific, technical and training equipment to the value of over £32 million have been supplied to the area as an integral part of the technical co-operation under the Plan.

The proportion of spending on technical education, according to the report, has been of the order of over 25 per cent on some 24,062 trainees, nearly 40 per cent

on 4,163 experts and advisers and the balance on books, films and technical assistance equipment ranging from eye-pieces for microscopes to shipyard equipment and road construction and testing machinery.

The report records that during the year July 1, 1961, to June 30, 1962, the number of trainees rose from 4,417 in the previous year to 4,529 and that of experts —not counting those already in the field—from 786 to 1,008. The cost of equipment rose from £5.6 million to £17.5 million, which brought the total expenditure of Colombo Plan Technical Co-operation during the year to nearly £36 million, compared with £20.2 million in 1960-61.

The USA, which joined the Colombo Plan Council in 1958, is the largest donor of training places having provided 2,223 places last year—nearly 50 per cent of the total training awards—followed by Britain (656), Australia (541), India (369), Canada (246), New Zealand (218) and Japan (189).

India ranks first among the recipient countries of the Colombo Plan training awards (839), followed by Indonesia (737), Thailand (579), Pakistan (436), Nepal (340), Viet Nam (341), the Philippines (293), the Federation of Malaya (242) and Ceylon 200.

A SAMPLE CENSUS

A sample census is proposed to be held in the various part of India in December-January to estimate the rate of growth since the last census in 1961. The purpose is also to ascertain the death rate, infant death rate, in-migration and out-migration rates. Details of relation to head, age, sex, marital status residential status will also be recorded.

The sample census is expected to be a regular feature, covering the twelve months preceding the last sample count. The approximate period of twelve months is to be specified for various regions with reference to a local well-known festival so as to assist the informant in correctly giving the events occurring since that date.

INDO - RUMANIAN COLLABORATION

Letters were exchanged here between Mr. K. C. Reddy, the Union Minister for Commérce and Industry, and Mr. Corneliu Manescu, Rumanian Miister of Foreign Affairs, regarding technical and economic collaboration between India and Rumania.

The letters provide, among other things, for necessary technical assistance to India in the fields of oil industry, ore and mineral mining and chemical and petro-chemical industries.

The two Governments have arranged for discussions for the working out of the proposals arising out of this arrangement and also to arrange for further meetings and discussions at appopriate levels.

IN BRIEF...

The Government of India has accepted the offer of the British Government to train two nominees of the former in London in all matters relating to export trade. The names of these two nominees will be announced by the Indian Government very shortly. They will be attached to the British Board of Trade and shown the working of this organisation as also of the export trade department.

•

A trade mission from Zanzibar is here at present carrying on negotiations with the Government of India for increasing India's import of cloves in exchange for her non-traditional items of exports to Zanzibar. In 1961, India's imports from Zanzibar amounted to 1.87 crores, as against her exports to that country of the order of Rs. 34 lakhs.

•

CHEMTEX Chemical Engineers of the USA have been permitted to collaborate in a consultancy undertaking sponsored by Mr. Rasiklal Chinoy of the National Rayon Group. Fifty-one per cent of the share capital of this undertaking, it is indicated, has been allowed to be held by the US collabortors.

•

The Danish experts team, now in India to inspect suitable areas for setting up a dairy farm on the Danish model, is expected to complete its survey by the end of this month. It will later report to the Danish Committee for Technical Co-operation for grant of assistance to India for this project.

•

The Government of India has entered into a five-year trade and payments agreement with Yougoslavia, effective from January 1, 1963. The pact envisages possibilities of developing trade between the two countries at a higher level than the quantum of trade transacted between them in the past years.

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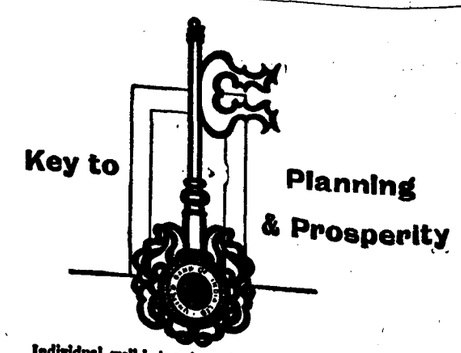
The Government of India has decided to grant licences for import of dates from Iraq only to established importers, who had imported this item from Iraq by sailing vessels within the basic period 1959-60, 1960-61 and 1961-62. Import licences will be granted subject to the condition that the goods wil be imported from Iraq by sailing vessels only. The licences will be valid for six months. Applications are to be submitted before November 15.

•

Consequent upon the enhancement of the rate of Central excise duty on woollen yarn and the new impost on jute manufactures, a revision has been effected by the Government in the ad hoc rates of rebate of excise levy in respect of the exciseable material used in the manufacture of woollen carpets that are exported. The revised rates have been fixed at 30 nP. per kilogram of woollen carpets exported, with effect from July 1, 1962.

•

The trade arrangement between India and Italy, which expired on June 30, 1961, has been extended for two years from that date. The main items of export from India to Italy are industrial raw materials; food items like coffee, tea, spices, meat preparations and dried fruits; cotton fabrics; jute, coir and leather footwear. The principal items of imports into India from Italy are agricultural and other types of machinery; scientific, engineering and optical instruments; syntheic fibres and dye-stuffs.



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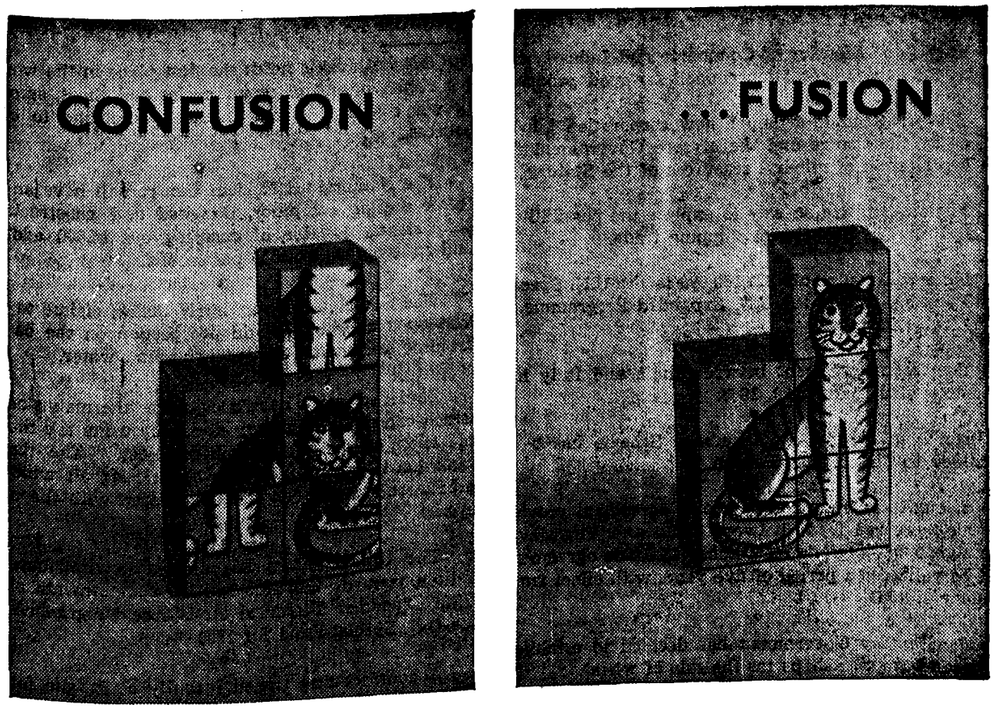
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NEWS IN BRIEF

INDIAN

The Union Ministry of Commerce and Industry has set up an export promotion council for food products.

•

It is proposed to set up a new corporation jointly owned by the Centre and the Mysore Government for the exploitation of mineral resources of the State.

•

Negotiations are on way to explore the possibilities of expansion of Indo-Soviet shipping trade.

•

India will contribute $21,150,000 to the U.N. Special Fund and $850,000 to the U.N. Expanded Programme of Technical Assistance.

•

The trade agreement between India and Italy has been extended to June 30, 1963.

•

The Employees' State Insurance Scheme has been extended to Chandigarh, Punjab.

•

A long-term trade and payments agreement providing for increased trade between India and Yugoslavia was signed in Belgrade on October 13. The agreement will be valid for a period of five years with effect from January 1, 1963.

•

The Bombay Government has decided to establish 650 more fair price shops for the sale of wheat.

•

A seven member delegation of the Spices Export Promotion Council will shortly undertake an overseas tour to explore possibilities of increased trade.

•

The Life Insurance Corporation of India has opened a "ladies" Unit in Bombay to train feminine personnel in Insurance Sales.

•

The Uttar Pradesh State Industrial Corporation has decided to set up two more industrial estates in the State.

•

A Danish team is at present in India to study the possibilities of setting up a model dairy farm with the assistance of the Danish Committee for Technical Co-operation.

•

The Hindustan Shipyards at Visakhapatnam, Andhra Pradesh, will build 3 cargo motor vessels—17 knotter 12,000 tonners — for the Scindia Steam Navigation Company.

•

The New Zealand Government has promised a grant of Rs. 13 lakhs to the Government of India to set up a dairy farm at Indore with a production capacity of 500 maunds of milk per day.

•

The Trombay Thermal Power Station, Bombay, has been promised a U.S. loan of $17.9 million to meet in full the foreign exchange requirement of its major expansion programme.

•

The Indian Sugar Industry will for the first time export raw sugar from the next month. The first consignment of 8,000 tons will be sent to the U.S.

•

The All-India Manufacturers' Association will hold an All-India Industrial Exhibition at Bangalore, Mysore State, by the end of 1963.

•

The Defence Ministry has decided to undertake construction of major warships at the Mazagon Dock, Bombay, and Garden Reach Workshop, Calcutta.

FOREIGN

Czechoslovakia holds the first place in the world in per capita output of motor cycles and shoes, second in brown coal and fourth in steel, according to official sources.

•

The Netherlands Nuclear Centre will have an electronic digital computor, designed and constructed in Netherlands, capable of carrying out 15,000 additions and 2,000 multiplications per second.

•

The Soviet Geologist, Boris Beder, claims to have developed a process of oil prospection on the basis of bromine and iodine content in ground water.

•

Soviet scientists have designed a "thermalvision" set which can photograph any object by using the thermal radiation of the photographed object. The thermal radiation is transformed into electric signals which reproduce on the screen the image seen with the naked eye.

•

The United States has offered to contribute $60 million towards the $150 million commitments of the U.N. Expanded Technical Assistance Programme and the U.N. Special Fund for 1963.

•

A contract was signed recently at Prague for the delivery of 500 Czechoslovak trucks to Burma, in addition to the 1,000 trucks already contracted for.

•

Work has begun on the construction of a waterway system which would enable Byelorussia to get direct access to the sea 400 KM away.

•

Thai International Airlines and Swissair signed on October 6 at Bangkok, an agreement providing for closer commercial co-operation.

•

Austria has raised her global import quota by 30 per cent in addition to the 20 per cent rise which came into force three months ago.

•

The Government of Ceylon has decreed drastic restrictions on imports to the extent of £60 million in an effort to tide over her present foreign exchange crisis.

•

Egypt will have a record cotton crop in 1962 - 63 with an estimated output of 9.64 million metric kantars compared with 9.56 million metric kantars in 1960-61.

•

Japan has recently signed a trade agreement with the Federal Republic of Cameroon, and an economic and technological co-operation accord with Ghana.

•

The Netherlands Government has decided to contribute one million dollars to the United Nations for the establishment of an Institute for the study of the Problems of Social and Economic Development.

•

The Indonesian Government recently entered into agreement with Burma for the purchase of 275,000 tons of Burmese rice, and with Rumania for the purchase of capital equipment worth $50 million on a credit basis.

•

Malaya's first industrial alcohol plant will go into production this November. The plant built at a cost of $2 million will use tapioca as raw material and will have a production capacity of 6,00,000 gallons of alcohol per year.

COMPANY AFFAIRS

SHIPPING CORPORATION

The Directors' Report and the Profit and Loss Accounts relating to the financial year 1961-62 of the Shipping Corporation of India Limited, reveal that a net profit of Rs. 1.07 crores were earned during the year. The Directors believe that the results are quite satisfactory when viewed in the context of depressing conditions which prevailed in the shipping industry all over the world. During the year the gross earnings, net profit, tonnage of cargo carried in their vessels and shipping tonnage in operation have all shown a substantial increase. The results are for the Shipping Corporation of India which was formed with effect from November 1961 by the transfer of the undertaking of the Western Shipping Corporation to the Eastern Shipping Corporation Limited which was renamed to the present title. The above-said amalgamation of the two public sector corporations was brought about by the Central Government for the purpose of securing co-ordination of policy.

The fleet now consists of 25 ships operating 1.85 lakh GRT. Between March 31, 1961, and the end of September, 1962, the number of ships has increased from 15 to 25 and tonnage from 1.09 lakhs GRT to the present 1.85 lakh GRT. During the last three years there has been tremendous increase in tonnage of cargo carried. In 1959-60 total carriage was 3.83 lakh tons of cargo. In 1960-61 it was 5.18 lakh tons and during 1961-62 it was 8.70 lakh tons. Similarly, the total earnings for 1961-62 were around Rs. 8.13 crores showing an increase of more than Rs. 2 crores over the corresponding figure for the preceding year i.e. 1960-61. In fact against 1959-60 the present gross earnings are nearly double: in 1959-60 gross earnings were Rs. 4.08 crores. The Corporation has made adequate provision for depreciation — Rs. 1.27 crores during the year under review against Rs. 1.07 crores a year before.

Operating expenditure as a percentage of operating earnings during 1959-60 came to 67.56 per cent. The figure in 1961-62 was 65.11 per cent. After making provision for taxation etc., the Directors have proposed to separate Rs. 90 lakhs towards Development Rebate Reserve, Rs. 35 lakhs towards fleet special repairs reserve and Rs. 40.4 lakhs towards General Reserve.

The Corporation continued its expansion activities during the year under review. It entered the India-U.K. Continent trade which is by far the most important sector in the country's overseas trade. Then the Corporation commenced the West Coast of India-Japan service and last of all the Corporation was called upon to enter the general trade of India specially for assistance in the transportation of coal, timber and Burma rice. The Corporation has recently negotiated a new agreement with the U.K. shipowners under which the share of the Indian lines in the trade has been substantially increased. At present the Corporation has two tankers operating on the coast of India for the transportation of refined products from the refineries in Bombay and Visakhapatanam. It has now been decided that a tanker of 32,000 d.w. tons should be constructed to be chartered to Messrs. Caltex India Limited. It has also been decided that the activities of the Corporation should be expanded by the commencement of a service from India to the USA. This service is expected to be regulated very soon. For the Third Plan too the Shipping Corporation has placed orders for six fast-dry cargo liners. The keels of the first and the second vessels of this series have already been laid. The Chairman, however, pointed out that the progress in the sectors like tramping and overseas tankers trade has not been very encouraging. It is estimated roughly that the Indian ships have carried only about 3 to 4 per cent of the total trade of the country in dry bulk cargoes. Similarly, there is only one overseas tanker under the Indian flag. The Shipping Corporation is trying its best to fill the gap.

KALINGA INDUSTRIES

The working results of Kalinga Industries Limited, Cuttack, for the year to March 31, 1962, show a profit of Rs. 16.45 lakhs. The Directors have made a provision of Rs. 4.35 lakhs for Depreciation. A sum of Rs. 2.3 lakhs is separated for adjusting dividend declared and paid on equity shares at 5 per cent for the year 1960-61 and on preference shares at 5 per cent for two years ending March 31, 1961. Dividend for the year under review was paid at the rate of 5 per cent on equity shares which absorbed Rs. 1.95 lakhs. A sum of Rs. 2.70 lakhs was provided for income-tax. It may be added that the net profit of Rs. 12.1 lakhs represents a return of 28.5 per cent on the share capital of Rs. 42.45 lakhs against a return of 22.5 per cent in 1960-61.

The plant of the Company worked satisfactorily and the output reached a figure of 29,584 tons during the year. About 12,700 tons pig iron out of the above production was exported and foreign exchange was earned to the extent of Rs. 34 lakhs. The expansion programme of the Company includes the putting up of two more furnaces so as to raise the annual capacity to 100,000 tons of pig iron, a power plant of 7,500 KW using the excess type-gases from these furnaces and a cast iron spun pipe plant with a capacity of 36,000 tons per annum. The Government of India has revalidated the sanction for capital issue until the end of December 1962 and as soon as the Company receives the letter about the allocation of the foreign exchange for the expansion programme, it intends to issue further capital worth Rs. 54 lakhs.

The factory produced 1,787 refrigerators of different sizes, a number slightly less than the last year. This decline was explained due to cut in the import licences for cooling units supplied by the collaborators Messrs. A. B. Electrolux, Sweden. The cooling unit factory of Electrolux India Limited at Choudwar is expected to go into production shortly. The construction of the second factory is also well in hand. Other sections like lighting fittings and the manufacture of tubular structures are also progressing well.

HINDUSTAN LEVER

Hindustan Lever Limited announces that it has applied to the Controller of Capital Issues, Government of India, for the consent to the issue of 8,42,725 new shares of Rs. 10 each to be offered to the shareholders of the Company for cash at Rs. 35 per share. Apart from the Milk Scheme at Etah, the Company has several new projects under active consideration. The Industrial Credit and Investment Corporation of India Limited has granted to the Company a loan of Rs. 25 lakhs to meet a part of the foreign exchange cost of the Milk Scheme. About Rs. 100 lakhs more in foreign exchange is needed for this scheme and other projects under consideration. Unilever Limited has agreed, subject to the necessary U.K. Government consent, to provide the additional foreign exchange required by participation in additional equity. Unilever Limited has also agreed to use this opportunity to increase the proportion of the public's investment from 10 to 15 per cent. A total of 5,57,000 shares will, therefore, be offered to the other shareholders of the Company in the proportion of 25 new shares for 37 shares held. The Company also has announced its decision to pay an interim dividend in respect of 1962 of 0.60 nP. per share, subject to deduction of tax. Such dividend is to be payable on November 12, 1962 to shareholders registered in the books of the Company, at the close of the business on November 7, 1962.

BOOK REVIEWS

ECONOMIC GROWTH

Economic Organisation and Development: By Satish C. Mehta. Sudha Publications, New Delhi-12: Price Rs. 11.25.

The problems of economic growth are now being discussed so widely that it has become nearly impossible for an ordinary reader to keep track of all the recent pronouncements on the subject. It needs off and on some author who puts together the latest ideas expounded by various economic thinkers. Moreover, economic growth needs so much of physical organisation that it has become a highly specialised subject. This is particularly so because economic theory is increasingly becoming the hand-maid of the policy makers in most of the countries. This is more true of the underdeveloped countries than anywhere else, where economic development has to be directed towards particular goals. Mr. Mehta in his Economic Organisation and Development has put in proper order the latest theories associated with the basic problems of economic organisation such as the problem of various objectives of planning, the choice regarding the size of the public and the private sector, the probable rates of growth under various conditions, the problems of occupational structure and the business organisations. The author has tried to use the minimum of technical terms. He has, in doing this, made the book more comprehensible for the students though for the same reason he has sacrificed certain controversial issues. The volume could have been improved by discussing particular instances from various developing economies.

AGRICULTURAL SURVEY

Economic Survey of Agriculture: By B. N. Pal: Kitab Mahal Publishers: Price Rs. 7.50.

It has been, by and large, the attitude of the economists to apply the principles evolved from industrial economy to agriculture. In doing that one major drawback was to overlook the real genesis of agro-economic principles. Mr. B. N. Pal who has spent several years on the subject has tried to evolve inferences especially on the basis of agricultural data. In fact through a comprehensive socio-economic approach he has tried to interpret various aspects of agricultural economy.

Starting with the role of nature in the process of agricultural production as well as the role of location and labour, he has attempted to define the twin problems of efficiency and productivity in relation to farm machinery and fertilizers. He has also reviewed the processes of distribution of the produce and the mechanism of prices and other allied phenomena. One aspect of the book that should be appreciated especially is that it has been written in a lucid and precise style and considerable effort has been made to interpret complicated problems in commonly understood language.

THE COMPANIES ACT

Guide for Filling Forms and Making Applications to the Government under the Companies Act: By M. V. Warerkar, A.C.A.

A person must be both very clever and uptodate before he can pick his way through the maze of rules, regulations and forms which are concomitants of the present Company Law. Since many may not come within this category, the need for a guide dealing with the practical aspect of filing returns and making applications to the Government under the Companies Act is very urgent, and this need has been fulfilled by the this book, which has been just brought out by the Department of Company Law Administration.

Part I of the publication deals with returns to be filed and part II with registration of companies and applications to the Government under various provisions of the Companies Act. The Guide tells us the fees to be paid on each document which has to be filed with the Registrar, the manner of paying it, etc. Illustrations are given, and filled-in forms in the light of those illustrations follow. This is visual aid with a capital V which no amount of theoretical explanation can replace. Part I bears the impress of the rich experience of its author, Mr. Warerker, who is, at present the Registrar of Companies, Madras. Indeed, he is the Nestor among Company Registrars, having entered the Department 18 years ago and, as such, he has the unique advantage of having administered the old as well as the new Companies Act at all the principal State capitals of India, such as Bombay and Calcutta, as well as at the Capital of India.

By reason of the great amount of labour which the author has put into the work, the judicious exercise of his judgment as to what should be included in and what should be excluded from it, and the practical touch which breathes through every page, this publication is bound to be not only useful but also popular. The practical administration, particularly regarding returns to be filled etc., of that lengthy and monumental piece of legislation, which the Companies Act undoubtedly is, is a gigantic task requiring a Senior Officer on special duty to deal with it. Such an officer should be in constant touch with the various Chambers of Commerce and put them in the way so far as the practical side of the administration of the Act, especially in regard to filing of returns, is concerned.

THE EASTERN ECONOMIST

Premier Economic and Financial Weekly

RATES OF SUBSCRIPTION

	Inland	Abroad
Yearly	.. Rs. 65.00	Rs. 70.00
Half Yearly	.. Rs. 33.00	Rs. 35.00

Air Mail Rates on Application

Regd. Office :

UCO Bank Building, Parliament Street,
Post Box No. 34, New Delhi

Grams : Research **Phone : 44984**

Announcement Regarding the issue of Rs. 30,00,00,000 6½% Debenture Stock 1968-77 in Units of Rs. 5,000 at Par.

By

OIL INDIA LIMITED

REGISTERED OFFICE: DULIAJAN (ASSAM)

ACTIVITIES OF BUSINESS AND LOCATION:—

The Company was formed in 1959 pursuant to an agreement between The Government of India, The Burmah Oil Company Limited, and Assam Oil Company Limited to search, find and produce Crude Oil and Natural Gas and transport Crude Oil to the Government Refineries at Gauhati (in Assam) and Barauni (in Bihar) and the Refinery of Assam Oil Company Limited, at Digboi. It is constructing a 720 mile pipeline from its oilfields in Nahorkatiya to Gauhati and Barauni which is nearing completion.

The Company's oilfields are situate in Nahorkatiya, Hugrijan and Moran all in Assam.

BOARD OF DIRECTORS:—

Shri KHANDUBHAI KASANJI DESAI, M.P., (Chairman)

63, Shubham, Sharda Sahakari Society, Anandnagar, Ahmedabad-7.

Chairman Committee on Presidential Awards to Public Sector Undertakings, Member of Rajya Sabha and Member Board of Trade.

Shri JOHN CAMPBELL FINLAY, M.C., (Managing Director)

10, Golf Links, New Delhi.

General Manager of The Burmah Oil Company (India Trading) Limited and Director of The Tinplate Company of India Limited and India Trading Holdings) Private Limited.

Shri PALAT GOVINDAN NAIR, I.C.S., (Financial Director)

B-8, Wellesley Road, New Delhi.

Joint Secretary, Government of India, Ministry of Finance and Director of Indian Refineries Limited and Indian Oil Company Limited.

Shri SARAT CHANDRA KAGTI, I.A.S.,

La Chaumiere, Shillong, Assam.

Director India Carbon Limited, Development Commissioner, Government of Assam and Member of the Assam State Electricity Board.

Shri LAKSHMI PRASAD MATHUR,

62, Lytton Road, Dehra Dun, U.P.

Member (Exploration and Development) Oil and Natural Gas Commission.

Shri WAMAN BAPUJI METRE,

72, Ring Road, New Delhi.

Senior Technical Adviser, Assam Oil Company Limited.

Shri GRAHAME NORMAN STRUAN ROBERTSON, T.D.,

63, Friends Colony, New Delhi.

Deputy General Manager, The Burmah Oil Company (India Trading) Limited.

Shri ANANTHANARAYANA SUBRAMANI,

Bungalow No. 48, Digboi, Assam.

Technical Manager, Assam Oil Company Limited.

MANAGING DIRECTOR:
Shri JOHN CAMPBELL FINLAY.

AUTHORISED CAPITAL:—

Rs. 50,00,00,000 (in 500,000 equity shares of Rs. 1,000 each)

ISSUED, SUBSCRIBED AND FULLY PAID UP:—

Rs. 28,00,00,000 (in 280,000 equity shares of Rs. 1,000 each)

ISSUE:—

The Debentures will be issued at par and will be in units of Rs. 5,000|- each. Out of Rs. 30 crores the Government of India have agreed to take Rs. 12.50 crores. Out of the balance of Rs. 17.50 crores the undernoted Banks and Corporations have agreed to subscribe for Debenture Stock to the extent of Rs. 8.75 crores:

1. Life Insurance Corporation of India.
2. State Bank of India.
3. Industrial Finance Corporation of India.

4. Industrial Credit and Investment Corporation of India Limited.
5. State Bank of Bikaner.
6. State Bank of Travancore.
7. State Bank of Patiala.
8. State Bank of Saurashtra.
9. State Bank of Mysore.
10. State Bank of Hyderabad.
11. The Export Risks Insurance Corporation Limited.

leaving a balance of Rs. 8.75 crores for Public Subscription, which is fully underwritten by the undernoted underwriters:

UNDERWRITERS

1. Life Insurance Corporation of India, Bombay-1.
2. Industrial Finance Corporation of India, New Delhi.
3. Industrial Credit & Investment Corporation of India Limited, Bombay-1.
4. National and Grindlays Bank Limited, Bombay-1.
5. Oriental Fire and General Insurance Company Limited, Bombay-1.
6. Chartered Bank, Limited, Bombay-1.
7. Central Bank of India Limited, Bombay-1.
8. United Commercial Bank Limited, Bombay-1.
9. Bank of India Limited, Bombay-1.
10. Bank of Baroda Limited, Bombay-1.
11. Messrs. Harkisondass Lukhmidass, Bombay-1.
12. Mercantile Bank Limited, Bombay-1.
13. Canara Bank Limited, Bombay-1.
14. Canara Industrial & Banking Syndicate Limited, Bombay-1.
15. Devkaran Nanjee Banking Company Limited, Bombay-1.
16. Union Bank of India Limited, Bombay-1.
17. United Bank of India Limited, Bombay-1.
18. New India Assurance Company Limited, Bombay-1.
19. Batlivala & Karani, Bombay-1.
20. Merwanjee Bomanjee Dalal, Bombay-1.

OPENING|CLOSING OF SUBSCRIPTION:—

The subscription list will open at the commencement of banking hours on the 30th October, 1962 and will close at the discretion of the Directors but not before the closing of banking hours on the 1st November, 1962.

The application forms along with copies of the Prospectus can be had from the registered office of the Company at Duliajan and from the Company's underwriters, bankers and brokers mentioned herein.

BANKERS:—

STATE BANK OF INDIA

Calcutta	Nagpur	Ahmedabad
Bombay	Patna	Bhopal
Madras	Lucknow	Cuttack
Delhi	Chandigarh	Dibrugarh
New Delhi	Bangalore	Shillong
Hyderabad	Trivandrum	Indore

UNITED BANK OF INDIA LIMITED

Calcutta	New Delhi	Ahmedabad
Bombay	Gauhati	Cuttack
Madras	Dibrugarh	Lucknow
Delhi	Shillong	Duliajan (Assam)

NATIONAL AND GRINDLAYS BANK LTD.

Calcutta	New Delhi	Cochin
Bombay	Hyderabad	Amritsar
Madras	Srinagar	Gauhati
Delhi	Kanpur	

BROKERS:—

DELHI: Harbans Singh Mehta & Co., 33, Regal Building, New Delhi-1.

BOMBAY: Premchand Roychand & Sons, 63, Apollo Street, Bombay-1.

Batlivala & Karani, Union Bank Building, Dalal Street, Bombay-1.

Merwanjee Bomanjee Dalal, Allahabad Bank Building, Apollo Street, Bombay-1.

Ratilal Kasturchand, Stock Exchange Building, Dalal Street, Bombay-1.

Harkisondass Lukhmidass, 5, Hamam Street, Bombay-1.

Rasiklal Maneklal & Co., Stock Exchange Building, Dalal Street, Bombay-1.

Devkaran Nanjee & Co., 18, Horniman Circle, Bombay-1.

CALCUTTA: Place, Siddons & Gough (Private) Ltd., 6, Lyons Range, Calcutta-1.

Mugneeram Bangur & Co., 8, Lyons Range, Calcutta-1.

G. M. Pyne, 14, India Exchange Place Calcutta-1.

MADRAS: Kothari & Sons, Oriental Building, Armenian Street, Madras-1.

Paterson & Co., 22, Errabalu Chetty Street, Madras-1.

AHMEDABAD: Narendrabhai Lalbhai Sheth, Manekchowk, Ahmedabad.

Note: This is an announcement and not a prospectus.

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
July	1961 ..	124.2	98.6	122.1	151.4	141.9	125.3	127.6	128.8
August	„ ..	124.3	99.9	122.3	144.6	140.9	123.9	126.3	127.5
September	„ ..	121.1	99.7	121.4	138.3	140.6	123.1	125.5	124.6
July	1962 ..	128.4	98.5	124.5	138.8	142.6	127.2	129.4	129.6
August	„ ..	131.5	99.2	124.5	139.6	143.1	126.7	129.0	131.1
September	„ ..	130.3	99.8	124.3	139.8	142.9	127.2	129.4	130.7
25-8-1962	.. ..	131.5	99.5	124.4	139.6	142.5	126.7	129.0	131.1
1-9-1962	.. ..	130.6	99.5	124.4	140.2	142.3	127.2	129.4	130.9
8-9-1962	.. ..	130.5	99.9	124.4	139.7	142.7	127.1	129.3	130.8
15-9-1962	.. ..	130.8	99.9	124.3	139.4	143.0	127.5	129.7	131.0
22-9-1962	.. ..	129.8	99.9	124.3	139.8	143.4	127.1	129.4	130.4
29-9-1962	.. ..	129.6	100.0	124.3	140.0	142.9	127.0	129.2	130.3

* 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*
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
1962 January	.. ..	415	436	295	170	399	513	495	180	482	177	174	175
February	.. ..	417	438	295	170	399	513	492	192	480	177	177*	175
March	.. ..	418	439	300	170	403	503	493	198	480	179	175*	175
April	.. ..	418	439	300	170	410	491	492	198	480	182	175*	177
May	.. ..	422	433	303	167	417	491	496	199	480	180	177*	178
June	.. ..	426	447	308	171	417	505	497	201	484	182	177*	179
July	.. ..	427	448	—	175	420	515	501	202	487	185	177*	181*
August	.. ..	433	454	—	177	431	530	510	204	488	187	179*	182*
September	.. ..	—	—	—	176	—	525	—	—	488	—	—	—

† Base 1944 = 100 * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 12-10-1962			5-10-1962			28-9-1962			21-9-1962		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 gram)	117.60	115.75	116.44	120.95	118.25	119.60	125.00	120.10	121.98	125.50	121.50	123.61
Silver (per kilogram)	220.00	218.45	219.21	219.90	217.40	218.54	220.65	219.90	220.13	221.15	218.55	219.99

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										
July 1961 ..	1,922,49	24,13	1,946,62	117,76	93,01	210,77	11.83	121,30	1,614,54	1,946,62
August „ ..	1,898,63	13,31	1,911,93	117,76	116,86	234,62	12.27	123,85	1,553,46	1,911,93
Sept. „ ..	1,877,38	21,36	1,898,74	117,76	116,86	234,62	12 36	126,45	1,537,67	1,898,74
July 1962 ..	2,070,65	20,54	2,091,18	117,76	92,14	209,90	10.04	117,27	1,764,01	2,091.18
August „ ..	2,040,68	23,91	2,064,59	117,76	89,74	207,50	10.05	121,45	1,735,59	2,064,59
Sept. „ ..	2,029,26	18,74	2,048,00	117,76	88,34	206,01	10.06	123,87	1,718,03	2,048,00
Week-Ending										
7-9-1962 ..	2,044,06	12,31	2,056,37	117,76	88,34	206,10	10.02	122,27	1,728,00	2,056,37
14-9-1962 ..	2,041,70	15,38	2,057,08	117,76	88,34	206,10	10.02	122,95	1,728,03	2,057,08
21-9-1962 ..	2,019,79	18,97	2,038,76	117,76	88,34	206,10	10.11	124,63	1,708,03	2,038,76
28-9-1962 ..	2,011,48	28,30	2,039,78	117,76	88,34	206,10	10.10	125,63	1,708,05	2,039,78
5-10-1962 ..	2,054,34	17,85	2,072,19	117,76	88,33	206,09	9.95	123,04	1,743,05	2,072,19
12-10-1962 ..	2,071,14	20,12	2,091,25	117,76	88,08	205,85	9.84	122,10	1,763,31	2,091,25

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														
July 1961 ..	58,61	18,56	93,24	111,63	282,04	94,38	461,41	24,17	26,26	9,98	40,10	117,43	221,75	21,72
August „ ..	65,39	16,45	88,09	180,22	350,16	89,86	525,02	13,35	15,21	30,97	47,71	116,37	284,51	16,89
Sept. „ ..	60,81	26,76	83,71	159,06	330,34	96,02	511,36	21,42	16,73	17,47	49,15	131,54	257,92	17,13
July 1962 ..	51,34	20,63	102,86	196,73	371,57	121,12	577,67	20,59	63,99	5,86	37,96	130,85	280,80	37,71
August „ ..	65,16	24,57	94,63	181,32	365,69	115,38	566,08	23,97	69,23	5,45	31,00	136,99	265,68	33.76
Sept. „ ..	83,68	20,13	86,69	161,43	351,93	177,55	554,48	18,79	115,11	6,10	27,81	159,93	192,28	34,46
Week-Ending														
7-9-1962 ..	114,74	21,64	89,97	162,25	388,60	119,31	592,91	12,36	105,67	5,44	27,12	184,24	223,87	34,21
14-9-1962 ..	84,42	29,41	84,47	160,25	358,55	119,46	563,01	15,43	127,25	5,76	24,88	158,91	196,32	34,46
21-9-1962 ..	73,78	15,71	86,58	160,13	336,20	116,27	537,48	19,03	125,24	7,58	27,88	147,17	176,16	34,42
28-9-1962 ..	61,79	13,76	85,72	163,09	324,36	115,14	524,50	28,36	102,27	5,60	31,37	149,40	172,76	34,74
5-10-1962 ..	60,87	17,95	85,82	160,08	324,72	115,11	524,84	17,91	136,73	5,64	35,44	154,59	139,49	35,05
12-10-1962 ..	59,49	21,20	83,68	161,45	325,82	115,04	525,85	20,18	155,06	4,58	37,74	157,15	115,94	35,20

* 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	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
1961-62 ..	849,52	1,142,61	1,992,13	47,92	78,11	6.33	1,101,66	185,61†	64.62	585,01
Average of Fridays										
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
April „	927,18	1,240,90	2,132,08	51,77	83,78	6.36	1,198,27	229,73	66.96	592,07
May „	920,22	1,230,84	2,151,06	52,43	83,85	6.34	1,216,77	220,89	66.83	580,32
June „	911,54	1,266,78	2,178,32	53,30	84,92	6.35	1,235,93	197,66	65.81	584,76
July „	909,70	1,288,13	2,197,83	51,28	99,24	6.85	1,240,45	169,86	64.17	613,11
August „	915,52	1,305,73	2,221,21	50,04	90,22	6.30	1,213,47	180,08	62.74	678,24
Sept. „	913,02	1,283,49	2,196,52	48,53	82,13	5.95	1,203,38	197,61	63.79	678,63
Week Ending										
7-9-1962 ..	904,95	1,280,11	2,185,06	49,04	87,28	6.24	1,219,46	199,98†	64.96	678,63
14-9-1962 ..	913,46	1,280,82	2,194,28	49,75	80,37	5.93	1,212,31	195,96†	64.18	662,13
21-9-1962 ..	915,86	1,286,17	2,202,03	47,96	81,83	5.89	1,193,99	196,35†	63.14	683,82
28 9-1962 ..	917,81	1,286,89	2,204,70	47,38	79,05	5.74	1,187,76	198,14†	62.86	689,93
5-10-1962 ..	920,73	1,290,81	2,211,54	49,18	79,96	5.84	1,194,90	202,29†	63.18	692,57
12-10-1962 ..	932,48	1,288,99	2,221,47	54,76	73,14	5.76	1,190,20	208,26†	62.95	690.15

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(REVISED SERIES)

(Rs. in Lakhs)

Last Friday	Money supply with the *public* (2) = (3)+(4)	Total currency with the public (3)	*Deposit* Money with the Public: Total (4)	Demand liabilities of banks (5)	Other Deposits with Reserve Bank† (6)	Total variation in money supply (7)
(1)						
1951-52 ..	1,849,96	1,285,51	564,45	544,85	19,60	—159,82
1955-56 ..	2,219,92	1,571,01	648,91	636,90	12,01	+262,53
1956-57 ..	2,345,30	1,622,73	722,57	710,92	11,65	+125,38
1957-58 ..	2,417,00	1,674,07	742,93	723,06	19,87	+ 71,70
1958-59 ..	2,530,27	1,792,02	738,25	719,00	19,25	+113,27
1959-60 ..	2,725,04	1,930,86	794,18	772,39	21,79	+194,77
1960-61 ..	2,874,11	2,098,05	776,06	757,10	18,96	+199,84
1961-62 ..	3,049,45	2,201,79	847,66	824,26	23,41	+175,34
November* 1961 ..	2,800,11	2,021,77	778,34	757,72	20,62	+ 18,73
December* „ ..	2,840,48	2,059,62	780,86	761,95	18,92	+ 40,37
January* 1962 ..	2,900,10	2,105,11	794,99	774,89	20,10	+ 59,62
February* „ ..	2,954,85	2,154,75	800,10	781,08	19,02	+ 54,75
March* „ ..	3,049,45	2,201,79	847,66	824,26	23,41	+ 94,60
April* „ ..	3,104,88	2,254,14	850,74	826,65	24,09	+ 55,43
May* „ ..	3,096,73	2,256,18	840,54	819,27	21,27	— 8,15
June* „ ..	3,046,80	2,202,65	844,15	823,89	20,26	— 49,93
July* „ ..	3,025,00	2,168,84	856,16	833,47	22,69	— 21,80

*Provisional. † Excluding balances held on I.M.F. Amount No. 1 and other extraordinary items.

Source: Monthly Bulletin of Reserve Bank.

L.I.C's PROGRESS

AVERAGE SUM ASSURED PER POLICY

(Rupees)

	1957	1958	1959	1960	1961
Northern Zone	4,377	4,492	4.352	4,783	4,991
Central Zone	4,080	3,995	3,949	4,017	4,176
Eastern Zone	3,416	3,508	3,490	3,678	3,990
Southern Zone	2,725	2,885	3,264	3,488	3,624
Western Zone	3,778	3,924	3,934	4,138	4,248
In India	3,425	3,551	3,671	3,903	4,097
Outside India	10,682	10,409	11,969	12,539	12,446
TOTAL	3,433	3,590	3,728	3,956	4,143

NEW BUSINESS TRANSACTED

Year	In India		Outside India		Total	
	No. of policies	Sum assured (Rs. crores)	No. of policies	Sum assured (Rs. crores)	No. of policies	Sum assured (Rs. crores)
1957	8,10,738	277.67	5,055	5.40	8,15,793	283.07
1958	9,54,771	339.06	5,399	5.62	9,60,170	344.68
1959	11,43,387	419.70	7,912	9.47	11,51,299	429.17
1960	12,49,821	487.84	7,736	9.70	12,57,557	497.54
1961	14,61,608	598.79	8,056	10.03	14,69,664	608.82

BUSINESS IN FORCE

Year	In India		Outside India		Total	
	No. of policies	Sum assured (Rs. crores)	No. of policies	Sum assured (Rs. crores)	No. of policies	Sum assured (Rs. crores)
1957	54.18	1,374	2.65	99	56.83	1,473
1958	59.74	1,584	2.60	98	62.34	1,682
1959	66.73	1,855	2.56	103	69.29	1,958
1960	74.56	2,176	2.57	109	77.13	2,285
1961 (Provisional)	83.36	2,623	2.41	114	85.77	2,737

Note: The controlled business of the Bharat Insurance Co. was taken over by the Corporation in the year 1960. That business (0.85 lakhs of policies for sum assured and bonuses of Rs. 17.55 crores, 0.02 lakhs of policies for sum assured and bonuses of Rs. 1.15 crores making a total of 0.87 lakhs of policies for sum assured and bonuses of Rs. 18.70 crores) has, therefore, been included in the figures for the years 1960 and 1961.

DISTRIBUTION OF INVESTMENTS* (INDUSTRY-WISE)

(In Debentures, Preference Shares and Ordinary Shares)

(Amount in Rs. lakhs)

Industry	Amount	Percentage to Total	Industry	Amount	Percentage to Total
1. Co-operative Housing Societies	23.60	0.2	14. Insurance	2,59.87	2.5
2. Railways	65.91	0.6	15. Coal	2,70.97	2.6
3. Mining	66.39	0.6	16. Aluminium	3,44.57	3.4
4. Matches	66.45	0.7	17. Banks	3,54.72	3.5
5. Vegetable Oils	68.20	0.7	18. Electrical Goods	3,79.72	3.7
6. Shipping and Transport	83.78	0.8	19. Sugar and Breweries	4,14.30	4.0
7. Food, Drink and Tobacco	1,01.52	1.0	20. Jute	4,35.01	4.2
8. Managing Agents	1,74.40	1.7	21. Paper and Paper Boards	4,41.58	4.3
9. Investment Trusts	2,03.66	2.0	22. Cement	5,81.57	5.7
10. Textiles (other than cotton)	2,04.11	2.0	23. Mineral Oil	7,66.03	7.5
11. Dyes, Chemicals, and Pharmaceuticals	2,08.15	2.0	24. Iron and Steel	8,55.09	8.3
12. Plantations	2,27.02	2.2	25. Cotton Textiles	9,17.13	8.9
13. Rubber Products	2,43.11	2.4	26. Electricity	9,76.66	9.5
			27. Engineering	11,60.86	11.3
			TOTAL (including others)	102,62.91	100.0

*As on December 31, 1961.

NEW BUSINESS TRANSACTED* IN 1961 (According to sum assured)

Sum assured (Rs.)	Percentage of total new business	
	on the basis of no. of policies	on the basis of sum assured
Upto 1,000	19.95	4.84
1,001— 2,000	26.25	12.13
2,001— 3,000	17.93	12.29
3,001— 5,000	22.32	26.40
5,001— 10,000	9.69	21.56
10,001— 25,000	3.29	15.52
25,001—1,00,000	0.56	6.95
Above 1,00,000	0.01	0.31
TOTAL	100.00	100.00

NEW BUSINESS* COMPLETED IN URBAN AND RURAL AREAS

Zone	Urban areas		Rural areas	
	No. of policies (In Thousands)	Sum assured (Rs. crores)	No. of policies (In thousands)	Sum assured (Rs. crores)
	(1)	(2)	(3)	(4)
Northern	124.30 (64.4)	67.39 (69.9)	68.81 (35.6)	28.99 (30.1)
Central	114.76 (60.4)	52.83 (66.6)	75.17 (39.6)	26.49 (33.4)
Eastern	231.89 (66.6)	99.76 (71.8)	116.27 (33.4)	39.15 (28.2)
Southern	220.84 (52.8)	87.21 (57.5)	197.67 (47.2)	64.47 (42.5)
Western	236.24 (75.7)	109.01 (82.3)	75.66 (24.3)	23.49 (17.7)
TOTAL	928.03 (63.5)	416.20 (69.5)	533.58 (36.5)	182.59 (30.5)

Note: (i) Figures given in brackets (in columns 1 and 3) are percentages of the policies issued to total number of policies. (ii) Figures given in brackets (in columns 2 and 4) are percentages of "sum assured" to total business.

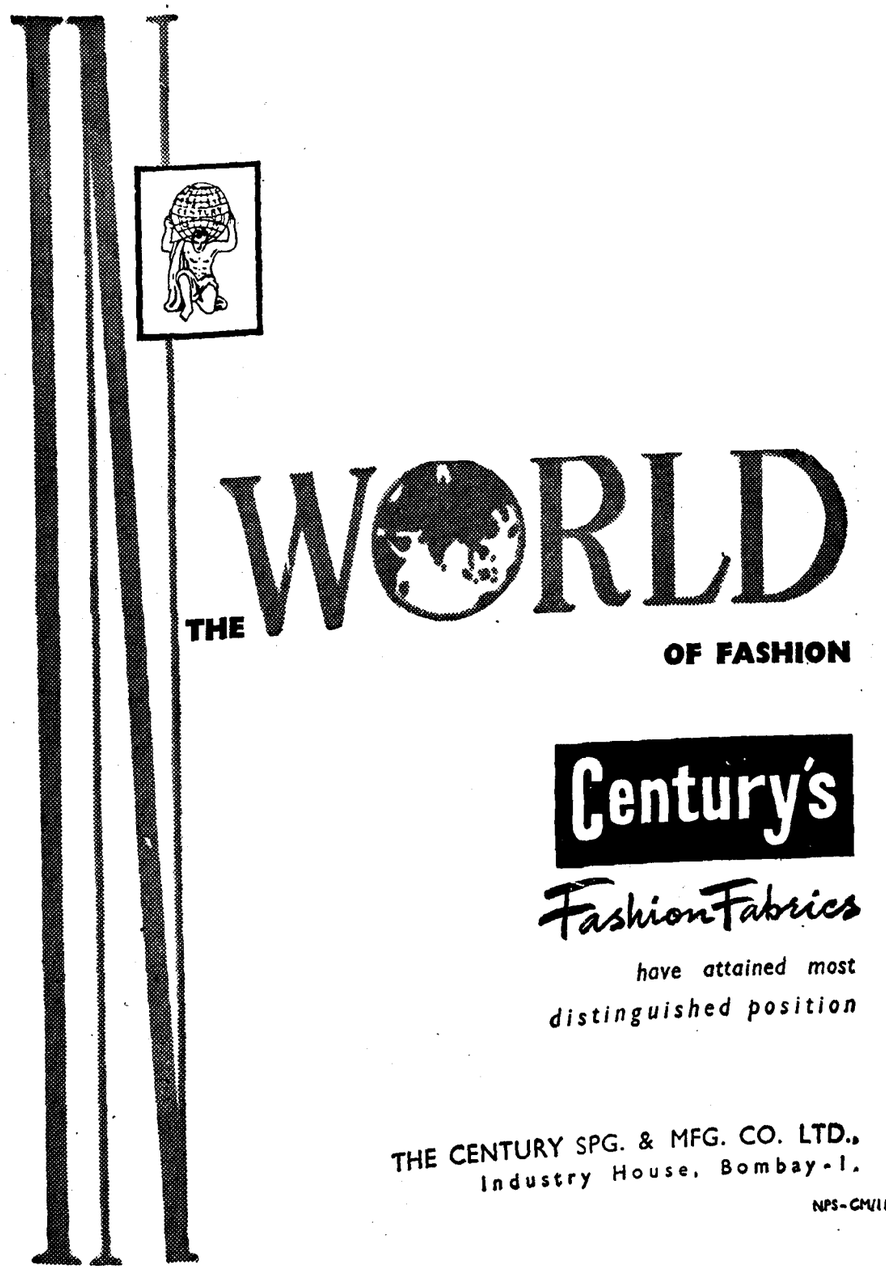
Completed in 1961.

CHANGES IN INCOME DISTRIBUTION

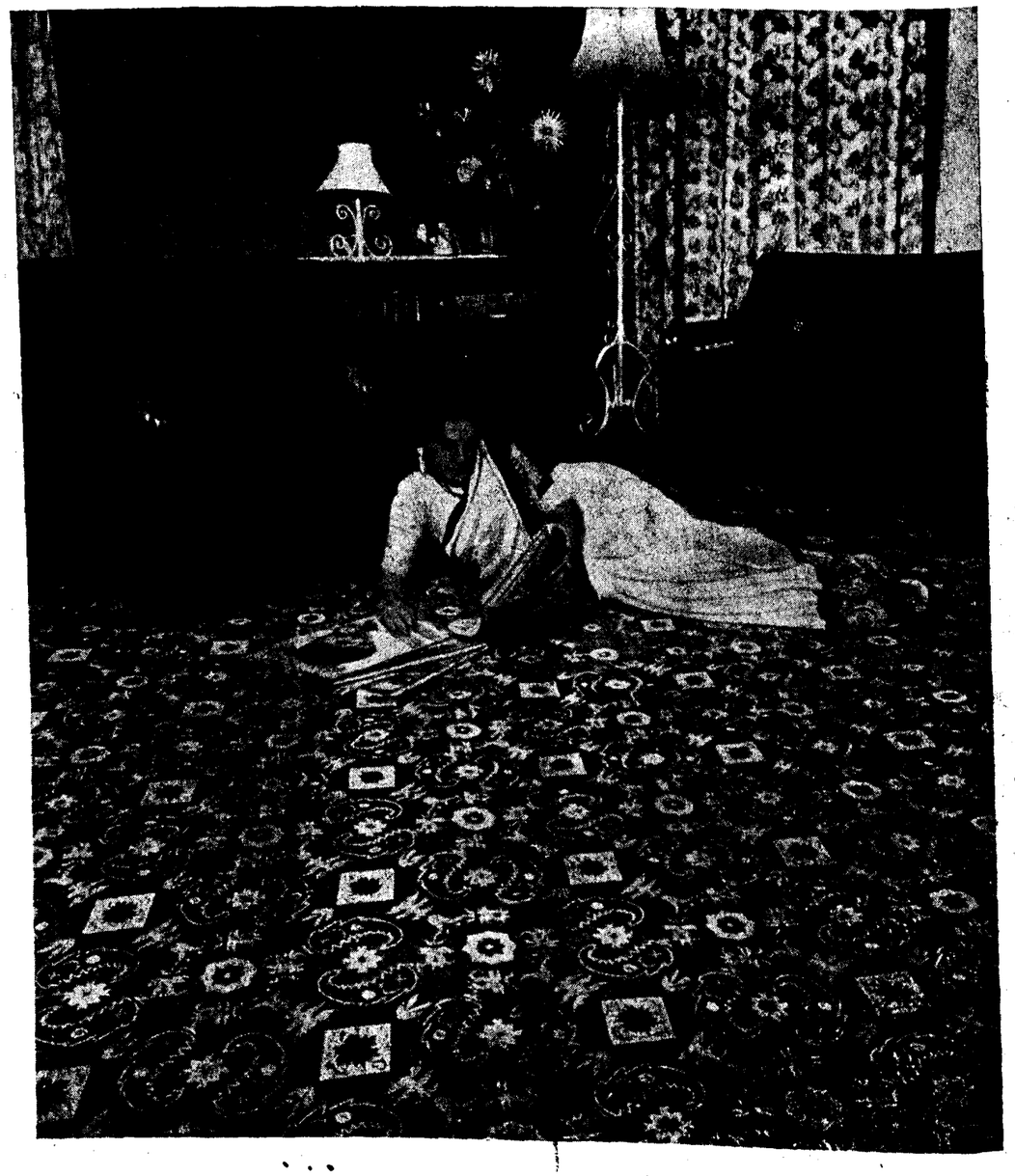
(Percentage change of 1955-56—1956-57 over 1953-54—1954-55)

Groups	Households	Total Income		Per Household Income	
		Personal	Disposable	Personal	Disposable
A. Income Groups (Rs.)	+ 3.7	+ 6.0	+ 5.8	+ 2.1	+ 2.0
(i) 0—3,000	+ 3.7	+ 4.1	+ 4.1	+ 0.4	+ 0.4
(ii) 3,001—25,000	+ 4.1	+14.0	+13.8	+ 9.5	+ 9.4
(iii) 25,001 and above	+ 6.9	+13.3	+13.9	+ 6.1	+ 6.5
B. High-Income Groups	+ 4.2	+13.8	+13.8	+ 9.2	+ 9.2
(i) Farm Households	— 4.1	— 8.0	— 8.5	— 4.0	— 4.5
(ii) Salary Earners	+17.7	+20.9	+21.2	+ 2.7	+ 3.0
(iii) Non-Salary Earners	+10.1	+24.3	+25.1	+12.9	+13.6
C. High-Income Non-Salary Earner Group (Rs.)	+10.1	+24.3	+25.1	+12.9	+13.6
(i) 3,001—25,000	+10.4	+30.6	+30.7	+18.3	+18.5
(ii) 25,001 and above	+ 6.8	+13.8	+14.5	+ 6.6	+ 7.2
C. High-Income Non-Salary Earner Group (Rs.)	+17.7	+20.9	+21.2	+ 2.7	+ 3.0
(i) 3,001—25,000	+18.4	+25.2	+25.0	+ 5.7	+ 5.6
(ii) 25,001 and above	+ 7.7	+10.2	+ 7.7	+ 2.3	—
E. Farm Household Group	+ 2.7	+ 3.6	+ 3.5	+ 0.9	+ 0.8
(i) Low-Income Group	+ 2.9	+ 5.3	+ 5.2	+ 2.3	+ 2.2
of which					
(a) Agricultural Labour	— 9.8	— 9.4	— 9.4	+ 0.5	+ 0.5
(b) Non-Labour Farm Households	+ 9.7	+ 8.3	+ 8.3	— 1.2	— 1.2
(ii) High-Income Group	— 4.1	— 8.0	— 8.5	— 4.0	— 4.5
F. Low-Income Group	+ 3.7	+ 4.1	+ 4.1	+ 0.4	+ 0.4
(i) **Farm Households**	+ 2.9	+ 5.3	+ 5.2	+ 2.3	+ 2.2
of which					
(a) Agricultural Labour	— 9.8	— 9.4	— 9.4	+ 0.5	+ 0.5
(b) Non-Labour Farm Households	+ 9.7	+ 8.3	+ 8.3	— 1.2	— 1.2
(ii) **Non-Farm Households**	+ 5.4	+ 3.0	+ 3.0	— 2.3	— 2.3
G. Rural-Urban Sectors	+ 3.7	+ 6.0	+ 5.8	+ 2.1	+ 2.0
(i) **Rural Households**	+ 2.6	+ 3.8	+ 3.8	+ 1.2	+ 1.1
(a) Low-Income Group	+ 2.8	+ 5.5	+ 5.4	+ 2.6	+ 2.5
(b) High-Income Group	— 3.2	— 7.6	— 7.8	— 4.6	— 4.8
(ii) **Urban Households**	+ 8.2	+11.6	+11.4	+ 3.2	+ 2.9
(a) Low-Income Group	+ 7.6	— 0.4	— 0.4	— 7.5	— 7.5
(b) High-Income Group	+12.3	+34.1	+35.2	+19.4	+20.4
H. Farm-Non-Farm Sectors	+ 3.7	+ 6.0	+ 5.8	+ 2.1	+ 2.0
(i) **Farm Households**	+ 3.7	+ 3.6	+ 3.5	+ 0.9	+ 0.8
(a) Low-Income Group	+ 2.9	+ 5.3	+ 5.2	+ 2.3	+ 2.2
(b) High-Income Group	— 4.1	— 8.0	— 8.5	— 4.6	— 4.5
(ii) **Non-Farm Households**	+ 5.8	+ 8.1	+ 8.0	+ 2.2	+ 2.1
(a) Low-Income Group	+ 5.4	+ 3.0	+ 3.0	— 2.3	— 2.3
(b) High-Income Group	+10.8	+23.7	+24.5	+11.6	+12.4
GRAND TOTAL	+ 3.7	+ 6.0	+ 5.8	+ 2.1	+ 2.0

Source: Reserve Bank of Indi



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THE EASTERN ECONOMIST

NOVEMBER 2, 1962.

Facing the Emergency

THE declaration of the state of emergency by the President was not altogether unexpected since the entire nation was shocked as much by the impact of the suddenness of the Chinese aggression on a massive scale in the NEFA area as by our unpreparedness to meet it. A radical reassessment of the situation was imperative and the declaration gives a measure of that reassessment. Concrete content was given to the declaration by the promulgation of the Defence of India Ordinance in a matter of a few hours. The two measures have produced a lightning effect on public psychology by creating an acute consciousness of a grave threat to the very independence of the country. China's new posture has unmasked her ambition of waging a brutal war of aggrandisement to impose her ideology on India as a preliminary to drawing within her orbit the rest of the uncommitted nations in Asia. But the reaction created by her aggression has produced a remarkable sense of unity and solidarity among the people which is unique in the history of India since independence.

Public confidence in the capacity of the Defence Ministry to recover the lost ground and put up a stiff resistance could hardly be sustained in a full measure unless there was a change at the helm of its affairs. The demand for the removal of Mr. Krishna Menon from the Defence Ministry, which was persistently voiced by different sections of representative opinion for several months past, now gained a powerful momentum in view of the revelation of his amazing failure even to equip the armed forces adequately. The Congress Party itself became painfully aware that a great damage would be done to the cause of public morale and to the nation's capacity for resistance, if, in spite of its loss of faith in Mr. Krishna Menon, he was retained in this key post. His removal has come at long last under the pressure of public opinion.

The assumption of the Defence portfolio by the Prime Minister was the only immediate course that could be taken rightly. It will serve not only to conserve confidence but to stimulate a new enthusiasm and a stronger determination on the part of the people to rise to the occasion. Mr. Krishna Menon is relegated to the newly created portfolio of Defence Production, which, presumably, has no concern whatsoever with procurement and mobilization of defence supplies. This latter in itself is a job of mighty dimensions and it is necessary that procurement of supplies from abroad or at home and the co-ordination which it involves with the other Ministries should be a distinct charge. No time ought to be lost in creating this emergency portfolio.

Procurement of up-to-date as well as automatic weapons is an absolute preliminary before the tide of fighting on the NEFA front can be turned effectively to ultimate victory. The kind of arms and equipment which our armed forces sorely require have placed an imminent obligation on the Government to make a quick decision about the sources of supply. Curiously enough, the question of non-alignment in the matter of purchase of arms is being maintained. Simultaneously with an approach to America and Britain, an approach was also made to Russia for arms. No one has been surprised at Russia's reluctance to respond under the plea that hostilities should be terminated forthwith as a preliminary to negotiating a peaceful settlement.

America and Britain have been remarkably prompt in rushing supplies of arms by air to us and their effect is beginning to be quickly felt in the stiffer and more successful resistance from our armed forces. It is significant that negotiations for financial terms involved in the procurement deals have not been allowed to hamper in the least the flow of supplies. There are now definite indications that the problem of immediate payment will not arise and on this score considerable respite will be available to us. The financial terms of the procurement deal are likely to take one or more forms — deferred payments, an agreed type of lend and lease or even the setting up of an arms aid consortium. Canada and France have also expressed their readiness to meet our requirements as soon as an approach is made to them. The winter interregnum will thus be utilised for an arms build-up and training of the forces in their use. If the enemy is going to use the respite to fortify his striking power, we can also now make preparations to retaliate.

The switch-over in the economy to priority supply for the requirements of defence will make the first and most severe call on the transport system — and in the present context it means essentially the railway system—to keep the supply line running at full speed. Perforce, we will have to face a new problem of shortage of transport capacity perhaps for the key requirements in the coal and steel belt. The rest of the economy will have to put up with the prospect of recurring bottlenecks. In the NEFA area the network of communications which will need to be expanded quickly will make a heavy demand on truck transport. In the result, whatever relief can be expected to the civilian sector of the economy will have to be obtained from coastal shipping. But it has its own limitations in its area of operation. Along with transport, coal and power will find their potential geared first to the demands of defence production. All in all, the infra structure of the economy will be under the high pressure of defence mobilization.

Industrial production, whether in the heavy, medium or light segments, will have to cater to the demands of defence in varying degrees. The Defence of India Ordinance quite justifiably arms the Government with authority to commandeer whole factories and to requisition the output of plants at its discretion. The exercise of this discretion will be determined by the exigencies as they arise from time to time in the course of the fighting. It is safe to assume that total take-over of entire plants by the Government will be res-

tricted to a limited number for the obvious reason that the distinction between defence industries and civilian industries can never be sharply defined. A wide range of industries serve both the categories of defence and civilian demands. Priority will need to be assigned to the former by diverting not only the output but even the pattern of their production.

Flows of supplies in the quantities and at the times demanded by the Defence Ministry will leave an uncertain and relatively smaller residual capacity to cater to civilian requirements. The pressure of both, and in particular, of war requirements, makes it a matter of the utmost urgency to expand production by stretching the resources to the utmost. Expansion of output and even of capacity of selected industries will proceed ahead at a much faster rate than would otherwise have been the case. But expansion geared to defence purposes will be different from the expansion envisaged in the Third Plan. The projects and programmes prescribed in the Plan will perforce have to be reduced to the core until the hostilities are terminated. Meanwhile, it is inevitable to redraw the list of priorities on the basis of industries which are defence-oriented.

Outlay on defence creates inflationary forces of an extraordinary potential. Inflation in this situation needs to be curbed with the utmost vigilance for the basic reason that the supply-demand disequilibrium assumes a chronic rigidity. The pressures on the price line are bound to increase in intensity and they will call for an unremitting effort to curb them. Spokesmen of trade and industry have given an assurance to organise internal discipline to this end. Their promise ought to be taken in the spirit of sincerity and patriotic devotion in which it has been made. It was unwise on the part of Mr. Gulzari Lal Nanda to hold out threats of dire action against profiteers. The same deplorable lack of prudence has been shown by Mr. K. D. Malaviya in his statements on the coal and oil industries in the private sector. This is the time to sink ideological divergencies and harness the potential of the public and private sectors as a composite national sector.

Finally, a word about a loop-hole in the emergency measures. The Defence of India Ordinance comes in a somewhat anomalous situation. The war which has been imposed upon us is still an undeclared war. In the technical sense, a formal war has not been proclaimed between the two countries and in the circumstances China can hardly be described as an "enemy". Diplomatic relations between the two countries still continue to exist. The anomaly has given rise to a vital lacuna in the Defence of India Ordinance which is likely to defeat some of its provisions. Certain clauses in the Ordinance declare specified acts in relations to the "enemy" as offences and prescribe drastic punishments for them. In actual situation, the "enemy" in question is none other than China. But since China has not been formally declared as an "enemy" and the term "enemy" has not been defined in the Ordinance, a curious position may arise in which action taken in pursuance of the Ordinance by the special tribunals may be challenged in appeal and challenged probably successfully to the embarrassment of the appellate courts. Inadvertence in drafting is thus likely to oblige offenders acting as China's agents. To avoid the awkward prospect of making an amendment at a subsequent stage with retrospective effect, it would be advisable for Parliament, while passing the Ordinance into an Act, to bring within the ambit of the definition of the "enemy" a country with which we may not be engaged in a declared war, but which is actually at war with us despite the semblance of formal friendship.

Donations for Defence

THE Finance Minister's stirring appeal to the nation over the radio on Friday last week for prompt and profuse contributions from the public to raise resources for defence has evoked a reassuring response. This assessment made, among others, by Mr. Morarji Desai himself is significant when it is remembered that the actual arrangements for receiving contributions, and in particular the procedural precautions which need to be taken to record receipts of gold and gold ornaments, necessarily took a good part of the week since the appeal was broadcast and the flow of funds was received on a regular basis during the rest of the week. The scheme which has been prepared to attract contributions takes several forms. In the first place, there is the National Defence Fund to which contributions have been made acceptable either in cash or in gold or in gold ornaments. These contributions are to be outright donations to the cause of defence and they do not invite any liability of repayment. There are then two distinct types of schemes of borrowings announced as part of this plan. A new issue of the National Defence Bonds is to be put on tap and the small savings certificates are to be issued under the nomenclature of Defence Deposit Certificates and National Defence Certificates.

The Special Article in this issue is devoted to a statistical assessment of the likely magnitude of contributions on the basis of official data about personal incomes and company profits and the probable capacity to make the donations or to subscribe to the loans or small savings certificates. The conclusion reached is that the contributions of the public to the National Defence Fund would be of the order of Rs. 85 crores and the State Governments would raise about Rs. 55 crores by their own effort towards the National Defence Fund in terms of the commitments which they have publicly undertaken. The other estimates in the Article relate to the reasonable anticipations about subscriptions to small savings. One important fact about the character of the estimates made in the Article needs to be underlined. These estimates err on the side of conservative calculations and they are based on the officially available data about incomes and company balance sheets.

It is here pertinent to consider how far funds can be raised without imposing the liability of repayment on the exchequer. The Finance Minister has impressed upon the nation the valuable assistance which would come at the nick of time, if the contributions to the National Defence Fund are made in the form of gold and gold ornaments. This is for the obvious reason that contributions in gold will go to provide a partial relief in our tight foreign exchange position, while there is an urgent necessity to procure arms and equipment from the Western countries. At the time Mr. Desai broadcast his appeal, the prospect of payment in foreign currency looked rigid. But there are now encouraging and positive indications that America and Britain are prepared to free the exchequer from the ambarrassment by agreeing to financial terms on the basis of deferred payments or lend and lease. Not only that, but there is the bright prospect that as France and Canada also join this group, an arms aid consortium may be set up. Finance thus will not be allowed to stand in the way of equipping the armed forces.

A midway opportunity can be offered to the public to raise supplementary resources. As a member of the IMF the Government of India is under the obligation to buy or sell gold at the international price, while the price ruling in the domestic market fluctuates at a much higher premium. It would be worth while examining the proposition of inviting sales of gold from the public to the Government on deferred payment at the international price. The loss which they would suffer in terms of the domestic price will represent their sacrifice for defence. While the nation has responded in a splendid manner to the challenge of the Chinese aggression, it is of the utmost importance that the fervour of patriotism which has now been created should be raised to a higher pitch and a sustained effort should be made by the local voluntary organisations to induce the public to make outright donations for the defence effort.

Steeling Resistance

WHILE the Chinese invasion on our northern frontier has shocked us out of "living in an artificial atmosphere of our own creation", the exigencies of war have helped in shedding the lethargic bureaucratic methods of our administration. A concrete instance of this is available in the start made for gearing the economy, particularly the steel industry, to the war effort. The tempo of increase in steel output, which during the past few months had been raised under the dynamic stewardship of the new Union Minister for Steel, Mr. C. Subramaniam, is being stepped up further. All the steel plants, particularly those in the public sector, have been asked to achieve their rated capacity at the earliest. In the case of the Bhilai steel works, its performance is to be judged on a higher installed capacity basis — 1.2 million tons ingots.

All-out efforts are to be made to maximise on a priority basis and to the extent feasible, the production of various categories of steel required for the defence purposes. For the guidance of the steel industry in this respect a Joint Committee of the Defence and the Steel Ministries is being set up. To augment the supplies of pig iron, the demand for which is bound to go up appreciably as a sequel to the war effort, the Steel Ministry is actively considering proposals for setting up immediately an additional 2,000 tons capacity blast furnace at Durgapur and some low-shaft furnaces where local iron ore and low quality coal can be made use of. Possibilities are also being explored of licensing some small pig iron plants in the vicinity of the integrated steel works; they would use nut coke which cannot be utilised in the larger furnaces. The setting up of a pig iron unit in Goa and utilisation of the manganese industry's blast furnaces for producing pig iron are as well under consideration.

All these measures are heartily welcome in the present emergency situation. But a long-drawn war with Communist China, as envisaged by the Prime Minister, obviously calls for far more concerted efforts. The expansion programmes of the three public sector plants, which are envisaged to nearly double their present combined capacity, needs to be taken up on a war footing; so also the setting up of the Bokaro Plant, for the study of whose economies a U.S. team of experts visited this country recently. An early decision by the U.S. Government on collaboration in building this plant should be of immense utility in accelerating the tempo of preliminary work on it.

In the immediate future, supply of armaments from the friendly countries, notably from the United States and the United Kingdom, may not require India's steel industry matching the strength of the Chinese which during 1961 is estimated to have produced 21 million metric tons of crude steel. But since India can never now be complacent about the intentions of the miscalled "Golden" Dragon, it would indeed be a folly to spare efforts in producing more and more steel. An immediate stepping up of the Third Plan target of 10 million tons installed capacity may not be feasible due to difficulties of procuring additional equipment in a short time. But there is need for taking cognizance of our greatly increased requirements of this vital material while planning for the future.

To help the steel plants to achieve their rated capacity expeditiously, it is imperative that they should be assured of adequate supplies of the right quality raw materials, especially coal. This may not be possible unless the restrictions on raising metallurgical coal output beyond the current ceiling are relaxed. It is to be trusted that thought has already been given to this; the ash content in the coal supplied to the steel plants has shown persistent increase during the last few years. From the point of view of expediting the expansion programmes of the public sector steel plants, it is also prudent that the commissioning of the coal washeries should be hastened.

Along with the stepping up of the indigenous output and even imports of prime steel, if necessary, the scrap trade has also a vital role to play in the present emergency. The recent removal of the price and distribution controls on all categories of scrap, other than fresh unused defectives, specified re-rollable scrap and ingot moulds, — with a view to helping better collection — has been a step in the right direction. But it is not comprehensible why there should be any quibbling over allowing imports of mixed gauges and short lengths of second category prime steel as scrap when it is available in that form with the foreign suppliers. It is heartening that Mr. Subramaniam has assured a sympathetic consideration of this matter. An expeditious decision on it is urgently called for.

To mitigate the hardships of the civilian population, which will without any shadow of doubt grow with the reduction of supplies to it, the Steel Ministry will do well to streamline the Steel Controller's administration. It is a sad reflection on its current state of affairs that not a few of its shortcomings were brought under the spotlight at the last week's meeting of the Iron and Steel Advisory Council.

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THE WEEK'S NOTES

Cuba

THE UNEXPECTED RELIEF

THE UNEXPECTED has happened in Cuba and the world has been given a great relief from a dangerous position which was almost pushing it to the brink of a nuclear war. After America and Russia agreed to U Thant's proposal for a three-week freeze, an atmosphere of suspense but not of relief was created. Suspense was, however, better than the dangling ghost of the imminence of war. In the exchange of demands and counter-demands, when Russia came to the point of making a dogged claim for the dismantling of the American missile bases in Turkey as a quid pro quo for the Russian dismantling of the base in Cuba, an insoluble deadlock appeared to have been raised. The Russian demand of reciprocity was unexceptionable and for a time it appeared that the tables were turned against America. President Kennedy's silence on the Turkish bases was as good as an emphatic 'no'. And the problem before U Thant and other top mediators was how to get over the dilemma. For all practical purposes the indications were that the period of freeze would not offer any real respite and the same problem would raise its head with the same severity and magnitude after the freeze was unfrozen. But Mr. Khrushchev seems to have had a thorough and much objective as well as sensible searching of the Russian attitude. Was the Cuba base worth risking a war? And could a war, once it shot up, be prevented from culminating into a nuclear war? Good sense prevailed upon the Russian Premier and he retraced his step. His consent to removing the missile base from Cuba and further agreeing to the verification of the operation dismantling under the UN supervision has put an end to this terrible crisis. U Thant, accompanied by his military and political advisers, has reached Cuba and when he returns he will leave behind him, as he has informed Dr. Castro, his team of experts to assist the dismantling of the base.

America is still keeping her vigilance tight around Cuba. The quarantine will not be relaxed, much less dissolved, and reconnaissance operations by aeroplanes will continue until the assurance is gained that there is no vestige left of the base and no new threat created of any ballistic missile bases. The tough attitude adopted by her may be explained from her view-point as the price of her inadvertence in not detecting the installation of the base. But it may be questioned whether toughness of this sort is now conducive to the creation of a better atmosphere. Mr. Khrushchev has stressed the necessity of making a reappraisal of the international situation. When he makes such a proposal, though not in any concrete and definite form, it need not be presumed that he suffers from an awareness of the weakness of his position. Rather, his position at home seems to be firm without which he could not make an approach of this kind. There is no doubt that Mr. Khrushchev made a miscalculation in the Cuba adventure and he has had to face a defeat. In the hour of victory it is wise and farsighted to be generous. America does not stand to lose much by softening her vigilance and giving a full chance to Mr. Khrushchev for the reappraisal of which he has spoken.

Anti-Aggression Front

VOLUNTARY ORGANIZATIONS

THE PRIME MINISTER'S clarion call to the nation to mobilize all available resources to repel the Chinese aggression in the north has had a lightning effect in stirring up the sense of patriotism and of devotion to duty in every nook and corner of the country. The spontaneity with which response is pouring from the people gives an assurance not only of the solidarity of the nation in this critical situation but of their willingness to render service and sacrifice according to their mite. How grave is the crisis and how great the magnitude of the task of fighting back the aggression was vividly revealed by Mr. Nehru in his address to the students of the Delhi University on Friday last. China, he reminded the youth in particular, had the biggest standing army in the world and the force she had mobilized in Tibet alone out-numbered the strength of the Indian army. No quarter can be given to wishful thinking that the fighting which is taking place on the border will be a short-lived affair and Mr. Nehru has warned the nation to be ready for a prolonged warfare extending even to two years or more. It is because of the gravity of the threat to the country's independence that he has called upon youth, including even girls, to be ready to join the National Cadet Corps. A voluntary army would soon be raised in which it would be the duty of the youth to enlist themselves. This is no sentimental talk, for Mr. Nehru emphatically declared that compulsory military training in the educational institutions will have to be introduced. The armed forces will have to be expanded on a large scale.

There are many important spheres, short of regular enlistment in the army, that provide opportunities to perform essential defence functions. The fact that these functions have a civilian complexion does not make them any the less important planks in the anti-aggression programme. The seven-point programme which has been announced by the Bharat Sevak Samaj for national defence sets out an exemplary list of the tasks which the voluntary organizations can very well emulate. Over-powered by superior numbers and the superior fire-power of the Chinese, many of the jawans have lost their lives and many more will have to undergo untold sufferings. Their families must be the special care of these voluntary organisations. Maintenance of the morale of the people is as essential as joining the regular forces and to that end the voluntary organizations can take a number of day-to-day valuable activities. There is all the need to keep the public provided with the correct information about the fighting on the different fronts, to explain to them the changing implications of the military situation and above all to fight and counteract the spread of rumours or demoralising talk. This war is going to strain the nation's financial resources beyond the endurance point and it will be a basic duty of the voluntary organizations to keep up constant propaganda to mobilize savings.

There is, however, a great risk that the formation of too many voluntary organizations is likely to create wasteful duplication of effort and not a little confusion. All the political parties have sunk their differences and it is of the utmost importance that in the formation of the voluntary organizations also they should forget party considerations and place themselves under a unified command.

Malayan Premier

A FORTHRIGHT WARNING

TENGKU ABDUL RAHMAN, Malaya's Prime Minister, has never hesitated to be forthright and outspoken in his views on national as well as international problems. His speech at the civic reception held in his honour by the Municipal Corporation in the capital city was remarkable for the penetrating analysis he made of China's ulterior aims in her military aggression against India and its repercussions on entire Asia. Having known for full twelve years what the ruthless and unscrupulous tactics of international communism mean

and how his country was disrupted by them during this period, the Tengku uttered a grave warning to all the nations of Asia to take full note that the Chinese aggression is not an affair confined to India and China alone. What is now happening on the Himalayan border is but a repetition of the Chinese acts of infiltration or open aggression in Asian countries like Malaya, Vietnam and Korea.

Preparation for aggression on such a stupendous scale in a difficult terrain is certainly not meant to establish her right over some square miles of mountainous area. As events in NEFA have amply demonstrated, China's expansionist ambitions are unfolded in stages and no one can be sure that there will be an end to them until she feels that she has established her iron grip on the vast strategic north of this country. China has shown respect neither for international law nor even for consistency in her claims. She is constantly shifting her ground. The aim of China, in the final analysis, is to establish communism not only in India but in the other countries of Asia at convenient stages. India has been chosen for such a blatant act of aggression because she is an eye-sore to China and she is an eye-sore because she is holding before the Asian nations a convincing and effective example of the working of the democratic way of life. It is a warfare between ideologies and not a limited military action to establish a claim over a border area. The Tengku's warning deserves to be noted in Pakistan where the Press is gloating over India's current troubles. India's neighbours, as the Tengku has emphasized, need to look far beyond the future to scrutinize the real intentions of China.

By a remarkable coincidence this analysis of China's ulterior designs, coming from the leader of a country which has suffered badly at the hands of international communism, coincides with the warning uttered by that spiritual messenger of peace — Vinoba Bhave. In ringing tones Vinoba Bhave has warned his countrymen to realize that they were at war with a nation which wanted to impose its communist ideology by destroying their democratic way of life.

Kenya

PARTY MEMBERSHIP

THE KENYA African National Union, in announcing its decision to throw open its membership to non-Africans, has taken a long-delayed step in giving a comprehensive base to the party. It will be recalled that the Kenya African Democratic Union already took this measure about a year ago. There is, however, some difference in the forces and events which led the two parties to adopt a multi-racial basis for their membership.The KADU, the first in this field, represents a group of smaller tribes, which have their own apprehensions and grievances in regard to the majority Kikuyu tribe. It has rallied under its banner a number of African tribes which instinctively feel the urgent necessity of forming their own solid organization to preserve their own entity as minority groups and to seek redress against the likely policies and actions of the Kikuyu-dominated KANU. It is for this reason that the KADU has all along, in the course of the constitutional negotiations, laid the central stress on regionalism and a certain minimum amount of decentralization of political powers. It was only after a long lapse of time and delay that the KADU gave its consent to forming a coalition with the KANU. Because of this delay the Kenya Indian Congress found itself under the pressure of expediency to withdraw its support from the KADU. From that time the broad alignment has been that among the non-Africans it is the Europeans and not so much the Indians or Asians who are tending to throw their lot with the KADU. Many of the Asian (which in this context means, in the majority sense, the Indians) have shown a preference for alignment with the KANU.

Now that the membership of the KANU is formally open to all irrespective of race the forecast is that the Asians would stick to their former preference and swell the ranks of the KANU. It is not relevant in this context to assess the prospect of legitimate protection being extended to safeguard the interests of the Asians who have settled in that country and contributed to its economic development in an admittedly substantial measure. In the ultimate analysis, the reality is that after Kenya becomes a full-fledged sovereign State, Asians and Europeans who opt for African nationality will need to throw their lot with the majority. From this viewpoint their political merger with one of the two parties would be advisable. The fears and doubts which a minority anywhere entertains are bound to lurk in their minds and it is too much to expect of them to wipe them out in the short run. Harmonious racial relations in Africa will depend now on the attitude shown by the two parties. Mr. Tom Mboya has not helped the cause of better understanding and uninhibited mutual trust by making an outright demand that the non-Africans in the KANU will have to vote as the party indicates. The KANU can win the confidence and unreserved co-operation of the non-African citizens by relying less on this brand of unanimity and more on free discussion and accommodation.

French Presidency

THE VERDICT

SINCE PRESIDENT de Gaulle made it a personal issue to stay or not to stay in office, depending on the outcome of the referendum fixed for Sunday this week, it was reasonably taken for granted that the French public would not risk losing his stewardship. The issue for referendum was whether or not the President of the French Republic should be elected by a direct vote, based on universal adult suffrage, in substitution of election by an electoral college consisting of the members of the National Assembly, the Municipal Institutions and similar others, as under the constitution.

The verdict has been 61.75 per cent votes in favour and 28.25 against direct presidential election. President de Gaulle had declared that he would not rest satisfied with a mediocre vote. He would consider a vote of a minimum of 60 per cent as a success and a vote of 65 per cent or above as a triumph for his appeal to the nation. Anything short of the success vote would be taken by him as an indication to resign. The vote proves that the President achieved success, but not triumph. The total strength of voters on the register was 27.5 million, out of whom 12.81 million voted 'yes', 7.93 million voted 'no' and 6.76 million abstained from voting. The percentages given above for 'yes' and 'no' exclude the invalid votes. It is an interesting exercise for speculation how the balance in voting would have changed if the margin of abstention had not been as large as 24.6 per cent of the total number on the register. Would the percentage for 'yes' have jumped higher than it actually did, or would it have dipped below 60 per cent? But this speculation is an idle pastime and perhaps there would be little basis for it.

The substantial support which President de Gaulle got at the referendum throws serious doubts on the forecast floated in some quarters that the President may win the referendum but may lose the forthcoming general election. However, the result of the change in the election of the President has been to create the possibility of the President and the National Assembly being at variance with each other in political policies. Further, in view of the Presidential power to dissolve the Assembly, the chance of an individual President assuming absolute powers remains, depending, of course, on his personality and leanings.

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The World Abroad

IS ADVERTISING WASTEFUL?

By
ODYSSEUS

I DO NOT apologise for the frequency with which I refer to the economic writings of Ambassador J. K. Galbraith. If he does not like being quoted, he should not have published the two most quotable books written since World War II: "American Capitalism" and "The Affluent Society" (Hamish Hamilton. London).

Over the years, I have periodically pointed out that because politicians, senior business executives, publicists, editorial writers, and others achieve positions in which they can influence public opinion usually when they are past fifty, and because in the interval since they left the university they have usually been far too busy earning their livings to keep up their reading in political science, history, economics, or whatever their subject is, and because the frontiers of knowledge have never ceased continuously to be pushed forward since their day, it follows that the theories on which the leading government, or other, policies of the day are based are normally thirty years behind the times. Mr. Galbraith makes the same point, but as, in addition to my intelligence, he has a gift for an epigrammatic phrase, everyone remembers what he says. To describe any theory, once itself on the frontiers of knowledge, but now hopelessly out of date, he coined the phrase "the conventional wisdom."

THE "CONVENTIONAL WISDOM"

Mr. Galbraith's astringent pages attack orthodox economic views, particularly the proposition that prices are kept down by competition between sellers. He stresses that modern industry in the West is characterised by oligopoly, or domination by a few powerful sellers, who are in a position to consider the advantage of any pricing policy from the viewpoint of the profits of the industry as a whole, an outlook close to that of a monopolist. The producer (in a Western economy), Mr. Galbraith argues, now has measureable control over his prices. Hence, contrary to the theory of the conventional wisdom, prices are no longer impersonal forces compelling efficiency and eliminating the inefficient; they have, instead, become an umbrella, which efficient and incompetent producer alike tacitly agree to hold at a safe level over their heads, and under which all live comfortably, profitably, and inefficiently.

The second prong of Mr. Galbraith's attack on the conventional wisdom is that as income has grown in the affluent USA, the consumer's need for each individual item of goods declines. This sets a limit on the volume needed to be produced of any individual good. Above that limit, it becomes unsaleable surplus. This, in turn, means, says Mr. Galbraith, that full employment is threatened unless ever increasing consumption is artifically induced by advertising. Needs have to be created in order to keep the economy going. He seems to imply that the assumption that the consumer's sovereign will still rules an industrialised economy is nonsense. Mr. Galbraith believes that the enormous sums spent by advertisers in persuading consumers to buy their wants are, from an economic viewpoint, wasteful, and are evidence of affluence. The USA, and a few other Western countries, are now so rich, he argues, that they can afford not to care about the waste of advertising.

There is no need further to elaborate Mr. Galbraith's theories, because his brilliant, aphoristic expositions have meant that hundreds of thousands of readers in many countries, who have never opened a book on economics before, have read him and gleaned the sum total of their economic knowledge from him. Mr. Galbraith's wisdom has, in fact, itself now become the new "conventional wisdom" of the day. As such, I propose, from my obscure sector of the battle for the advancement of knowledge, to aim a few shots at it.

I take most of my ammunition from "Advertising in Action", an academic study, written by Ralph Harris and Arthur Seldon, and published by the Institute of Economic Affairs (66A Eaton Sq. London, S.W.1.).

The seventy case histories in "Advertising in Action" establish that, in the UK, competition, despite distortions caused by government policies, remains a major regulating factor in the market, active in (a) influencing prices, (b) rewarding the efficient, and (c) eliminating the inefficient, to the extent that tariff protection or subsidies do no shelter the inefficient or that taxation hits the efficient.

Of those who observe that competition is imperfect and, like advertising, wasteful of resources, I ask: what are the alternatives? There are four broad types of economy: (1) competitive free enterprise, (2) complete state control as in the USSR, (3) a mixed economy, as in India, and (4) a static economy of the kind that, prior to the industrial revolution, prevailed throughout the world, in which innovation was rare and the masses lived round about subsistence level for centuries.

Now, I agree that it is not necessary to advertise food to hungry people living at subsistence level, and that the need and the opportunity to advertise arise only as people have the income to satisfy relatively unimportant wants, but when, from this, Mr. Galbraith concludes that the "social inefficiency of a wealthy community grows with the growth in wealth that goes far to make this inefficiency inconsequential," I begin to differ. What he calls "social inefficiency", I see as a margin of savings great enough to allow for experiment, for the trial and error that make a dynamic, as opposed to a static, economy.

Theoretically a planned economy eliminates the wastes of competition and advertising, but this assumes that planners never miscalculate, that crops never fail, and that the masses are content with the kind, and amount of, consumer goods allowed them. In a competitive economy, in which thousands of entrepreneurs are taking decisions, guided by their estimates of profit, the errors of different entrepreners may lead to some waste, but since they are uncorrelated they cancel out. In a planned economy, the inevitable errors are likely to be correlated throughout the series of individual official schemes, and so magnified. You cannot escape human error and waste in any system. A competitive economy minimises waste and, above all, promotes diversity and individual freedom of action and speech. A mixed economy is next best, because although it decreases efficiency in direct ratio to the degree of state direction, at least it preserves a modicum of freedom.

CAN ADVERTISING CREATE THE NON-EXISTENT?

Is it true that the free enterprise system must, to survive, create wants in order to sell the goods that it produces? Yes. in the sense that the alternatives are

either (1) a planned economy in which the state dictates permitted wants or (2) a statis economy catering to bare necessities. But if the implication is that a free economy can keep going by consistently persuading the masses, by means of advertising, to buy whatever goods producers decide to make or have in surplus quantities, the answer is "No". It is only over short periods that production can, in Mr. Galbraith's words, fill a void that it has itself created. Elsewhere he adds that advertising cannot be reconciled with the notion of independently determined desires, for its function is to bring into being wants that previously did not exist. This is true to the extent that no consumer can demand something that he has never heard of, or which does not yet exist. Watts had to invent the steam engine, and Alexander Graham Bell the telephone, before anyone could demand railways or long distance calls. Once the steam engine or the telephone has been invented, advertising can create a demand for it, and the prospect that adequate advertising will end in good profits for an inventor makes an economy dynamic.

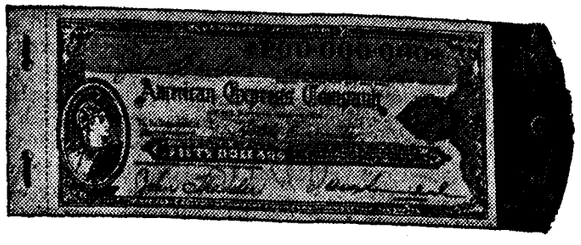
But what emerges clearly from the case histories of "Advertising in Action" is that, however, technically efficient the advertising, its effectiveness is always limited by (1) the merits, (2) availability, and (3) price of the product or service compared with its competitors. In other words, if in the 19th century the new railways (to stick to my favourite example) had kept breaking down or been dirtier, slower, or more expensive than the old stage coaches, no amount of advertising would have persuaded consumers to quit stage coach travel.

On the other hand, many of "Advertising in Action's" cases illustrate the care taken by manufacturers, before they begin to advertise, to discover consumer needs, to assess changing social trends, to improve retail distribution, to meet competition, to provide after-sales service, and to improve packaging. The effort to ascertain consumer wants extended even to the animal kingdom, when Kattomeats researched into the eating habits of cats and established that (contrary to popular belief) they prefer meat to fish!

The longer term effect of advertising is complicated by the speed with which success provokes competition. Messrs. Harris and Seldon observe that the pioneer may have forecast accurately the prospects for increasing the sales of his product, but part of his advantage may be reaped by other firms attracted into the market. An outstanding example in the UK was that of Shell-Mex and BP, which began to develop the market for central heating, and was followed not only by other sellers of oil but also by sellers of gas, coal, and electricity.

In such markets, in which the supply of competing brands or products is relatively elastic, the most that the pioneer can hope is to keep at least one step ahead of competitors. Their combined promotion may extend sales faster, but once the scope for rapid growth comes to an end, perhaps temporarily, the rival advertisers may confront one another in a costly battle for larger shares of the available sales. It may appear that, in an oligopolistic market of three or four suppliers, common sense would enable all to reduce advertising without loss of sales. But the more go-ahead firms should not be expected to bolster those that want a quiet life. And the apparent waste of "combative" advertising is a price worth paying, in the short run, to maintain a dynamic competitive process that, in the longer run, leads to fresh pioneering, whether by the development of improved products or of cheaper methods of selling. I conclude that one of the reasons why static economies remain static is that they cannot afford the advertising which, by spurring competition, helps to promote change and growth.

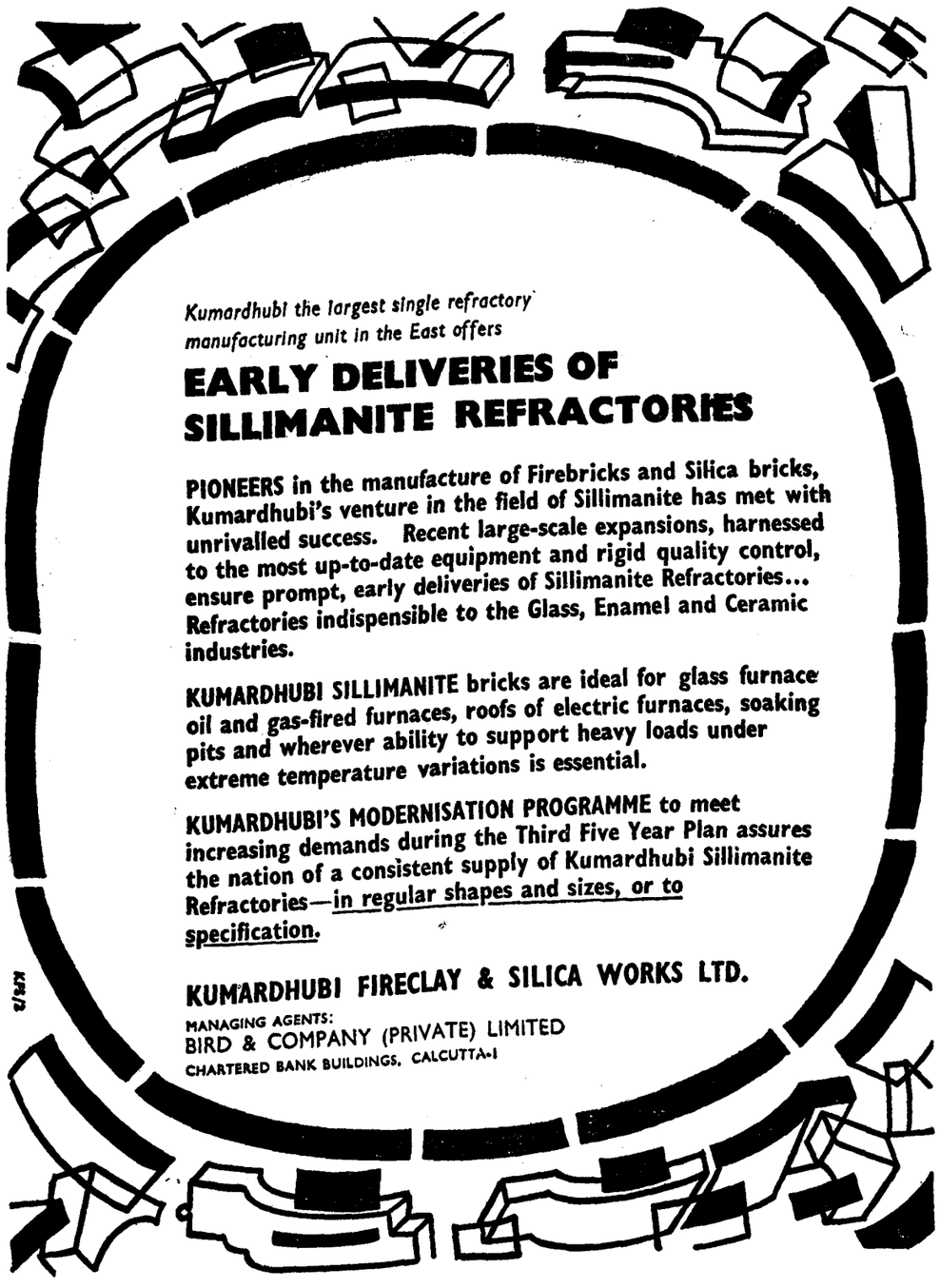
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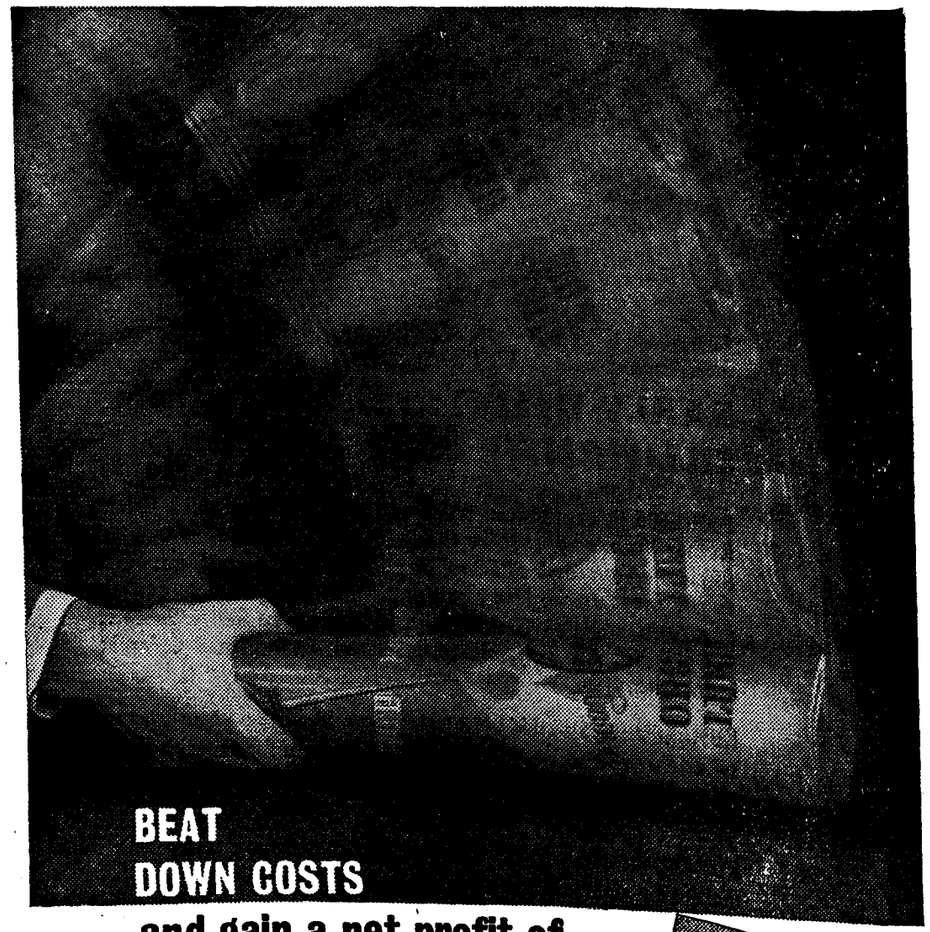


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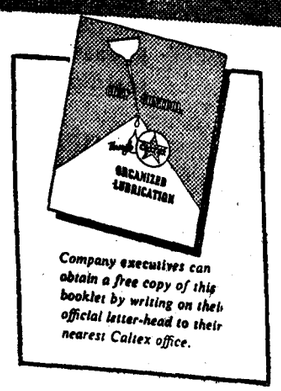




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The European Scene

CONSOLIDATING PEASANT HOLDINGS

From Our Special West European Correspondent

PARIS, October 28.

THE division of agricultural land into uneconomic plots, too small to be farmed rationally and yet too expensive to be bought by an indebted peasant who wishes to acquire a holding of reasonable size, is as familiar to the European peasantry as to the Indian. Admittedly, the problem is posed here on a different level. The disproportion between the size of farms and the cost of exploiting them scientifically, is due less to the reduction in area of holdings than to the rise in the cost of farming. Because of mechanisation, intensive use of fertilisers and selected livestock, and the rise in the cost of labour and all materials, the capital to be invested per acre is rising constantly, and plots that were economic a generation ago are so no longer. These aids to farming cannot be effectively deployed on holdings under a certain size, yet the farmer has to invest in them and thus has no capital to acquire extra land, when it comes up for sale, in order to round out his holding. The definition of an economic holding would differ greatly between India and France, yet it is true in both countries that most farms are uneconomically small. In most regions of France 20 hectares (about 50 acres) of land is regarded as below the threshold of profitability, and yet in 1955 it was found that 80 per cent of farmers were cultivating less than 20 hectares.

The problem being, in general terms, similar, the measures taken to tackle it in a law promulgated this week in France might have relevance elsewhere. The aim of the new measures, adopted by Agriculture Minister Pisani in response to seething discontent among the peasantry, is to increase the size of holdings to an economic level. The law entails certain modifications of the traditional rights of private property and this revolutionary step would not have been taken had not the problem assumed disturbing proportions. Not only has the capital-cost of farming increased (in contrast to almost every other occupation in modern societies, where the accumulation or inheritance of a large sum of capital is no longer necessary to enter a profession), but the price of land has been soaring: on average it increased by 130 per cent between 1950 and 1962. The small peasants blamed this on the competition of non-farmers and gentleman-farmers: industrialists, lawyers, butchers, canning industries practising vertical concentration, and rich city-dwellers, they claimed, have been buying land from poor peasants, thus unduly raising the price and worsening the conditions of the genuine farming community.

This led to some spectacular attacks on these "intruders", and film star Jean Gabin had his property damaged by rampaging peasants. Their diagnosis seems to be quite mistaken; there is no drift of land-holding out of the hands of the peasantry. Demographic pressure, the return of farmers from North Africa, successful expansion by a few big farmers who had the required capital, and the great increase in farm productivity explain most of the rise in the price of land, given that offers for sale are limited because many old peasants prefer to eke out a poor existence on uneconomic holdings. The fact stands that farming was being increasingly "capitalised": only a minority of big farmers were buying up land as it came up for sale, while the mass of peasants—though passionately attached to life on the land, and willing and able to apply modern cultivation techniques—were being squeezed between the impossibility of farming rationally on small plots and the financial impossibility of buying extra land.

To remedy this state of affairs, the new law permits the establishment of non-profit-making private societies called "Safers" (from the initials of their title in French: societies for land-holding reform and rural installation). They are not government organisations but are due to private initiative on the part of agricultural associations, yet they have to obtain government approval, where upon their geographical scope of action is fixed, their statutes harmonised and two official commissioners appointed to their board (from the Agriculture and Finance Ministries respectively). Though operating under private law, their purpose is to intervene in the free market in land, to prevent the unbalance that was being produced by laissez-faire. Their object is to "acquire lands and farms as they are put up freely for sale, and also to acquire uncultivated land, and then to hand them over to suitable farmers after they have been re-grouped". This re-grouping of land-holdings includes both increasing the size of a farm that is judged uneconomic, without any change in ownership of the original plot, and creating ready-made farms of economic size from uncultivated land. When a Safer buys land for these purposes it cannot hold it longer than five years (ten years in the case of forests exploited for their timber), but must by then hand it over to a farmer.

The capital of a Safer is subscribed by local agricultural associations and for those so far in existence the average capital is about Rs. 2.5 lakhs; the biggest, which covers six French departments, has a capital of Rs. 5 lakhs. Their working capital is drawn from long-term loans from State credit institutes, to be used for the purchase of land, and subsidies from the State that cover 50-80 per cent of the cost of improving the land they have bought. When they come to hand land back to farmers, these must approach the State agricultural credit organisms separately for the funds they need to buy; they receive 30 year loans at 3 per cent. Local authorities can participate along with agricultural associations in forming a Safer; the president and director are elected but have to be approved by the government, whose nominees on the board are instructed not only to watch over the use of the large public funds engaged but to see that the operations of the Safer do not disorganise the local land market.

Already 21 Safers are in existence, covering two-thirds of France and more are being formed. The Agriculture Minister is trying to limit their number, encouraging each to cover a larger area and dispose of greater funds; his ideal would be to have as many Safers as there are zones in the national plan. Besides, with a smaller number of organisations he would have a better chance of ensuring that their intervention in the traditional free market was not too disorderly; small local bodies dominated by people of particular political opinions might be tempted to act illiberally. For the fact is that the Safer represents a breach in the free-market system, because it was soon found that it could not work effectively without being given a right of pre-emption in land sales. In other words, it is empowered to stop the bidding in a land auction and take-over property at a reasonable price.

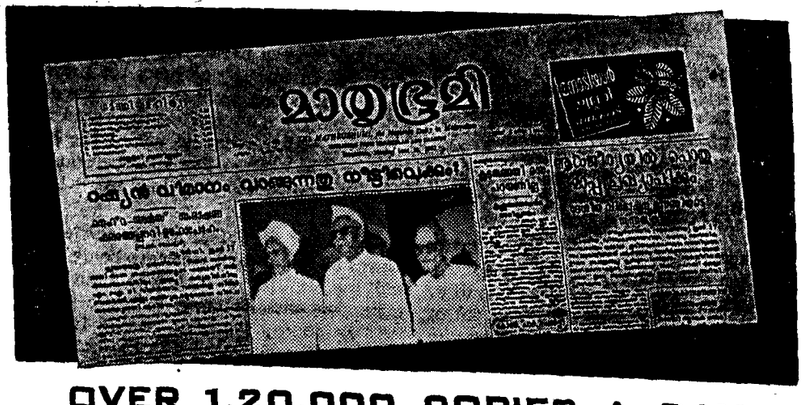
Needless to say this revolutionary power is hedged about with various safeguards. The Safer has no power to expropriate or to force owners to sell or to re-group holdings by authority. But at first it was imagined that it would be enough for the Safer to take part in free land sales and make bids on a footing of equality with other buyers; the scheme would thus work entirely within the private-property system. It soon appeared that the Safer was only raising prices and encouraging speculation, so it was given a priority over other bidders: landless labourers, the person culvating the plot up for sale (even if he already owns other land), near relations of ths seller, building societies and certain government agencies all have priority over the Safer; not that they have a right of pre-emption but the Safer cannot exercise its right of pre-emption as long as they are bidding. Moreover, the Safer has to apply to the government for this right, which is limited to specified areas and for a certain length of time. The faculty of pre-emption, then, is restricted, but it is still true that in many land sales the Safer can step in and buy at a reasonable price in favour of peasants with no farm or too small a farm.

Everyone with land to sell has to advise the local Safer two months in advance, stipulating the price and conditions of the sale. Even if it does not propose to buy the land in question and has no pre-emptive right, the Safer is represented at the sale, thus becoming a sort of watchdog and statistician of the whole free market in land. If sales take place in irregular conditions, notably in secrecy or with payments "under the table", the Safer can appeal to the courts to have the sale annulled and then acquires the land itself at a fixed price; this is the only case where its operations approach anything like expropriation, i.e. it is still paying for the land but is buying from someone who wished not to sell to it. In cases where prices asked for land put up for sale are excessively high, the Safer can again appeal to the courts to constrain the seller to moderate his pretensions, but the seller is then free to withdraw his offer to sell. Thus in a cautious and roundabout way there is introduced a sort of price control in land.

Having acquired land in any of these ways, the Safer can sell it at once to a neighbouring farmer anxious to enlarge his holding to a reasonable size; the farmer, as noted, gets a long-term loan to buy. Alternatively, the Safer can build up domains out of the parcels of land it buys, improve the land until it represents a whole farm of economic dimensions and then sell it to a farmer. This farmer must have proven his competence by cultivating for four years previously and should come from the region or from another regarded as over-populated. He must undertake to farm the holding sold to him on these special terms for 15 years at least and must meet throughout that time certain conditions about scientific exploitation of the property. Where there is competition for the holding, the Safer (remember that it is not a government body but is established by local farmers' groups) chooses the candidate most likely to succeed as an efficient cultivator. All this aspect of the Safer's operations resemble the organisations that distribute reclaimed land in Holland (the "polders").

If these powers of intervention seem extensive, it should be recalled that the Safer is not made obligatory by the new law: it is facultative and may be set up if local agricultural associations take the initiative. There is no question of the government consolidating land-holdings by authority; the government gives permission and assistance to local, democratic enterprise to do so if it wishes, and then in carefully controlled ways. That the scheme seems promising to the peasantry is evident from the fact that so many Safers have already been set up and it looks as though before long the whole territory will be covered by them. A project of agricultural reform which (for once!) is not forced on a reluctant peasantry by the State but which is taken up enthusiastically by farmers themselves might be capable of adaptation elsewhere.

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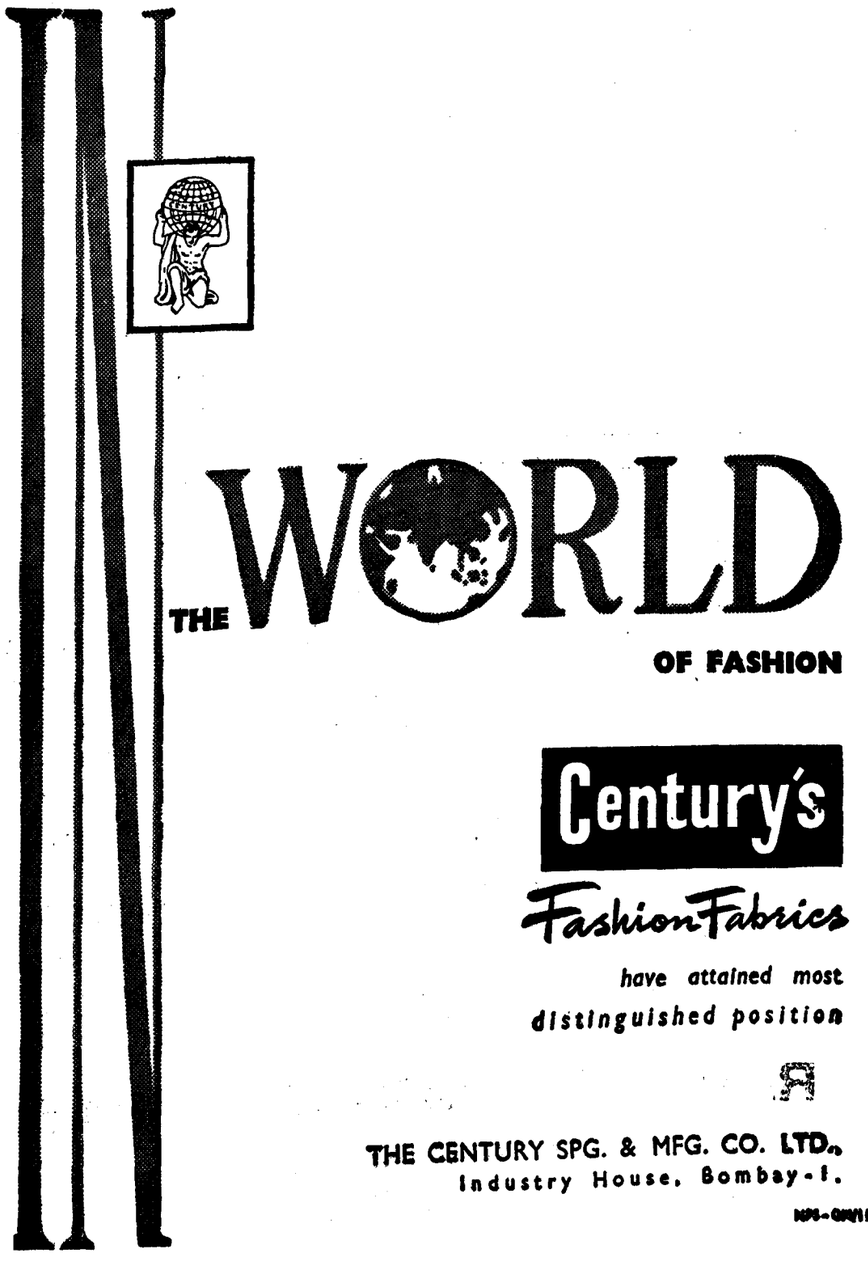
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Special Article

RESOURCES FOR DEFENCE

THE hostilities on India's northern border have galvanised the nation into a determined unit which is straining every nerve to fight back the invaders with all its might. Of great significance is the spontaneous offer of the people to assist the Government in all its efforts to mobilise the national resources. The manner in which voluntary financial contributions have been forthcoming during the past few days to swell the National Defence Fund shows that there is not likely to be any serious shortfall in financial resources for the attainment of the objective in view. Again, the States have promised to contribute to the National Defence Fund. The Finance Minister is planning to float defence bonds, defence certificates and a new series of Prize Bonds. Further saving can be made by an all round austerity drive, especially in the non-planned expenditure. It is the objective of this special article to assess the total volume of finance which can be mobilised by all these methods.

The unprecedented response that has been witnessed since the commencement of hostilities makes one bold to estimate the probable impact in terms of total defence fund accumulations. The contributions have been received from all sectors of society, though the degree of consciousness is particularly acute amongst the salaried classes. There are numerous instances where all the employees of industrial and financial units have donated a month's salary to the Defence Fund. If all over the country households in income brackets above Rs. 3,000 per annum were to forego even a week's wages (or salaries) the accumulation would turn out to be near about Rs. 35 crores. It will be wrong to assume that the farm households will not respond to this national call. According to their capacity, the families in the lower income brackets, whether in the villages or the towns, are also contributing. It is a safe estimate to make that the Government may obtain not less than Rs. 50 crores from the masses for purposes of defence.

It will be necessary to explain how 'The Eastern Economist' has arrived at this figure of Rs. 50 crores for voluntary donations. In the September 1962 issue of the Reserve Bank of India monthly bulletin, a statistical table has been set out (see Table I below) which shows the total personal as well as disposable income of all the households in the Indian Union. It points out that 18.8 per cent of the disposable annual income is held by income groups above Rs. 3,000 per annum. Their total annual disposable income turns to be a little more than Rs. 1,900 crores. A week's earnings for these groups will be around Rs. 35 crores. This is in fact a conservative estimate because incomes of this class have risen by at least 30 per cent since the period under consideration. This is the contribution of the relatively privileged classes, but in this national struggle the less privileged are not lagging behind. It is estimated that another sum of Rs. 15 crores will be forthcoming from the households which constitute 95.3 per cent of the total households in the Indian Union and command 81.2 per cent of the purchasing power.

Contributions from many units in industry and trade have also been announced in the Press. Though it is not possible to add up all the help promised by them, yet it is possible to hazard a guess in this direction. According to the analysis of the balance sheets for 1,001 companies made by the Reserve Bank of India, the total

TABLE I.

DISTRIBUTION OF INCOME : 1953 - 54 — 1956 - 57 (AVERAGE)

(At current prices)

Group	Households ('000s)	Total income (Rs. crores)		Per Household income (Rs.)	
		Personal	Disposable	Personal	Disposable
Income Groups (Rs.)					
(i) 0— 3,000	77,074 (95.3)	8,294 (80.4)	8,230 (81.2)	1,076	1,068
(ii) 3,001—25,000	3,677 (4.5)	1,520 (14.7)	1,484 (14.6)	4,134	4,036
(iii) 25,000 and above	165 (0.2)	504 (4.9)	424 (4.2)	30,545	25,697
High Income Groups					
(i) Farm Households	1,634 (42.5)	567 (28.0)	553 (29.0)	3,470	3,384
(ii) Salary Earners	227 (5.9)	228 (11.3)	198 (10.4)	10,044	8,722
(iii) Non - salary Earners	1,981 (51.6)	1,229 (60.7)	1,157 (60.6)	6,204	5,840
TOTAL	3,842(100.0)	2,024(100.0)	1,908(100.0)	5,268	4,966

profits after tax in 1960 were placed at Rs. 116 crores. Because of the increase in the volume of business during the last two years, it is safe to assume that the profits of the organised sector have since risen to not less than Rs. 140 crores (exclusive of taxes). If these units were to part with at least 25 per cent of their profit, the addition to the Fund would be of the order of Rs. 35 crores, though in net terms it would amount to only Rs. 17½ crores because the other half would have in normal circumstances automatically gone to the Central Exchequer by way of taxes. In this way, both the household sector and the corporate sector will be in a position to make a net contribution of Rs. 85 crores in the current financial year. If that should happen, it would be a very happy turn in the financial affairs of this country and the Central Government's task to collect finances for defence purposes would be eased.

An encouraging trend has been witnessed as a result of the appeals of the Prime Minister and the Finance Minister to contribute liberally in gold and silver. The fair sex from many parts of the country has offered its jewellery to the Government of India so that the country may buy bullets against bullion. Any shortfall in the above estimates of Rs. 85 crores would be made up by contributions in the shape of gold and silver. The voluntary effort of enterprising women who are currently engaged in the work to provide essential clothing to the fighters on the front needs to be taken into account as well. By and large, it is certain that, in real terms, the figure of Rs. 85 crores will be attained. There should be no surprise if the overall figure should rise to Rs. 100 crores, after taking into account the donations made by Indians living abroad and other overseas sympathisers.

The State Governments have also reacted in the same manner and have come out with declarations to the effect that they would contribute to the National Defence Fund substantial sums for the purchase of arms for India's defence against the Chinese aggression. The Government of the Punjab has promised a sum of Rs. 2 crores, followed by West Bengal at Rs. 1.5 crores and Orissa at Rs. 1 crore. At a public meeting, Mr. Chavan fixed the target of Rs. 10 crores for the city of Bombay alone. An equivalent sum may be contributed by the Maharashtra Government as well. Even though West Bengal has so far promised Rs. 1.5 crores only, in view of the mounting enthusiasm throughout West Bengal—also because it is very near the theatre of hostilities—it will also have to raise its contributions to Rs. 10 crores. Table II below shows 'The Eastern Economist's' estimates of probable contributions by the States to the National Defence Fund. It will not be difficult for the State Governments to mobilise the resources out of their current revenues because they will, under the present circumstances, be willing to drop some of the relatively non-essential projects and diverting these resources for India's defence purposes. The total sum will be as much as Rs. 55 crores and during the current financial year will go a long way in increasing the war effort.

The Finance Minister has, in a realistic manner, informed the country that even these voluntary contributions may not be sufficient because the fight is likely to be a prolonged one and may not end soon. The country has got to be geared to a prolonged war and hence people's savings must be channelled into defence schemes. He is planning to initiate three schemes to siphon off the surpluses with the people. In the first place he is floating Defence Certificates and National Defence Certificates — with attractive terms. He is also planning to start a new scheme of Small Saving Certificates for defence purposes so that people with small means may also participate in this national effort. Again, he is working out details for a new series of prize bonds. All these three series of saving drives for defence may add up, during the current year, to something like Rs. 25 to Rs. 30 crores.

The voluntary contributions of the people and the corporate sector coupled with the savings certificates and bonds etc. may yield nearly Rs. 165 crores. The position is summarised in table III below. This estimate is a realistic one—something which can be attained with a determined drive. If for any reasons there should be a shortfall, the Government will be left no option but to bring in some taxation measures, but this eventuality need not be speculated upon.

TABLE II.

CONTRIBUTIONS TO NATIONAL DEFENCE FUND

(Rs. crores)

1.	Andhra Pradesh	3.0
2.	Assam	1.0
3.	Bihar	2.0
4.	Gujarat	5.0
5.	Jammu and Kashmir	0.5
6.	Kerala	1.0
7.	Madhya Pradesh	3.0
8.	Madras	3.0
9.	Maharashtra	10.0
10.	Mysore	2.0
11.	Orissa	1.0*
12.	Punjab	2.0*
13.	Rajasthan	3.0
14.	Uttar Pradesh	7.0
15.	West Bengal	10.0 (1.5*)
16.	Delhi	1.0
	TOTAL	54.5 (46.0)

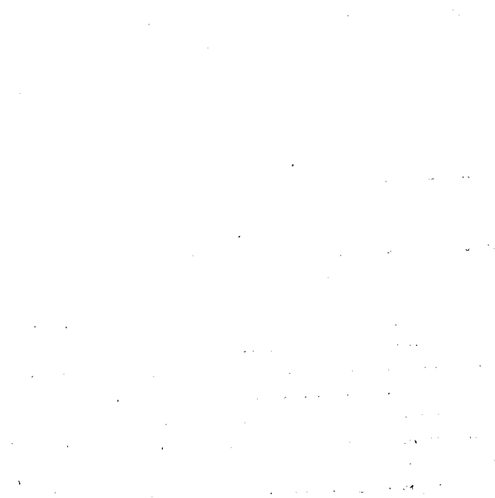
* States' Commitments to National Defence Fund.

TABLE III.

OVERALL ESTIMATES OF RESOURCES FOR DEFENCE FUND

(Rs. crores)

Source	Amount
A. Voluntary Contributions	
1. Contribution from the High Income Group	35.0
2. Contribution from the Low Income Group	15.0
3. Contribution from the Corporate Sector	35.0
B. Savings and States' Contributions	
4. From Defence Certificates & Prize Bonds	25.0
5. Contributions from States	54.5
TOTAL	164.5



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THE BUSINESS WORLD

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By CROESUS

IT is seldom in the history of a nation that all the people rise like one man to register their protest against some happening in no unmistakable terms and to demand but one and only one course of action. Well, that has happened in India today. The people of India —that is every patriotic Indian with no extra-territorial loyalties—have strongly and spontaneously reacted to the naked Chinese aggression against an ever-trusting and unsuspecting neighbour and have solemnly resolved not to rest content until the last Chinese soldier is driven out of the sacred soil of Bharat. One had only to witness the mammoth mass rally of all political parties (except, of course, the Communists) on the Chowpatty sands in Bombay, last Monday, and the solemnity with which those present took the pledge read out by Mr. Y. B. Chavan, Chief Minister of Maharashtra, to resist the relentless invader on our Northern borders, to see a concrete evidence of this resolution.

No time was lost by Mr. Chavan in appointing a representative Citizens' Committee to devise ways and means of mobolising resources for the effective eviction of the treacherous enemy. The Citizens' Committee has undertaken, 'inter alia', to raise Rs. 10 crores as a first instalment contribution to the National Defence Fund; to collect workers' wages and employers' profits of one extra working day every month; to ensure that there are no strikes or lock-outs; to make sure of sufficient blood donations to our Jawans; and to hold the price-line by preventing hoarding and price rises. At the rate at which people have been coming forward to respond, all these goals are certain to be reached, even exceeded.

Perhaps the most difficult of all the tasks that faces the Citizens' Committee is the one to hold the priceline, because prices are governed not only by the laws of demand and supply but also by the forces that tend to affect either the demand or the supply or both, which are many and imponderable. So far as supply is concerned, the entire business community and the whole working class have expressed their determination to maximise production to the utmost extent feasible. So far as demand, at any rate public demand, goes the pledges being taken by both the merchant class and the consumers ought to be a sufficient guarantee against any undue rise in demand.

The chance of any unwarrantedly excessive demand manifesting itself may also be ruled out by the inevitable siphoning off of a considerable quantum of purchasing power consequent on the handsome subscriptions freely being made to the National Defence Fund. But, then, there is the irresistable and imperative defence demand which must be met in fully willy-nilly. The only way in which this unpredictable demand factor can be countered is for the civilian population correspondingly to curtail its demand by postponing all but the most essential or unavoidable purchases, or even by foregoing, if need be, as many purchases as possible.

This doubtless presupposes a high degree of discipline, but, without such discipline, all talk of building up civilian morale would be utterly useless. If, however, the business community addresses itself to this task without much ado and in a business-like way, even as was demonstrated by the only spokesman of the Indian business community that was called upon to address the Citizens Meeting in the Council Hall of the Maharashtra State Assembly, convened by Mr. Chavan on Saturday last—Mr. Pravina Chandra Gandhi, President of the Indian Merchants Chamber, Bombay, merely stated that the business community was wholly behind the Government and would not be found wanting in this hour of national crisis—it is sure to receive the whole-hearted co-operation of all sections of the people, thereby enabling it to render a creditable account of itself.

Business men need not pause at this stage even to take notice of the ill-advised and hardly warranted warnings of some official spokesmen who seem to think that the only section of the population in India that has to be "on probation" today is the business community. Let us not forget that we have quite a few exemplary patriots in the ranks of business men, far more perhaps than some people are prepared to concede, and these have not waited for anybody's call to do their bit by their motherland. They may be made to go further, to go all-out, in fact, provided they are approached properly. This is not the time even remotely to suspect their 'bona fides'. The time is to accept their 'bona fides' and to acknowledge their services and sacrifices unreservedly.

Mao, Markets and Moorat

ONE expected that Mao had caused enough mischief to mar the moorat in our markets, but the determined moorat mood of market-men in the city (Bombay) seemed to defy the might of Mao and his henchmen, even as the solemn resolve of the people of Maharashtra (why, of the whole country) who have decided to resist the Chinese to the last soldier. This is not to suggest that the moorat was either bright or that the volume of transactions at moorat trading was on a scale befitting a really good moorat, but, quite unexpectedly, there was not that degree of nervousness, as was feared, especially on the Stock Market. This may be attributed to the hopeful view market men have apparently taken of the long-term outlook. Save for any unpredictable turn that the Chinese aggression or the Cuban developments may take, this view is not altogether unjustified. Even in the event of a prolonged Chinese aggression—which may not be ruled out—it is reckoned, industrial production will not suffer quantitatively, though it may be affected qualitatively or pattern-wise. With the reasonably assured prospect of stable prices, on the one hand, and of industrial peace, on the other, this does not at all look like an unwarranted inference. A brief review of the moorat trading in the important markets will bear this out.

To take the Bombay stock market first. Transactions on this market were the thinnest for several years, so that even token transactions tended to occasion wide fluctuations. Fortunately, as there had already been a more or less steady decline for several months past, bears could not exploit the situation. Restrictions imposed by the Stock Exchange authorities to prevent undue falls in prices also proved a deterrent, at least to the traditional speculators. Further, the entry, although not on a sizeable scale, of the Life Insurance Corporation helped sustain prices, though, when purchases on account of the LIC were over, they tended to relapse. On balance, the 1962 moorat closing prices do not compare favourably with those of the 1961 moorat. Tata Steel, for example, quoted only Rs. 123 at the close of this year's moorat trading, as compared with the closing quotation of last year's moorat of Rs. 146.20. Prices of textile shares generally reflected—as is only to be expected—the volume of business in the Mulji Jetha Market and were lower than last year in every case. Miscellaneous shares too did not fare better, while the securities market remained as dull as ever. As a matter of fact, there was not a little surprise when a leading bank reportedly placed an order for a particular Government security at a price a little lower than its previous closing.

Moorat trading in the commodity markets also was a tame affair. The volume of transactions recorded a distinct decline and prices showed no improvement. The actual business transacted in the Mulji Jetha Market, for instance, was variously estimated at anywhere between 50,000 and one lakh bales, including the Dussehra deals, as against over a lakh of bales—in 1960, these sales were as much as 1.5 lakh bales!—of only Diwali sales last year. A feature of the trading was the reported reluctance of mills to offer coarse and grey cloth, presumably in the belief that these might be in demand for defence purposes.

The turnover in the forward section of the cotton market was put at between 6,000 and 7,000 bales. There was not much support, except from spot houses. Prices, therefore, moved within a very narrow range, Jarilla March closing at Rs. 744.

Perhaps the worst affected market was the bullion futures where trading fully reflected the anxiety of dealers in the matter of the future of forward trading, on the one hand, and about the possibility of compulsory acquisition of gold later (if the circumstances should warrant such a course), on the other. The relatively poor off-take, and that at lower rates, in the ready section also had a psychological effect on moorat trading in precious metals.

The position, however, was quite the opposite in the oilseeds market (ready) where there were brisk transactions particularly in groundnut and groundnut oil. The turnover was estimated at around 15,000 bags of groundnut and 500 tons of groundnut oil. However, even here, trading in the forward section turned out to be a pretty dull affair, with the volume of transactions hardly aggregating 20,000 candies.

To sum up, moorat transactions in all the markets were, by and large, of a token nature and hence severely restricted. Although the traditional gaiety associated with the moorat was conspicuous by its absence, thanks to the Chinese aggression, the inherent note was one of cautious optimism.

Business Notes

Prices

CONTAINING THE SPIRAL

WITH THE Sino-Indian border trouble flaring up into a shooting war over a fortnight ago, it is just in the fitness of things that next only to the questions relating to the building up of the defence potential of the country, the issue of containing the price spiral has been the uppermost in the mind of the Government. While industry and trade, by and large, have shown a commendable restraint in not pushing up prices and the nation as a whole has shown a heart-warming discipline in denying to itself the festivities associated with the country's most important festival — Deepavali — it will be nothing short of a folly to assume that the battle on the price front will be easily won.

The pinch of the rise in prices would perhaps not be felt for some time more, firstly, due to the fairly satisfactory position obtainable at present in regard to the supply of the essential items of consumption, secondly, because of the austerity imposed on themselves by the people and, finally, owing to the spilling over of some of the pressures on the priceline into the encouraging support that the National Defence Fund has received until now and the new borrowing programme of the Government can be anticipated to get. But the prolongation of the hostilities over a period of time, with its consequent repercussions on the supplies of consumption goods for the civilian population, is bound to exert an upward thrust on the price level in general. How far the Government with the support of the trade and the people will be able to contain this pressure by appealing to the patriotic instincts in them is something which cannot be visualised at the present juncture. But some unscrupulous profiteers and racketeers among traders would try to take advantage of the situation despite the exhortations of the national leaders and various industries and trade organisations, is a fact that has to be faced squarely. No doubt, with the promulgation of the Defence of India Ordinance, the Government has assumed wide powers to bring to book unscrupulous elements in the society; but there is no denying the fact that only a firm handling of the situation will enable the country to emerge unscathed in its honour and prestige from the present struggle.

The price policy of the Government has obviously to take into consideration long-term implications of the situation when drastic reduction in imports and severe curtailment of industrial output for civilian consumption will bring about a wide imbalance between demand and supply. The country has to be prepared for this steadily but resolutely. In view of the unhappy experience that we have had with both price and quantity controls in the past, the strategy to fight the battle on the price front has to be very carefully thought out. Physical controls, though not warranted at present, cannot be ruled out in the long run and the adequate machinery for their effective implementation has to be prepared well in advance. In respect of some of the essential materials required for strengthening the defence potential, such as steel, coal and petroleum products, a beginning may have to be made in the very near future. There is need for tremendous foresight on the part of the Government. It is hoped it will not be found wanting a second time in quick succession. All attempts need to be made to utilise fully the existing installed industrial capacity not only for meeting the defence requirements, which have the first priority, but also for producing the essential industrial goods for civilian consumption. Imports of deficit raw materials have to be given priority over all other imports howsoever important for a peacetime economic development but not needed at present to build the defence potential.

Wool

HOW TO STEP UP OUTPUT?

THE ADMITTEDLY slow growth of industrial production last year was due to acute paucity of raw materials caused mainly by our foreign exchange crisis. This also explains the high percentage of unutilised capacities in various industries, the woollen industry being no exception. The actual idle capacity (on three-shift basis) in the weaving and the spinning sectors of the woollen industry has been estimated at 75 per cent and 42 per cent, respectively, while production of woollen fabrics and yarn has been put at 18 million yards and 35 million lbs., respectively. The need for fuller utilisation of this industry's installed capacity has become all the more imperative now with the present perilous position on our Himalayan borders, where our jawans are engaged in repelling the relentless Chinese invaders.

Speaking at the second annual general meeting of the All-India Woollen Mills Association, Ltd., (AIWMA), held recently in Bombay, Mr. Jagdish L. Behel, the Chairman of the Association, pointed out that the reduction in the actual users' licences for the import of wool tops and raw materials for the period October, 1962, to September, 1963, by about Rs. 2 crores would not allow the industry to maintain even the 1½ shifts it was working last year, and he feared that, as a result, the production would be much less than last year. It is common knowledge that we do not have enough indigenous wool of the right quality for use by the worsted section of the industry. The consumption of Indian wool by the industry at present is estimated to be of the order of over 2 million lbs., but this quantity could be very much more if, as Mr. Behel observed, sufficient efforts were made to upgrade the quality of our wool by improved breeding and better shearing, sorting, etc.

Referring to the all-important question of rehabilitation and modernisation of the industry, the AIWMA Chief observed that, unless this problem was given priority and positive steps taken to modernise, no amount of supplies of raw materials alone would be much avail. Offering a solution to the problem, Mr. Behel reiterated the suggestion made by spokesmen of the industry in the past that the Government should allow the industry to utilise the export promotion licences for importing new machinery for replacement purposes. Even this might not altogether solve the problems of the industry but it is felt that the industry could at least make a start in rehabilitating itself so as to enable it to raise its production both quantitatively and qualitatively.

Talking of exports, there has been a considerable decline, during the last 2 to 3 years, in the exports of our woollen manufactures. Exports of woollen manufactures, including both woollen fabrics and yarn and shoddy manufactures, have been of the order of only Rs. 70 lakhs. It is to be hoped, now that the industry is stated to be happy with the revised Export Promotion Scheme for woollen goods (export incentives have been increased to 100 per cent of the F.O.B. export value), there will be distinct improvement in the industry's export performance. It is not clear to what extent this purpose would be served, if, as Mr. Behel desires, the Government should institute compulsory export targets for each of the different sections of the industry.

RESEARCH INSTITUTE FOR RAJASTHAN

THE PROBLEMS of sheep and wool have long been engaging the attention of the Government of India chiefly because wool is an important foreign exchange earner. This attention has been the greatest in the States where sheep rearing is the chief occupation of a large number of people. In Rajasthan a beginning to reorganise the industry was made in the First Plan when the Rajasthan Government set up with the help of the Central Government five sheep breeding farms and a small wool and fleece testing laboratory. It was felt that the industry needed to be properly organised instead of allowing it to survive on traditional lines. Introduction of modern techniques was also considered to be necessary. The services of foreign experts were sought in this matter, and it is now on their recommendations that a wool research institute will be set up in Rajasthan. The Institute will be located at Mapura near Ajmer where a 4,000 acre plot of land has been acquired.

The findings of the foreign experts had indicated that an intensive programme of research, training and demonstration was necessary to achieve good results. The project will be financed by the United Nations Special Fund, the Rajasthan Government and the Government of India. So far as total contribution from the United Nations Special Fund is concerned, it will be to the tune of Rs. 35.7 lakhs. The total share of the Rajasthan and Central Government would be Rs. 290 lakhs, in which the share of the Rajasthan Government would be Rs. 195 lakhs. The institute will serve as a demonstration centre for training instructors, supervisors, managers and research workers employed in the sheep and wool department. It has also been agreed that UNICEF will provide eight international specialists in various fields of wool production. Fine breeds of foreign sheep, equipment and machinery for research work would also be made available. Encouragement will also be given to the Indian personnel to go abroad for advanced training in modern methods of preparation of wool clip.

With the setting up of this institute the problem of wool industry in Rajasthan is likely to be solved to a considerable extent. There will not only be available the services of international experts to guide and train in research work, but better methods would also be evolved in rearing sheep. Time is not far off when Rajasthan would boast of a flourishing wool industry in the State.

FICCI

SOUTHERN REGION CONFERENCE

THE FEDERATION of Indian Chambers of Commerce and Industry organised a regional conference of the constituents of the Federation in the State of Andhra Pradesh, Kerala, Madras and Mysore in Madras recently. This was done as a measure to appreciate better the problems of industry and trade arising out of regional variations or specific policies pursued by the State Governments. It is true that the problems in crucial sectors relating to programme of production, export promotion, price levelling, power transport, coal, industrial raw materials etc., were more or less identical all over the country, but there always were problems which did need special attention in a specific region. This move on the part of the Federation has, therefore, to be welcomed.

As Mr. S. P. Jain, the President of the Federation indicated in his address on the occasion, some of the important industries of the South like tea, coffee, leather, tobacco, cashewnuts, spices and pepper, textiles, handlooms, coir products, mineral oils and mica, did require special attention. Some of these industries are agriculture based and some of them are run on small-scale business. Consequently they have their own special problems. Naturally, therefore, the discussion during the Conference was valuable for the producers as well as the traders.

One subject that was discussed at length was the plantation industry which deserved special attention because most of its products yield valuable foreign exchange, and because plantations is labour-intensive industry. Any increase in the cost of labour substantially would affect the cost of production. It was indicated that unless the yield of coffee and tea improved substantially, it might be difficult for the plantation industry to operate on competitive basis in the international market. This aspect should be borne in mind by the Wage Board for the plantation industry. It was also stressed that to make the tea industry more competitive in the international market, it was necessary to reduce excise duty on several articles like plywood, aluminium lining etc., used by the industry. Similarly, as far as tobacco industry was concerned, it was asserted that assistance from the Government should not be lacking. For instance, it was pointed out that the industry would be finding it difficult to obtain redrying machines which would augment the value of our tobacco exports.

Then the regional conference discussed the broader problems of the region in respect of coal and transport so that there was at the moment a great need to switch-over to alternative fuels such as furnace oil to supplement hydro-electric power. This could be understood in the light of what Mr. Muthiah called, "a variation in the approach in the content of the policies" in view of the special conditions of the region. The Federation has done well to draw the attention of the Centre towards these specific problems faced by the region. It is quite certain that these problems will not remain unnoticed.

Coal

MR. DRIVER'S PLEA

AT THE seventeenth annual general meeting of the Coal Consumers Association of India, Mr. Darab C. Driver made some useful suggestions to end the present crisis in coal. He, for instance, pointed out that while revenue considerations affect the proposal to reduce the excise on furnace oil to encourage its use as alternate fuel to coal, Government should consider how much less would be the loss to revenue by reduction in the excise, compared to the crores industry loses by not being able to work to capacity owing to inadequacy of coal received and its poor quality. As regards proposals for low-shaft furnaces for manufacture of pig iron using weakly coking and non-coking coal, Mr. Driver underlined, it would be helpful if estimates of capital cost for an economic size of plant and of the cost expected are also given. Referring to coal washeries, Mr. Driver said that more of these should be set up by the Government because that only would help in obtaining standard size coal required for our use. Incidentally, this would also help in making the dumps scheme a success.

On the rail-cum-sea movement of coal, Mr. Driver suggested that the Government might consider a similar formula for grant of the already declared subsidy for the costlier sea route compared to the direct rail route because the existing formula was too complicated to be complied with. Adjustments in box-wagons, of course, is a necessity. With a little more attention and proper planning, delays in turn-round of wagons could also be avoided. But for this authorities will have to be vigilant all along the line. Last but not the least, Mr. Driver pleaded that the Government may make a survey of the availability and sufficiency of foundry coke required by the public and private sectors for the rest of the Third Plan and the Plan following. The survey may also consider whether the growing demand of coke required by the public sector industries at Durgapur and Ranchi for machine building etc., would be supplied from the nearby Durgapur steelworks and therefrom the unsatisfied demand of the private sector be met. The issues raised and the ideas put forward are quite logical and need to be considered in

Organic Chemicals

GUJARAT LEADS AGAIN

WITH ITS quota of production of heavy chemicals estimated to constitute a third of the country's entire production of this commodity, Gujarat State is already first in this field. The State has again taken the lead in establishing organic chemicals industries in the country. Thus, the Formaldehyde and Hexamine Plants of Atul Drug House, established at Kandla are the first plants for the production of these organic chemicals not only in the Gujarat State but also in the whole of India.

The Formaldehyde and Hexmaine Plants, inaugurated by Dr. Jivraj Mehta, Chief Minister of Gujarat, recently, will be producing basic raw materials of many other industries like plastics, paints, resins, laminations, etc. When these two plants, along with the two others proposed, namely Pentaerythriotol and Acetaldehyde projects, come into full production — that is, by the end of 1963 — the entire project would have cost the Atul Drug House more than Rs. 1.5 crores. For the present, however, these two units have a capacity to produce only 14,000 tons of Formaldehyde and 300 tons of Hexamine per annum.

The two salient features of the new plants at Kandla are that the Atul Drug House has obtained the technical collaboration of Messrs. Karl Fischer of Germany, who are known the world over for their most economical process for the manufacture of Formaldehyde and who have also supplied more than fifty plants of different capacities to various countries. Having ensured this excellent technical collaboration, the Atul Drug House also successfully managed to secure the otherwise difficult foreign exchange component for meeting the cost of plant and machinery, as also of raw materials, through the co-operation of two well-known Indian business houses in Kenya.

The basic raw materials needed for the manufacture of Formaldehyde, namely Methanol, has still to be imported, as it is not manufactured in India. Atul Drugs, however, have plans to establish a plant to manufacture Methanol also and thus save over Rs. 50 lakhs annually in foreign exchange, but they have, for the time being, to rely on imports. Here, again, it is noteworthy, Atul Drugs have taken care to save as much foreign exchange as possible, by arranging to import Methanol in bulk by constructing storage tanks.

Dr. Jivraj Mehta, in his inaugural address, rightly commended the farsightedness of the Atul Drug House in establishing these plants, especially in Kandla which has been recommended to be made a Free Trade Zone. He also pointed out that the establishment of industries would further serve to give employment to the rehabilitated persons who inhabit the surrounding area of Kandla. At the same time, it is imperative that a rich and industrially developed hinterland is developed to justify the development of Kandla as a major port.

Fertilizers

TROMBAY FERTILIZER PLANT

WITH A view to attaining the fertilizer target in the Third Five-Year Plan, much thought and attention is being devoted to the setting up of fertilizer projects. Trombay fertilizer project is, for instance, one such project where planning is being executed in the most careful manner. The project is being designed entirely by Indian personnel and this is expected to save the foreign exchange element to a great extent. Nangal and Sindri had not only to pay for supplies of machinery and equipment but also for the services of consultants.

Saying on this score is likely to help the project to produce fertilizers at a much cheaper cost. It is estimated that the cost of fertilizers at this plant would be Rs. 800 per ton against Rs. 1,000 at the other plants. Although it would cost as much as Rs. 29 crores, the production at this plant is likely to be 110 per cent of that of Nangal. The raw material (naphtha and refinery gas) will be obtained from the nearby ESSO and Burmah-Shell refineries.

The entire project is being financed by the United States. The U.S. Agency for International Development is providing $30 million (Rs. 14.3 crores) in foreign exchange under DLF loan no. 162 and is, to-date, lending Rs. 13.3 crores ($28 million) in Indian currencies from the sale proceeds under Title I of the U.S. Public Law 480. The project is expected to go into production early in 1964 and when completed it will produce 1,100 tons of nitro-phosphate fertilizer and 300 tons of urea fertilizer per day or 90,000 tons in terms of nitrogenous plant nutrients per year. This production is likely to result in an annual foreign exchange savings estimated at about $25 million.

The Maharashtra Government is already importing fertilizers of the type that will be produced at Trombay with the idea that they may not have to face any difficulty when the project goes into completion after a lapse of about two years. So in a way the project is assured of a ready market in this part of the country.

So far as progress of the plant is concerned, 50 per cent of the equipment for the entire plant and as much as 80 per cent for ammonium plant has already arrived. The construction may not be according to schedule, but it is likely to be set right soon. The delay in schedule can be assigned to the rains that hampered the progress of work in the initial stages.

The Menthol plant is also likely to be set up at Trombay. By having a talk with the project officials one gets the impression that a clearance from the authorities concerned would soon be obtained. The greatest advantage of the Trombay fertilizer plant would be that fertilizer would be produced at a much cheaper cost.

Power

HAFIZ MOHD. IBRAHIM'S CALL

THERE IS little doubt that the appeal issued by the Union Minister for Irrigation and Power, Hafiz Mohd. Ibrahim, to all commercial organisations and individual consumers of electricity for non-productive purposes, to consume it as sparingly as possible will have wholesome response as has been the case in respect of the contributions to the National Defence Fund. A more judicious use of the present electricity output was even otherwise called for in view of the fairly general shortage of power in the country. In the present emergency situation when Communist China has launched an all-out attack on our northern frontier, its imperativeness can hardly be overemphasised.

As the Minister has said, every unit of electricity saved from non-productive uses will help in strengthening our defence. He has rightly called on the public concerns for pressing into service all the small units they own and which had been shut down on grounds of economy. An expeditious commissioning of the new units under construction is also urgently called for. Similarly, with a view to avoiding breakdowns of the plants through overworking, the stress the Minister has placed on their careful operation and maintenance is appropriate. But his plea that all essential raw materials and spare parts for this purpose should be procured in good time needs to be complemented with an immediate issue of foreign exchange necessary for their import from abroad. Along with the appeal the Minister for Power has issued, there is also a case for compulsorily reducing the supply of electricity for display and publicity purposes in at least the industrial belts of the country.

Labour

EMPLOYERS ON THE BONUS COMMISSION

COUNCIL OF Indian Employers, constituted by All-India Organisation of Industrial Employers and Employers' Federation of India, has submitted a memorandum to Bonus Commission last week. While tracing the historical background of the concept of bonus, the Council indicated that the concept has become increasingly clouded by the conflicting views and interpretations put forward by various parties to this controversy. It has sought a clarification on the principles whether bonus was an appropriate method of remuneration and if not what other system could replace it. In presenting their view the Council has indicated that the interests of the industrial community should be kept in mind while the claims of industrial workers are considered. At the same time, they assert that the right of the working class in the non-industrial and agricultural sectors should also be kept in mind. The long-term requirements of industry should be compared with immediate needs of labour and above all arrangements should be evolved to give optimum satisfaction so that the workers earned more with higher efficiency and productivity.

The Council has rightly reminded that there were industries which had to face the market forces abroad because their commodities (jute, tea, etc.) were sold at international prices. More than this, in view of the acute shortage of foreign exchange these industries were increasingly being asked to meet the challenges of the imbalance between our export earnings and import requirements. Under certain circumstances, industry had to bear losses on exports and naturally it was required to strengthen itself by efficiency and minimum costs to increase its competitiveness. Moreover in certain industries the final selling prices fixed by the Tariff Commission and the mode of regulation is such that the prices payable to the manufacturers were generally fixed at a level which did not always leave with the industry concerned sufficient surplus fund after meeting the expenses of operation and administration. Moreover, in several industries wage boards had been set up as in the case of cotton textiles, cement, sugar, jute, tea, coffee, rubber, iron and steel, coal mining industries, for evolving a wage structure based on the principles of fair wages and requirements of social justice.

Under these conditions, it was quite clear that the payment of bonus had to be arranged in each industry according to specific conditions. As the Council has indicated, if an industry having regard to its peculiar set up and for reasons of community wishes had made arrangements for a profit bonus by mutual agreement with the labour, it should not be compelled to fit in the rigid national formula. It added that bonus could best be conceived as a payment in addition to normal wages or salary to the employees for their contribution to the efficiency or prosperity of the undertaking. This concept seems quite reasonable and practical and the Bonus Commission should pay proper attention to the points raised by the Council. It has to be remembered that any fomula evolved for one industry or more should be applicable to all the units in the public as well as the private sectors. This step would eliminate any charge of bias against any party.

FROM THE CAPITAL'S CORRIDORS

STATE OF EMERGENCY PROCLAIMED

AS a sequel to the full-scale invasion launched by Communist China on India's northern frontier, the President, under Article 352 of the Constitution, issued a Proclamation on October 26, 1962, declaring a "State of Emergency" in the country. The President also promulgated on that day the Defence of India Ordinance, 1962. This Ordinance will be presented in the form of a Defence of India Bill soon after Parliament assembles for its emergency session called on November 8.

Under the State of Emergency the Central Government has been empowered to issue directives to State Governments on matters which lie within their executive field. Parliament can now make laws on subjects which lie within tne State field. The President can also issue an Ordinance on subjects which lie within the jurisdiction of the States.

Parliament and State Legislatures can also now pass laws which may abridge Fundamental Rights under Article 19.

The Defence of India Ordinance seeks to provide for special measures "to ensure the public safety and interest, the defence of India and civil defence and for the trial of certain offences."

The Ordinance is divided into six chapters. The "preliminary chapter" states that the Ordinance extends to the whole of India. It also applies to citizens of India outside India, persons in the services of the Government wherever they may be and for the regulation and discipline of the naval, military and air force or any other armed forces of the Union, to members of, and persons attached to, employed with, or following those forces. Persons on ships and aircraft registered in India wherever they may be are also covered by this Ordinance.

While the preliminary chapter dealing with applicability of the Ordinance came into force on October 26, the remaining provisions shall come into effect on dates to be notified. Different dates may be notified for different provisions and different areas.

Under the emergency powers vested by the Ordinance, the Central Government may, by notification in the official Gazette, make such rules as appear to it necessary or expedient "for securing the defence of India and civil defence, the public safety, the maintenance of public order or the efficient conduct of military operations, or for maintaining supplies and services essential to the life of the community."

The chapter on 'civil defence services' authorizes State Governments to constitute a body of persons to be called civil defence service and appoint a controller to command such a body.

As regards emergency powers, the Central Government may make rules or may empower any authority to make orders providing for all or any of the following matters:

1. Ensuring the safety and welfare of the armed forces of the Union, ships and aircraft, and preventing the prosecution of any work likely to prejudice the operations of the armed forces of the Union;

2. Prohibiting anything likely to prejudice the training, discipline or health of the armed forces of the Union;

3. Preventing any attempt to tamper with the loyalty of persons in, or to dissuade (otherwise than with advice given in good faith to the person dissuaded for his benefit or that of any member of his family or any of his dependents) persons from entering the service of the Government;

4. Preventing or prohibiting anything likely to assist the enemy or to prejudice the successful conduct of military operations or civil defence including: (a) communications with the enemy or agents of the enemy; (b) acquisition, possession without lawful authority or excuse and publication of information likely to assist the enemy; (c) contribution to, participation or assistance in, the floating of loans raised by or on behalf of the enemy; (d) advance of money to, or contracts or commercial dealings with the enemy, enemy subjects or persons residing, carrying on business, or being, in enemy territory; and (e) acts, publications or communications prejudicial to civil defence;

5. Preventing the spreading, without lawful authority or excuse, of false reports or the prosecution of any purpose likely to cause disaffection or alarm, or to prejudice India's relations with foreign powers or to prejudice maintenance of peaceful conditions in all areas including the tribal areas, or to promote feelings of ill-will, enmity or hatred between different classes of the people of India;

6. Requiring the publication of news and information;

7. Regulating the conduct of persons in respect of areas the control of which is considered necessary or expedient and the removal of persons from such areas;

8. Requiring any persons or class of persons to comply with any scheme of defence or civil defence;

9. Ensuring the safety of (a) ports, dockyards, lightships and aerodromes; (b) railways, tramways, roads, canals and all other means of transport by land or water; (c) telegraphs, post offices, signalling apparatus and all other means of communication; (d) sources and systems of water supply, works for the supply of water, gas or electricity, and all other works for public purposes; (e) vessels, aircraft, transport vehicles as defined in the Motor Vehicles Act, 1939, and rolling stocks of railways and tramways; (f) warehouses and all other places used or intended to be used for storage purposes; (g) mines, oilfields, factories or industrial or commercial undertakings in particular; (h) laboratories and institutions where scientific research is conducted; (i) all works and structures being part of, or connected with anything earlier mentioned in this clause; and (j) any other place or thing used or intended to be used for the purposes of Government or a local authority, the protection of which is considered necessary or expedient for securing the defence of India and civil defence, the public order, or the efficient conduct of military oprations, or for maintaining supplies and services essential to the life of the community;

10. The demolition, destruction or rendering useless in case of necessity of any building or other premises or any building or other premises or any other property;

11. Prohibiting or regulating traffic, and the use of vessels, buoys, lights and signals, in ports and territorial, tidal and inland waters;

12. The control of lights and sounds;

13. The control of persons entering, travelling in or departing from India;

14. Restricting and regulating the character of foreign vessels;

15. Regulating the structure and equipment of vessels for the purpose of ensuring the safety thereof and of persons therein;

16. Regulating work in dockyards and shipyards in respect of the construction and repairs of vessels;

17. Prohibiting or regulating the sailings of vessels from ports, traffic at aerodromes and the movement of aircraft, and traffic on railways, tramways and roads, and reserving and requiring to be adapted, for the use of the Central Government, all or any accommodation in vessels, aircraft, railways, tramways or road vehicles for the carriage of persons, animals or goods;

18. The impressment of vessels, aircraft, vehicles and animals for transport;

19. Prohibiting or regulating the use of postal, telegraphic or telephonic services, including the taking possession of such services and the delaying, seizing, intercepting interrupting of postal articles or telegraphic or telephonic messages;

20. Regulating the delivery otherwise than by postal or telegraphic service of postal articles and telegrams.

21. The control of trade or industry for the purpose of regulating or increasing the supply of and the obtaining of information with regard to articles or things of any description whatsoever which may be used in connection with the conduct of military operations or civil defence or for maintaining supplies and services essential to the life of the community;

22. The control of agriculture, including the cultivation of agricultural lands and crops to be raised therein, for the purpose of increasing the production and supply of food grains and other essential agricultural products;

23. The provision, storage and maintenance of commodities and things required for the conduct of military operations or for civil defence;

24. The securing of any building, premises or other structures from being readily recognizable in the event of an hostile attack by a foreign power;

25. Ensuring the ownership and control of mines and oilfields by the citizens;

26. Controlling the possession, use or disposal of or dealing in coin, bullion, bank notes, currency notes, securities or foreign exchange;

27. The control of any road or pathway, waterway, ferry or bridge, river, canal or other source of water supply;

28. The requisitioning and acquisition of any moveable property; and the principles on which and the manner in which compensation shall be determined and given in respect of such requisitioning or acquisition;

29. Prohibiting or regulating the possession, use or disposal of (a) explosives, inflammable substances, corrosive and other dangerous substances or articles, arms and ammunitions of war; (b) vessels; (c) wireless telegraphic apparatus; (d) aircraft; and (e) photographic and signalling apparatus and any means of recording information;

30. Prohibition or regulating the bringing into, or taking out of, India and the possession, use or transmission of ciphers and other secret means of communicating information;

31. Prohibiting or regulating the publication of results of research work having a bearing on efforts relating to defence of India or military operations;

32. Preventing the disclosure of official secrets;

33. Prohibiting or regulating meetings, assemblies, fairs and processions;

34. Preventing or controlling any use of uniforms, whether official or otherwise, flags, official decorations like medals, badges and other insignia and anything similar thereto, where such use is calculated to deceive or to prejudice the public safety, the maintenance of public order, the defence of India or civil defence;

35. Ensuring the accuracy of any report or declaration legally required of any person;

36. Preventing the unauthorised change of names;

37. Preventing anything likely to cause misapprehension in respect of the identity of any official person, official document or official property or in respect of the identity of any person, document or property purporting to be, or resembling, an official person, official document or official property;

38. The evacuation of areas and the removal of property or animals therefrom;

39. The billeting of evacuated person or persons authorized to exercise functions under this Ordinance;

40. The entry into, and search of, any place reasonably suspected of being used for any purpose prejudicial to the public safety or interest, to the defence of India or civil defence or to the efficient conduct of military operations, and for the seizure and disposal of anything found there and reasonably suspected of being used for such purpose.

The rules to be made may provide for the arrest and trial of persons contravening any of the regulations of the orders made under them. Any contravention or any attempt to contravene or abetment of contravention of the rules or orders shall be punishable with imprisonment for a term extending to seven years or with fine or with both. Any person contravening any provisions of the rules, with intent to wage war against India or to assist any country committing external aggression against India, shall be punishable with death or imprisonment for life or imprisonment for a term which may extend to ten years and shall also be liable to fine.

The compensation payable for the acquired property shall be (a) the price which the requisitioned property would have fetched in the open market if it had remained in the same condition as it was at the time of requisitioning and been sold on the date of acquisition, or (b) twice the price which requisitioned property would have fetched in the open market if it had been sold on the date, whichever is less. In empowering Government to requisition any immovable property excluding that used by the public for religious worship, the Ordinance provides for the payment of compensation to the concerned persons.

FUNDS FOR NATIONAL DEFENCE

For mobilising financial resources to meet the Chinese invasion, the Union Finance Minister, Mr. Morarji Desai, in a broadcast to the nation on the day "State of Emergency" was proclaimed by the President, announced some of the steps which the Government proposed to take. For pooling of voluntary contributions, he observed, a National Defence Fund had been established. The voluntary contributions to this Fund could both be in cash and in gold or gold ornaments. The Finance Minister laid great stress on contributions in the form of gold or jewellery so that the necessary foreign exchange for procurement of defence requirements and materials could be obtained.

Apart from voluntary contributions to the National Defence Fund, Mr. Desai called for increased savings on the part of the community. To channelise these for meeting the defence needs, the Government, Mr. Desai said, proposed, firstly, to place on tap a new series of National Defence Bonds, secondly, a new issue of small savings certificates to be designated as Defence Deposit Certificates and National Defence Certificates and, thirdly, issue of another series of Prize Bonds. The terms and conditions of all these forms of borrowings are being expeditiously finalised.

The Finance Minister also appealed to the nation to avoid all ostentatious and wasteful expenditure. He called for austerity in every sphere of life so that the inflationary pressures on the economy could be kept within bounds and savings augmented.

TURNING OF ECONOMY TO NATIONAL DEFENCE

In the meantime, under pressure of circumstances, the entire economy of the country has been geared for national defence purposes. Stress has been placed for fuller utilisation of the existing capacity, especially maximisation of the production of goods required for defence purposes.

In regard to production of iron and steel, the Union Minister for Steel, Mr. C. Subramaniam, observed at the meeting of the re-constituted Iron and Steel Advisory Council here last week that while the targets for production of various categories of steel had a meaning in so far as the implementation of the Third Plan was concerned, the present situation required complete reorientation of these targets. Mr. Subramaniam said, "We may be called upon to produce types and categories of steel which are urgently required by the ordnance factories and other factories engaged in producing military equipment. No delay can, therefore, be tolerated in meeting these requirements". The categories of steel required for the manufacture of strategic materials, he added, would become more and more scarce for civilian uses which have to be relegated to a secondary place. But this does not warrant any undue advantage to be taken by some unscrupulous amongst the trade.

To step up pig iron production in the country, which has lagged behind the schedule and targets laid down in the Third Plan due to delay that has occurred in the commissioning of the public sector steel plants, Mr. Subramanian stated that the Government was seriously considering setting up of a blast furnace at Durgapur with a capacity of 2,000 tons a day. This would subsequently be utilised for the expansion of this steelworks during the Fourth Plan period. Some more low-shaft furnaces using local ore and non-metallurgical coal are also thought to be licensed in the near future. Possibilities are also being explored for licensing small units near the integrated steelworks for the manufacture of pig iron using nut coke which cannot be used in the larger furnaces of the steelworks. The Government is also actively considering the setting up of a pig iron unit in Goa.

Earlier during the week, Mr. Subramanian told a Press Conference that attempts were being made to step up forthwith output of Rourkela and Durgapur plants to 90 per cent of their rated capacity. By next year, the production of these two plants is envisaged to be stepped up further to cent per cent of their rated capacity. The rated capacity of the Bhilai Steelworks has been stepped up by 0.2 million tons to 1.2 million tons. Measures are also contemplated to expedite the expansion programme of these three public sector steel plants.

So far as the Bokaro steel plant is concerned, Mr. Subramaniam disclosed that the Government planned to set up this unit with an initial capacity of 1.5 million tons with a provision to expand it to 4 million tons by the end of the Fourth Plan period. The U.S. Team, which is engaged in the study of the economics of this plant, has been asked to prepare its project report taking into consideration the above-mentioned facts.

STEPPING UP PRODUCTION OF OTHER ESSENTIAL MATERIALS

The Government of India has set up two committees to give thought to augmenting the production of some other essential materials and commodities also, required both for the defence and civilian uses. One of these committees has been set up under the chairmanship of Mr. S. Ranganathan, Secretary, Union Ministry of Commerce and Industry. The Committee will deal with the problems relating to supply of foodstuffs, steel, cloth, fuel (including petroleum products), cement and industrial production in general. Mr. S. K. Patil, the Union Food Minister, has assured the country that there are enough stocks of foodgrains with the Government to tide over any emergency. The Ranganathan Committee will, therefore, devote greater attention to suggesting measures to step up and maintain the supplies of the other essential commodities mentioned above. So far as petroleum products are concerned, particular attention is to be paid to augmenting the supplies of such deficit products as kerosene and lubricating oils. The private sector oil companies, whose refineries are based on imported crude, are stated to be confident of their being able to maintain their supplies.

The second committee is headed by the Transport Secretary. Its task will be to mobilise all forms of transport — road transport, railways, inland waterways, coastal and ocean shipping and aviation — for meeting the requirements of the emergency.

A Cabinet Sub-Committee has also been set up, with the Prime Minister at its helm of affairs, to take all steps regarded necessary to prepare the country for facing the Chinese invasion.

A POLICY FOR INDUSTRIAL DEVELOPMENT

Mr. C. Subramaniam, Union Minister for Steel and Heavy Industries, has, in a note to the A-ICC underlined the future role of the Industrial Policy, its implications and its working. The note indicates that the governing considerations will be: "(1) an annual rate of increase of the order of 7 per cent in aggregate national income appears to be necessary if the objective of providing a reasonable minimum standard of living to the people within the next 15 years is to be realised. This in turn requires that agriculture and related activities should expand at the rate of about 5 per cent per

annum and manufacturing at around 12 per cent a year. (2) The programme for industrial development should be such that the country will reach, within the next decade or so, a stage where a high rate of growth and of investment can be maintained with minimum reliance on external assistance. (3) This will call for a change in the structure of industries. In particular it will be necessary to seek a rapid expansion in the production of the basic and capital goods...The implementation of the plans so far has been such that the targets for several of these industries have not been achieved while the low priority and less essential industries have frequently fulfilled or exceeded their targets. Hence the importance of giving particular attention to the development of basic and capital goods manufacture in the future. (4) In the process of developing industries, the objective should be to take maximum advantage of the benefits of modern technology; and (5) the industrial expansion should be so regulated that it is not accompanied by excessive concentration of economic power in private hands.

"Given these considerations it follows that for several years to come, a substantial part of annual investment in the economy should be devoted to the building up of capital and intermediate goods industries; and in order that there may be rapid progress towards a socialist society, the major decisions in respect of such investment should rest with the public sector. These are taken as the operative elements in the formulation of policy. Against this background the questions of policy are examined under the following broad headings:

Relative Roles of the Public and Private Sectors: "The division of responsibility for industrial development between the public and private sectors is naturally influenced by the socialist objective of increasing the proportion of means of production under social control. However, in point of fact, the principal argument for the public sector assuming a dominant role in developing basic and heavy industries is that they involve large investments and take considerable time to reach full capacity production. As past experience has shown, the response of the private sector in respect of heavy and basic industries has been neither adequate nor general. Further, even where licences are granted, the implementation of the projects has been tardy, and the production targets for such industries have frequently not been realised.

"While it is certainly necessary to define the sectors which will be exclusively or largely in the public sector, there should be room for a measure of flexibility at the margin. The paramount consideration here should be that phased fulfilment of targets...To some extent Government has allowed the private sector to enter into fields reserved for the public sector with a view to achieving the Third Plan targets. What is equally necessary is that in the fields allotted to the private sector, Government should be ready to enter if the licensees do not take steps to implement their projects according to schedule.

Measures for Effective Implementation of Industrial Programmes in the Public Sector: "For economic and political reasons it is of the utmost importance that the planning and operation of enterprises in the public sector should be done efficiently. This is not just a matter of obtaining a specified rate of return on the capital investment by adjusting the prices at which the products of public enterprises are sold. Basically it is a question of organising the operation of such industries in a manner conducive to economy in the use of scarce resources, avoidance of delay in getting into production, exercise of proper judgment on the size and location of units and careful phasing of projects which are interlinked.

GOVERNMENT OF INDIA

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(FREE OF INCOME-TAX)

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The maximum amount that may be held in these deposits including the amount invested in 3½ and 4 per cent Ten-Year Treasury Savings Deposits will be—

	Rs.
(a) For an individual	25,000
(b) For an individual jointly with another	50,000
(c) For an association or institution donations to which are exempt from payment of income-tax under Section 88 of the Income-tax Act, 1961 (43 of 1961), and a local authority	1,00,000
(d) For institutions and associations other than Provident Funds and those covered by item (c) above	50,000
(e) For Provident Funds	No limit

Deposits (in multiples of Rs. 50) in cash/cheque or in matured 3½ per cent Treasury Savings Deposit Certificates will be received from 10th November, 1962 until further notice. Such deposits will be refundable at any time after the expiry of one year from the date of deposit at a certain discount.

Applications will be received at the offices of the Reserve Bank of India, Bangalore, Bombay, Calcutta, Madras, Nagpur and New Delhi, branches of the State Bank of India and its Subsidiary Banks conducting Government treasury business and treasuries and sub-treasuries in India at places where there is no such office or branch of the aforesaid banks.

Deposit Certificates will be accepted for safe custody by Public Debt Offices and interest remitted to holders, if so desired. The Certificates will be transferable by deed and will also be eligible for nomination.

For full particulars please apply to any of these offices, branches or treasuries.

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"One of the main reasons for the delays and difficulties experienced in the public sector industries is that in respect of most of them, the technical details of the project are not worked out sufficiently in advance. This is partly due to the dependence on foreign consultants for preparation of projects reports, works programmes and so forth... It is, therefore, essential to set up specialized planning and design organisations for each of the industries falling within the purview of the public sector. These organisations should be able not only to provide expert opinion and advice on matters referred to them but also be made responsible for detailed planning of the industries... For major industries like steel, machine-making, transport equipment, electrical equipment, chemicals, etc. such organisations of technical experts should be constituted immediately. In respect of other public sector industries, if it is found to be impracticable or unnecessary to establish such organisations within the public sector to do the detailed planning project by project, the policy should be to encourage industrial consulting agencies approved or assisted by Government.

Instruments for Regulating Development in the Private Sector: (i) Licencing Policy: "At present, industrial development in the Private Sector is sought to be regulated through licences issued under the Industries Dvelopment and Regulation Act. Under the existing procedures, however, the issue of a licence does not ensure the execution of the project in time or with adequate technical efficiency. Much of the detailed work on the project is done after the licence is issued, and the licensee has to pass through several stages of further scrutiny and approval before he can start executing the project. This not only causes delays but also results in a piece-meal appraisal instead of a simultaneous and overall assessment of the project in all its aspects. The result has been a lack of correspondence between the licensing of projects and the attainment of production targets in the private industrial sector. While there is no doubt that the licensing system will have to continue, it has to be modified in several respects if it is to be really effective as a regulatory instrument. The need for modification of the licensing system has already been recognised and Government has, in respect of some industries, resorted to the issue of what amount to 'letters of intent' in the first instance. This practice of giving letters of intent, indicating Government's willingness to consider the issue of a regular licence after the details of the project have been scrutinised, should be extended. In respect of the larger and more important project, this information should be furnished in much greater detail than for other, relatively small or low-priority projects. Such details of the project should be submitted within a period to be specified in the letter of intent. The prescribed period will obviously vary with the nature of the project concerned.

"In arriving at a decision, the licencing authority should be assisted on technical matters by the technical organisations in the public sector concerned with the industry under question and/or the Development Wing. When the regular licence is issued, the successive steps to be taken by the licensee and the time-schedule for these should be defined. At the same time, the Government should, on its part assume responsibility for assisting the high-priority projects in obtaining supplies of controlled materials, transport facilities and so forth. Further, when, despite such assistance, there is undue delay in the execution of the ltcensed project, the Government should revoke the licence. The more important of the projects in regard to which such revocation becomes necessary should be taken over by the Government for implementation. It should be possible in most cases to define the steps to be taken within a reasonable period of time, say within six months, of the licence becoming effective.

(ii) **Use of the Price-Mechanism:** "The tightening of the licensing system in the manner indicated above will necessarily mean an increase in the administrative work connected with it... The strain on the licensing authority may be reduced to some extent if, as suggested earlier, the scrutiny of applications for low-priority projects is limited to an assessment of their consistency with the plan targets. In addition Government need not assume responsibility for supply of foreign exchange or scarce materials at regulated prices to these industries, as it would have to in the case of the high-priority industries. Such an arrangement would mean that in the allocation of scarce resources it would not be necessary to issue quota certificates or import licences to all users irrespective of their relative importance to the development programme... In fact even now, quotas which are allotted to the entrepreneurs are frequently sold to other users in more profitable but less important industries, through the black market. Allowing entrepreneurs and other users to buy residual supplies in something like a free market, would amount to nothing more than recognising transactions which now take place in a covert manner. The partial use of a free market as suggested above will however require the strengthening of direct allocations for priority uses with tax measures applicable to others in a manner which keeps under check the relative profitability of investment in the low priority industries.

"For instance, the profit margin of established importers, whose licences are of the order of over Rs. 50 crores in recent years, is known in several cases to exceed 100 per cent. There is no reason for allowing such profits to be made by private traders and it should be possible to divert the major part of these profits, if not all of them, to the public sector. This could be done either by the Government itself taking over the import of these commodities and auctioning the supplies to the actual users; or, if this is felt to be administratively difficult, by auctioning the licences themselves... As in the case of commodities covered by established importers' licences, the profits made in the black market on such commodities as steel and cement could also be diverted partially or wholly to the public sector through a combination of free market allocation of residual supplies and fiscal policy.

(4) **Concentration of Economic Power:** "It has often been argued that in the past the licencing system has to some extent encouraged concentration of economic power in the hands of a few large business houses, and that this should be remedied by enlarging the number of licences issued to the smaller entrepreneurs in the expanding industries. In this context, one needs to distinguish between technical concentration within an industry and concentration of economic power. In several industries the present size of the Indian market or the target set in the Plan permits of only a limited number of plants of economic size. In these cases it would be unwise to set up plants of a smaller size... The main thing here is that the need to confine licences to units of an economic size should not result in their being issued to large business houses, on the ground that entrepreneurial ability is scarce and concentrated in the established business houses. It should be possible to reconcile these conflicting interests since there are only a small number of business houses which may be considered as excessively large in the Indian context, and the problem is essentially one of preventing their further expansion.

"In actual practice, however, the identification of "excessively large" controlling groups will present difficult problems and a measure of arbitrariness in setting out the criteria for such differentiation will be inevitable."

MANUFACTURE OF HEAVY ELETRICAL GOODS

The Government of India, it is understood, holds the view that the planned capacity for manufacturing heavy electrical goods is adequate to meet the country's demand by the end of the current Plan period and that, therefore, there is no room for licensing further units in the private sector unless such units had export potential. The case of the latter units, it is further learnt, can be considered on merits. This decision presumably follows consideration of an application from Birla Brothers which envisaged setting up of a heavy electricals plant in collaboration with Westinghouse.

INDO - BELGIAN COLLABORATION

Increasing collaboration between India and Belgium in the industrial and economic fields was envisaged during the discussions which the Belgian Minister for Foreign Trade and Technical Assistance, Mr. Maurice Brasseur, had with Mr. K. C. Reddy, Union Minister of Commerce and Industry, Mr. Nityanand Kanungo, Minister of Industry, and Mr. Manubhai Shah, Minister of International Trade, soon after his arrival in New Delhi last week.

Mr. Reddy told the Belgian Minister that Government of India would welcome joint ventures between the two countries. Mr. Brasseur said that the Belgian Government would give all assistance to companies who came forward to enter into collaboration with Indian interests.

The Belgian Minister also called on Mr. C. Subramaniam, Minister of Steel and Heavy Industries in the Union Government.

MARITIME FREIGHT COMMISSION

The Government of India has set up a 3-man Maritime Freight Commission with Mr. U. N. Sukthankar as President, and Mr. D. S. Joshi, Special Secretary, Ministry of Commerce and Industry, and Dr. Nagendra Singh, Additional Secretary, Ministry of Transport and Communications and Director-General of Shipping, as members. The Commission will advise the Government on all matters of shipping freight whether international or coastal.

Foreign shipping concerns which are members of Conference still carry a large portion of Indian cargo. They work according to sheduled freight rates, but when these are increased, Indian interests, particularly exports, are affected adversely. A Freight Investigation Bureau was, therefore, constituted to enlighten the Government on what the freight structure ought to be and also to negotiate with foreign shipping companies for reduction in freight rates where these hamper our exports or are discriminatory. The recent agreement with the India-UK Conferences provides for discussion with Indian shippers and, then, with the Government in all cases where enhancement of rates is proposed by foreign shipping companies. A high-power Commission has, therefore, been set up to advise the Government about the justification of any proposed increase. The Freight Investigation Bureau at Bombay will form the Secretariat of the Commission. Mr. Sukthankar's appointment is honorary.

ZINC SMELTING

Poland has shown an interest in extending collaboration for zinc smelting in India. If the terms of collaboration are approved by the Indian Government, part of the Polish credit made available for the Third Plan period may be used for this purpose.

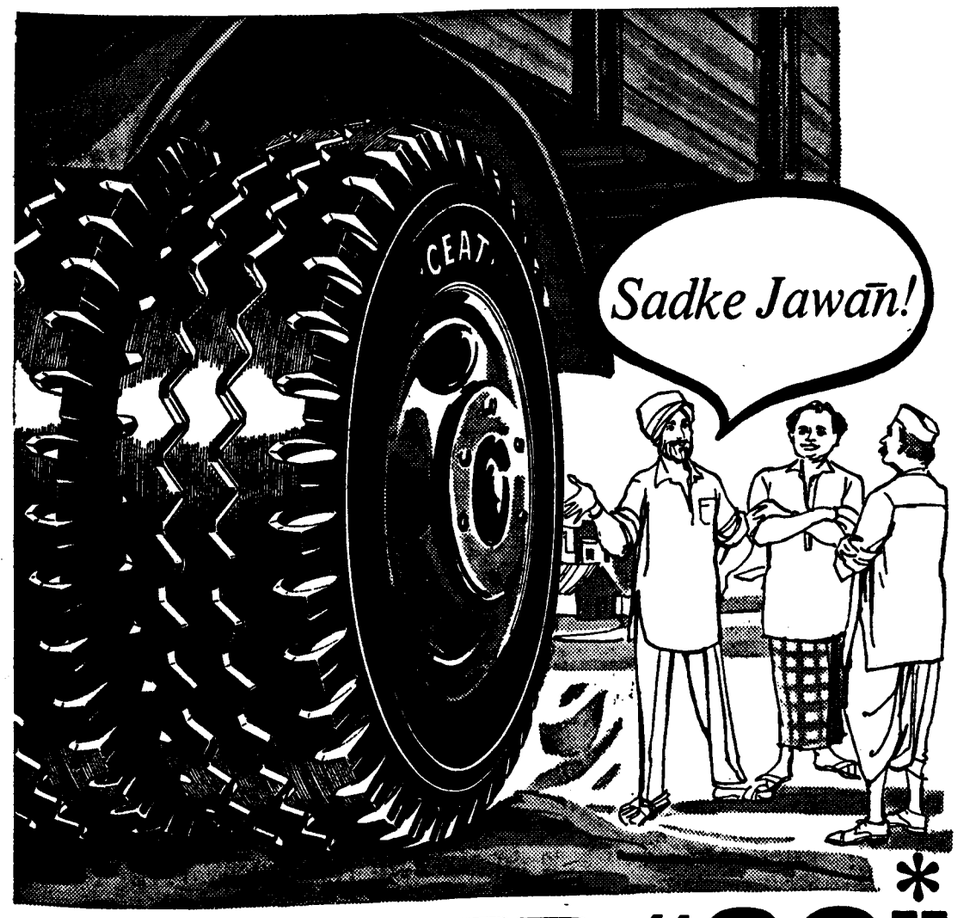
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Subscriptions will be received in cash or by cheque. Applications will be received at the branches of the State Bank of India at Calcutta, Bombay, Madras, New Delhi, Cuttack, Berhampur and Sambalpur from the 8th November, 1962 to 10th November, 1962 both day inclusive. Subscription may however be closed earlier without notice if the total subscription is reached.

Copies of loan prospectus and application forms are available at all the Offices of the State Bank of India mentioned above and at the Office of the State Electricity Board, New Capital, Bhubaneswar.

NEWS IN BRIEF

INDIAN

The Rajasthan State will have five new industrial training institutes in addition to the six already functioning there. Free training, workshop clothing and medical aid will be provided to the candidates during the two-year training period.

•

A delegation of the Tea Association of India left the country on October 19 for a tour of the Pacific countries including Australia and New Zealand, to study the possibilities of increasing trade with them.

•

The Government of India has reconstituted the Advisory Committee for the Air-India International and the Indian Airlines Corporation.

•

The Central Warehousing Corporation has decided to establish a central warehouse at Ranibennur, Mysore State.

•

Mr. P. C. Bhattacharya, Governor of the Reserve Bank, declared open on October 19, the Madras branch of the Clarion Advertising Services Private Ltd.

•

The Government of India has decided to enhance the rates of dearness allowance in respect of Armed Forces personnel below officer rank with effect from November 1, 1961.

•

The Government of India has entered into agreement with M.A.N. Ausburg of West Germany for the manufacture of marine diesel engines in India during the current Plan period.

•

The United Nations Special Fund has agreed to contribute $744,000 for the establishment of a Central institute in Rajasthan for improvement of sheep and wool production.

•

Two French banks have granted a credit of £3,500,000 to the Industrial Finance Corporation of India to finance the import of French industrial equipment by India.

•

The Heavy Electricals, Bhopal, has received order for 120 sets of electrical equipment for 2,600 H.P. Diesel locomotives and 315 mw water turbine generator sets from the Punjab Government.

•

The Export Agency Division of the Indian Sugar Mills Association signed a contract with an international trade house for the export of 2 lakh tonnes of raw sugar during the first half of 1963.

•

Dr. Sushila Nayyar, Union Health Minister, has announced that the Government intends to establish 18 new medical colleges in the country during the current Plan period.

•

The Union Government has approved the Indian Oil Company's plans to set up two lubrication oil blending plants in Calcutta and Bombay with an annual capacity of 10,000 tons each, in collaboration with the Mobil Oil Company of America.

•

British gifts of laboratory equipment worth £5,000 being made available under the Colombo Plan to Central Building Research Institute, Roorkee, and Central Drug Research Laboratory, Lucknow.

•

A team of mining experts from Poland is at present in West Bengal to conduct a preliminary survey of coal deposits in the Raneegunje and Asansol areas.

FOREIGN

An Asian Seminar on Urban Community Development is scheduled to be held at Singapore this December under the aegis of the ECAFE and other United Nations agencies.

•

A spokesman of the UAR Government has announced a reduction in the press cable rates as a gesture of goodwill to the press.

•

The American Transworld Airlines recently flew the first transatlantic flight using a fully automated Doppler Radar system of navigation. The system requires no ground radio aids; radar signals from the plane are reflected from the earth's surface back to the plane's computer circuits connected by instruments on the radar panel.

•

Alitalia, the Italian Airlines inaugurated a daily flight from Rome to Genoa on the occasion of the opening of the new airport "Christopher Columbus" at Genoa on October 13.

•

Soviet engineers are designing a hydro-electric power station in Northern Sumatra (Indonesia) which when completed, will have an overall capacity of 280,000 Kilowatts, and will meet the needs of an industrial complex to be built in this area. The first section of the power station and the industrial complex are expected to be commissioned in 1967.

•

A Swiss watch manufacturer has produced the "BIVOUAC" which, in addition to the apparatus to indicate time, contains a barometer and an altimeter. The "BIVOUAC" would be specially useful for mountaineers and parachutists.

•

A candle factory with an annual production capacity of 1,000 tons has been set up in Lagos, Nigeria, through the initiative of the Indian Chellaram Company along with German, Swiss and African interests.

•

An agreement signed in Moscow on October 20 by the Soviet Union and the Sudan provides for a direct air link between Moscow and Khartoum.

•

The French Government has decided to raise the guaranteed minimum wage throughout the country and increase family allowances with effect from November 1.

•

The United States will play host to the World Food Congress of the FAO to be held in Washington in June, 1963.

•

The UAR and Hungary signed on October 19, at Budapest, a 3-year trade agreement providing for a 15 per cent increase in mutual trade.

•

Seventy-five postal administrations have agreed to issue "Freedom-from-Hunger" stamps on March 21, 1963, to support the FAO's efforts in this direction.

•

Eleven Congolese radio operators have graduated from the Leopoldville Civil Aviation School established by the United Nations Operations in Congo.

•

A group of leading French banks has opened a $37,600,000 credit for the Mexican State-owned oil company "Petroleos Mexicanos" to finance the latter's expansion projects.

COMPANY AFFAIRS

DELHI CLOTH MILLS

The audited accounts of the Delhi Cloth and General Mills Company Ltd. for the year to June 30, 1962 show an operational turnover at Rs. 38.52 crores which is more than last year's figure of Rs. 35.89 crores. It may however be noticed that profit earned is slightly lower at Rs. 4.28 crores against Rs. 4.35 crores a year before. The depreciation provided is higher than the previous year and the same is about tax provision. There is a net profit of Rs. 1.34 crores after all these provisions as also a provision for development rebate reserve. The directors have recommended the payment of dividend at the rate of 13 per cent on ordinary shares which is the same as last year's appropriation. A sum of Rs. 40 lakhs is separated towards development reserve and another Rs. 40 lakhs towards reserve for fall in prices.

The annual report indicates that in spite of difficulties in procurement of coal, cotton, etc., increase in cost of materials and higher wage bills, the textile units in India have shown encouraging results. The DCM has been able to maintain its position in the matter of exports notwithstanding adverse conditions in foreing market. The working of the silk, chemical division including vanaspati and sugar and distilled factories of the Company have continued satisfactorily. The Company has set up the nucleus to a chemical plant manufacturing section which is undertaking fabrication and supply of equipment against outside orders. Two sulphuric acid plants each of 50 ton capacity have been designed, fabricated and delivered against such orders. One of these units has started operations and the reports of its working have been quite satisfactory.

The Company is undertaking a concrete programme for renovation and modernisation in its textile units. The Company has been granted an industrial licence for putting up another spinning unit at Hissar with a capacity of 23,000 spindles. Machinery has already been ordered and the unit is likely to start early next year. The PVC project at Kota is progressing and the bulk of machinery on order has already arrived at site and the caustic soda plant is expected to go into production shortly.

The Company during the year also has finalised the orders for foreign machinery and equipment for rayon tyre cord project. The preliminary erection has already been taken in hand. The Company obtained a loan of $9.8 million from the United States Agency for International Development for meeting foreign exchange requirements of the rayon tyre cord project. The Company raised money by floating debentures of the value of Rs. 2.50 crores. The new ordinary shares have also been offered to the shareholders.

CALICO

The working results of the Ahmedabad Manufacturing and Calico Printing Company Ltd. revealed that during the year ended March 31, 1962, rapid modernisation and expansion and diversification of the Company's activities continued to be the most notable features. During the last five years the capital assets of over Rs. 6 crores were added to the block. The Company has been increasingly ploughing back its profits. During the year the directors' report indicates that the cost of production continued to rise, wages increased and the prices of stores, chemicals and dyes were higher. The Indian cotton crop was badly affected. With all this the prices of cloth were pegged to previous level. Against this comparatively darker side the Company made vigorous efforts to promote cloth exports. The Company was granted a licence to instal 25,000 additional spindles under the export promotion scheme.

The directors have reported that the polyvinyl chloride plant was put into commission in July 1961 and the quality of rasins and compounds has been proved to be of high levels. The caustic soda expansion scheme is also progressing satisfactorily. Against this expansion the issuing of debentures aggregating to Rs. 2 crores can be justified.

Out of the profit of Rs. 72.54 lakhs after providing for taxation depreciation etc. the directors have recommended the payment of dividend for the year at the rate of Rs. 9.50 per share subject to tax and Rs. 8.50 out of profits exempt from tax, making a total of final dividend of Rs. 18 per ordinary share in respect of 1.65 lakh ordinary shares. Interim dividend at Rs. 14 per ordinary share was declared by the Board and since paid.

NEW ISSUES

The Mysore Iron and Steel Limited and four other companies have been authorised by the Controller of Capital Issues to raise capital totalling Rs. 5.48 crores. Of these, Mysore Iron and Steel is issuing equity capital of Rs. 4 crores. Two companies are issuing equity plus preference shares. One issue is on rights basis. The consent for all these is valid for 12 months.

The Mysore Iron and Steel Limited, Bhadravati, is issuing equity capital of Rs. 4 crores in shares of Rs. 100 each for other than cash to the Mysore State Government in consideration of part payment for the transfer of the assets of the Mysore Iron and Steel Works Bhadravati, as a going concern to the company.

Gayday Iron and Steel Company Limited, Calcutta, will issue capital of Rs. 75 lakhs divided into 6 lakhs equity shares of Rs. 10 each and 15,000 cumulative redeemable preference shares of Rs. 100 each in supersession of an earlier consent for Rs. 53 lakhs.

The Davangere Cotton Mills Limited, Davangere, will raise capital of Rs. 33 lakhs divided into 15,000 equity shares of Rs. 100 each for cash at a premium of Rs. 25 per share and 18,000 9.5 per cent. (subject to tax) preference shares of Rs. 100 each for cash at par on rights basis. The proceeds will be utilised for the manufacture of cotton and staple fibre yarn and cloth.

Tan-India Wattle Extracts Company Limited, Madras, is to issue capital of Rs. 20 lakhs in the form of equity shares of Rs. 100 each for cash at par. The proceeds of the issue will be utilised for the manufacture of vegetable tanning extract known as wattle extract.

G. T. N. Textiles Limited, Kerala, is issuing equity capital of Rs. 20 lakhs for cash at par. The proceeds of the issue will be utilised for establishing a cotton textile mill in Kerala.

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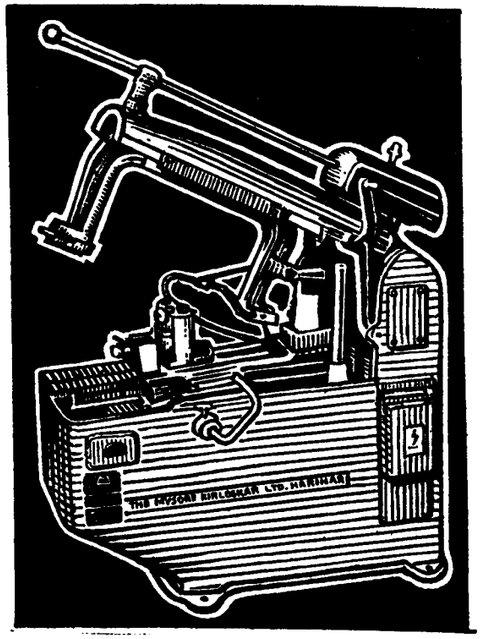
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BATLIBOI MK-562

GOVERNMENT OF INDIA

4¼ per cent National Defence Bonds

Subscriptions to the Bonds will be received at the following places with effect from 10th November 1962 :

(a) **Offices of the Reserve Bank of India at Bangalore, Bombay, Calcutta, Madras, Nagpur and New Delhi;**

(b) **Branches of the subsidiary banks of the State Bank of India conducting Government Treasury work ; and**

(c) **Branches of the State Bank of India at other places in India.**

Subscriptions will be in multiples of Rs. 100 and will be paid in the form of cash or cheque. Interest will be paid half-yearly at the rate of 4¼ per cent per annum and the Bonds will be repaid at par after 10 years from the date of sale. The interest paid will be liable to tax but tax will be deducted at source in case of Bonds held by individuals.

THE EASTERN ECONOMIST

Premier Economic and Financial Weekly

RATES OF SUBSCRIPTION

	Inland	Abroad
Yearly	Rs. 65.00	Rs. 70.00
Half Yearly	Rs. 33.00	Rs. 35.00

Air Mail Rates on Application

Regd. Office :

UCO Bank Building, Parliament Street,
Post Box No. 34, New Delhi
Grams : Research Phone : 44984

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
July 1961 ..	124.2	98.6	122.1	151.4	141.9	125.3	127.6	128.8
August " ..	124.3	99.9	122.3	144.6	140.9	123.9	126.3	127.5
September " ..	121.1	99.7	121.4	138.3	140.6	123.1	125.5	124.6
July 1962 ..	128.4	98.5	124.5	138.8	142.6	127.2	129.4	129.6
August " ..	131.5	99.2	124.5	139.6	143.1	126.7	129.0	131.1
September " ..	130.3	99.8	124.3	139.8	142.9	127.2	129.4	130.7
1-9-1962	130.6	99.5	124.4	140.2	142.3	127.2	129.4	130.9
8-9-1962	130.5	99.9	124.4	139.7	142.7	127.1	129.3	130.8
15-9-1962	130.8	99.9	124.3	139.4	143.0	127.5	129.7	131.0
22-9-1962	129.8	99.9	124.3	139.8	143.4	127.1	129.4	130.4
29-10-1962	129.0	100.0	124.8	140.0	142.9	126.9	129.2	130.0
6-10-1962	128.6	100.0	124.8	139.1	142.9	126.6	128.9	129.6

* 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†
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
1962 January	415	436	295	170	399	513	495	180	482	177	174	175
February	417	438	295	170	399	513	492	192	480	177	177*	175
March	418	439	300	170	403	503	493	198	480	179	175*	175
April	418	439	300	170	410	491	492	198	480	182	175*	177
May	422	433	303	167	417	491	496	199	480	180	177*	178
June	426	447	308	171	417	505	497	201	484	182	177*	179
July	427	448	—	175	420	515	501	202	487	185	177*	181*
August	433	454	—	177	431	530	510	204	488	187	179*	182*
September	—	—	—	176	—	525	—	—	488	—	—	—

Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

WEEK ENDED

	19-10-1962 High	19-10-1962 Low	19-10-1962 Average	12-10-1962 High	12-10-1962 Low	12-10-1962 Average	5-10-1962 High	5-10-1962 Low	5-10-1962 Average	28-9-1962 High	28-9-1962 Low	28-9-1962 Average
(per 10 gram)	120.90	117.05	119.26	117.60	115 75	116.44	120.95	118.25	119.60	125.00	120.10	121.98
(per kilogram)	222.00	220.65	221.31	220.00	218.45	219.21	219.90	217.40	218.54	220.65	219.90	220.13

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										
July 1961 ..	1,922,49	24,13	1,946,62	117,76	93,01	210,77	11.83	121,30	1,614,54	1,946,62
August „ ..	1,898,63	13,31	1,911,93	117,76	116,86	234,62	12.27	123,85	1,553,46	1,911,93
Sept. „ ..	1,877,38	21,36	1,898,74	117,76	116,86	234,62	12 36	126,45	1,537,67	1,898,74
July 1962 ..	2,070,65	20,54	2,091,18	117,76	92,14	209,90	10.04	117,27	1,764,01	2,091.18
August „ ..	2,040,68	23,91	2,064,59	117,76	89,74	207.50	10.05	121,45	1,735,59	2,064,59
Sept. „ ..	2,029,26	18,74	2,048,00	117,76	88,34	206,01	10.06	123,87	1,718,03	2,048,00
Week-Ending										
14-9-1962 ..	2,041,70	15,38	2,057,08	117,76	88,34	206,10	10.02	122,95	1,728,03	2,057,08
21-9-1962 ..	2,019,79	18,97	2,038,76	117,76	88,34	206,10	10.11	124,63	1,708,03	2,038,76
28-9-1962 ..	2,011,48	28,30	2,039,78	117,76	88,34	206,10	10.10	125,63	1,708,05	2,039,78
5-10-1962 ..	2,054,34	17,85	2,072,19	117,76	88,33	206,09	9.95	123,04	1,743,05	2,072,19
12-10-1962 ..	2,071,14	20,12	2,091,25	117,76	88,08	205,85	9.84	122,10	1,763,31	2 091.25
19-10-1962 ..	2,047,88	19,65	2,067,53	177,76	88,08	205,85	9.96	123,38	1,738,31	2,067,53

BANKING DEPARTMENT

Period	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														
July 1961 ..	58,61	18,56	93,24	111,63	282,04	94.38	461,41	24,17	26,26	9,98	40,10	117,43	221.75	21,72
August „ ..	65,39	16,45	88,09	180,22	350,16	89,86	525,02	13,35	15,21	30,97	47,71	116.37	284,51	16,89
Sept. „ ..	60,81	26,76	83,71	159,06	330,34	96,02	511,36	21,42	16,73	17,47	49,15	131,54	257,92	17,13
July 1962 ..	51,34	20,63	102,86	196,73	371,57	121,12	577,67	20,59	63,99	5,86	37,96	130,85	280.80	37.71
August „ ..	65,16	24,57	94.63	181,32	365,69	115,38	566,08	23,97	69,23	5,45	31,00	136,99	265.68	33 76
Sept. „ ..	83,68	20,13	86,69	161,43	351,93	177,55	554,48	18,79	115,11	6,10	27,81	159,93	192,28	34,46
Week-Ending														
14-9-1962 ..	84,42	29,41	84,47	160,25	358,55	119,46	563,01	15,43	127,25	5,76	24,88	158,91	196,32	34.46
21-9-1962 ..	73,78	15,71	86,58	160,13	336,20	116.27	537,48	19,03	125,24	7,58	27,88	147,17	176,16	34,42
28-9-1962 ..	61,79	13,76	85,72	163,09	324,36	115,14	524,50	28,36	102,27	5,60	31,37	149,40	172,76	34,74
5-10-1962 ..	60,87	17,95	85,82	160,08	324,72	115,11	524,84	17,91	136,73	5,64	35,44	154,59	139,49	35.05
12-10-1962 ..	59,49	21,20	83,68	161,45	325,82	115,04	525,85	20,18	155,08	4,58	37,74	157,15	118,79	35 20
19-10-1962 ..	52,42	15,27	89,88	159,86	317,43	125,51	527,90	19,71	139,65	6,27	39,65	144,40	142,91	35,31

* 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. 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
1961-62 ..	849,52	1,142,61	1,992,13	47,92	78,11	6.33	1,101,66	185,61†	64.62	585,01
Average of Fridays										
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
April „	927,18	1,240,90	2,132,08	51,77	83,78	6.36	1,198,27	229,73	66.96	592,07
May „	920,22	1,230,84	2,151,06	52,43	83,85	6.34	1,216,77	220,89	66.83	580,32
June „	911,54	1,266,78	2,178,32	53 30	84,92	6.35	1,235,93	197,66	65.81	584,76
July „	909,70	1,288,13	2,197,83	51,28	99,24	6.85	1,240,45	169,86	64.17	613,11
August „	915,52	1,305,73	2,221,21	50,04	90,22	6.30	1,213,47	180,08	62.74	678.24
Sept. „	913,02	1,283,49	2,196,52	48,53	82,13	5.95	1,203,38	197,61	63.79	678,63
Week Ending										
14-9-1962 ..	913,46	1,280,82	2,194,28	49.75	80,37	5.93	1,212,31	195,96†	64.18	662,13
21-9-1962 ..	915.86	1,286,17	2,202,03	47.96	81,83	5.89	1,193,99	196,35†	63.14	683,82
28 9-1962 ..	917,81	1,286,89	2,204,70	47,38	79,05	5.74	1,187,76	198,14†	62.86	689,93
5-10-1962 ..	920,73	1,290,81	2,211,54	49,18	79,96	5.84	1,194,90	202,29†	63.18	692,57
12-10-1962 ..	932,48	1,288,99	2 221,47	54,76	73,14	5.76	1,190,20	208,26†	62.95	690.15
19-10-1962 ..	933,31	1,293,94	2,227,25	52,69	84,53	6.16	1,177,33	206,57†	62.14	697,13

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(REVISED SERIES)

(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)
1951-52 ..	1,849,96	1,285,51	564,45	544,85	19,60	—159,82
1955-56 ..	2,219,92	1,571,01	648,91	636,90	12,01	+262,53
1956-57 ..	2,345,30	1,622,73	722,57	710,92	11,65	+125,38
1957-58 ..	2,417,00	1,674,07	742,93	723,06	19,87	+ 71,70
1958-59 ..	2,530,27	1,792,02	738,25	719,00	19,25	+113,27
1959-60 ..	2,725,04	1,930,86	794,18	772,39	21,79	+194,77
1960-61 ..	2,874,11	2,098,05	776,06	757,10	18,96	+199,84
1961-62 ..	3,049,45	2,201,79	847,66	824,26	23,41	+175,34
December* 1961 ..	2,840,48	2,059,62	780,86	761,95	18,92	+ 40,37
January* 1962 ..	2,900.10	2,105,11	794,99	774,89	20,10	+ 59,62
February* „ ..	2,954,85	2,154,75	800,10	781,08	19,02	+ 54,75
March* „ ..	3,049.45	2.201,79	847,66	824,26	23,41	+ 94,60
April* „ ..	3,105,62	2,255,10	850,52	826,42	24,09	+ 56,17
May* „ ..	3,097,65	2,257,10	840,54	819,27	21,27	— 7,97
June* „ ..	3,047,99	2,203,73	844,27	824,00	20,26	— 49,66
July* „ ..	3,026,41	2,170,10	856,31	833,63	22,69	— 21,58
August* „ ..	3,007,52	2,141,77	865,75	843,46	22,29	— 18,89

* Provisional. † Excluding balances held on I.M.F. Amount No. 1 and other extraordinary items.

Source: Monthly Bulletin of Reserve Bank

INDEX NUMBERS OF WHOLESALE PRICES — IMPORTANT COMMODITIES

(Base: 1952-53 =100)

Average of months/ Average of weeks	Rice	Wheat	Jowar	Bajra	Gram	Ground-nut Oil	Mustard Oil	Sugar	Gur	Tea
1955-56 ..	78	72	67	84	49	74	104	94	88	170
1956-57 ..	97	88	123	122	71	104	176	95	100	165
1957-58 .	105	88	114	126	68	105	164	110	107	164
1958-59 .	105	105	105	126	96	107	148	121	131	169
1959-60 ..	105	96	119	126	75	118	150	124	161	186
1960-61 ..	108	90	122	130	87	138	168	127	136	206
1961-62 ..	105	91	112	132	83	144	177	125	116	193
June 1961 ..	106	86	113	141	81	159	169	127	122	206
July „ ..	108	88	118	145	81	160	175	127	121	220
August „ ..	110	89	113	142	82	149	174	127	123	218
September „ ..	110	87	107	123	81	141	173	127	122	190
October „ ..	108	89	110	130	82	129	176	125	118	205
November „ ..	106	92	108	128	86	135	183	125	118	180
December „ ..	102	94	109	126	88	134	187	125	109	164
January 1962 ..	101	98	115	130	91	136	187	122	108	177
February „ ..	102	100	120	131	90	140	186	122	108	181
March „ ..	103	94	120	126	82	136	179	124	118	163
April „ ..	106	92	122	123	81	135	171	131	121	155
May „ ..	109	88	126	125	84	132	176	131	129	166
June „ ..	110	88	131	128	86	132	179	130	161	169
July „ ..	112	91	137	135	89	135	187	131	165	172
August „ ..	114	93	141	137	95	138	193	134	161	170
September „ ..	115	91	141	136	93	137	193	131	168	174
1-9-1962 ..	115	92	141	138	93	141	194	133	168	172
8-9-1962 ..	116	92	141	135	94	140	194	132	168	173
15-9-1962 ..	115	92	140	134	93	136	194	131	167	176
22-9-1962 ..	115	91	142	135	93	135	193	130	167	176
29-9-1962 ..	115	90	140	136	94	134	192	130	171	173

Average of months/ Average of weeks	Spices & Condi-ments	Tobacco Raw	Coal	Cotton Raw	Jute Raw	Ground nut	Cotton Manu-factures	Jute Manu-factures	Silk & Rayon Manu-factures	Machi-nery
1955-56 ..	110	77	101	97	117	79	105	96	91	102
1956-57 ..	97	80	116	111	126	111	116	95	88	104
1957-58 ..	96	92	128	106	133	108	116	95	86	107
1958-59 ..	127	93	133	99	118	117	112	87	93	109
1959-60 ..	152	98	135	106	125	131	117	91	96	111
1960-61 ..	128	111	141	112	210	146	128	131	104	116
1961-62 ..	140	96	142	109	178	155	128	122	120	120
June 1961 ..	151	95	141	110	208	167	126	125	117	118
July „ ..	145	93	141	107	215	171	126	131	119	118
August „ ..	143	95	141	105	180	167	128	121	118	118*
September „ ..	143	95	141	104	155	156	128	114	119	119
October „ ..	145	95	141	107	150	143	128	119	119	119
November „ ..	143	93	141	108	149	143	128	116	121	123
December „ ..	140	89	141	109	145	144	128	118	123	122
January 1962 ..	141	92	143	110	146	145	128	116	122	122
February „ ..	140	94	143	112	148	149	128	113	125	122
March „ ..	140	95	145	113	148	149	128	117	127	122
April „ ..	143	94	145	112	141	149	128	115	129	123
May „ ..	149	95	145	113	139	145	129	113	129	124
June „ ..	152	92	149	113	144	144	130	118	130	124
July „ ..	152	91	152	115	149	146	129	117	130	124
August „ ..	154	92	152	114	146	151	129	111	131	124
September „ ..	156	92	152	112	151	151	129	113	133	124
1-9-1962 ..	155	92	152	115	149	151	129	114	132	124
8-9-1962 ..	156	92	152	114	150	150	129	113	132	124
15-9-1962 ..	155	92	152	111	152	151	129	115	133	124
22-9-1962 ..	156	93	152	111	151	151	129	113	133	124
29-9-1962 ..	156	93	152	111	152	152	129	111	133	124

* Estimated.

AVERAGE DAILY EMPLOYMENT IN WORKING FACTORIES: 1956 - 60

Industry	Number of working factories				Average daily employment (in thousands)			
	1956	1958	1959	1960	1956	1958	1959 (P)	1960 (P)
1. **Processes allied to agriculture**	2,294	2,447	2,807	2,730	110	148	161	160
(a) Cotton ginning and bailing	2,128	1,844	2,539	2,481	105	117	153	152
(b) Jute presses	76	94	88	80	2	3	3	3
2. **Food** (except beverages)	10,226	17,714	14,102	14,430	353	489	515	538
(a) Flour mills	1,749	2,062	2,481	2,452	10	13	14	14
(b) Rice mills	3,195	4,412	4,832	5,082	66	81	85	90
(c) Sugar	226	300	314	368	96	109	112	123
(d) Gur	836	646	660	656	10	12	11	12
(e) Edible oils (other than hydrogenated oils) ..	1,851	2,304	2,609	2,582	45	54	57	57
(f) Hydrogenated oil	31	31	75	41	6	6	9	8
3. **Beverages**	147	156	198	205	6	7	8	8
4. **Tobacco**	2,321	2,633	2,627	2,477	148	191	178	177
(a) Bidi industry	1,580	1,931	1,860	1,727	71	98	92	87
(b) Cigarette	30	14	54	24	10	9	13	8
5. **Textiles**								
(a) Cotton mills	1,344	1,718	1,884	1,891	760	769	806	790
(b) Jute mills	112	108	95	95	273	243	230	232
(c) Silk mills	1,044	1,285	1,676	1,809	48	57	70	71
(d) Woollen mills	81	129	172	196	14	15	17	24
6. **Foot wear, other wearing apparel and made-up textile goods**	211	274	295	292	13	19	19	20
7. **Wood and cork** (except furniture)	1,020	1,644	1,872	2,032	21	43	50	52
(a) Saw mills	756	1,178	1,412	1,556	10	21	26	27
(b) Plywood	55	75	84	81	4	6	8	7
8. **Manufacture of furniture and fixtures**	202	285	323	358	9	14	16	16
9. **Paper and paper products**	162	201	215	237	28	35	39	40
(a) Paper	30	36	44	50	21	25	27	28
(b) Manufacture of articles of pulp, paper and paper board	29	45	53	61	4	6	7	7
10. **Printing, publishing and allied industries** ..	2,221	2,599	2,966	3,039	77	94	100	105
11. **Leather and leather products**	479	481	475	473	20	20	20	20
(a) Tanneries and leather finishing	433	434	423	420	15	16	16	16
12. **Rubber and rubber products**	158	260	308	360	26	31	34	38
(a) Foot wear	18	18	51	19	12	13	14	14
(b) Tyres	16	30	62	76	5	6	7	8

Note: Figures in antique show the number of factories for which information on employment is not available.

(P)—Provisional.

AVERAGE DAILY EMPLOYMENT IN WORKING FACTORIES 1956 - 60 (CONTD.):

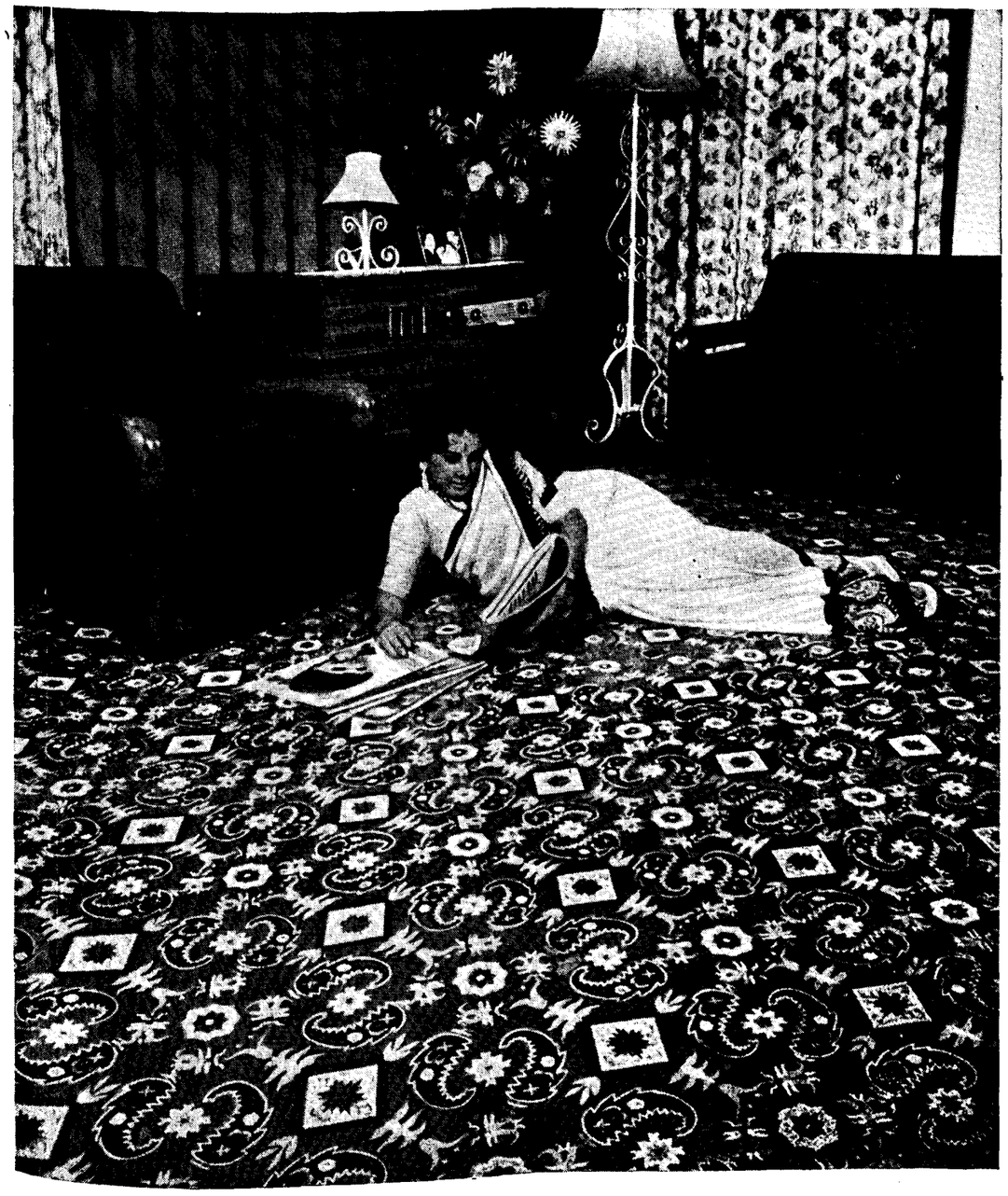
Industry	Number of working factories				Average daily employment (in thousands)			
	1956	1958	1959	1960	1956	1958	1959 (P)	1960 (P)
13. **Chemicals & chemical products**	1,062	1,211	1,392	1,435	87	119	131	139
(a) **Basic chemical industries**	170	224	259	284	21	42	48	52
Heavy chemicals	57	63	75	108	11	12	13	15
Fertilisers	65	75	82	79	7	10	13	15
(b) **Vegetable and animal oils and fats**	14	18	17	19	1	1	1	1
(c) **Miscellaneous**								
Medicinal & pharmaceutical products	209	239	263	296	17	21	24	27
Soap	89	92	93	95	6	8	9	9
Matches	142	169	199	231	21	20	19	18
Paints, varnishes & lacquers	116	128	134	93	6	7	8	8
Lac (including shellac)	146	132	128	121	6	6	6	6
14. **Products of petroleum & coal**	141	184	194	200	15	17	17	17[1]
Petroleum refineries	123	159	169	175	12	13	13	13
Coke ovens	5	5	6	8	2	2	2	2
15. **Non-metallic mineral products**	1,210	1,566	1,749	1,916	100	158	178	188
Structural clay products	291	496	608	658	19	41	53	57
Glass and glass products (except optical lenses)	240	252	265	288	30	38	40	43
Pottery, China, earthenware	79	97	102	114	13	15	18	19
Mica	185	204	223	239	13	14	16	16
16. **Basic metal industries**	728	913	1,040	1,163	103	133	153	158[3]
17. **Manufacture of metal products** (except machinery and transport equipment)	1,705	2,070	2,298	2,497	70	104	113	123[1]
18. **Manufacture of machinery** (except electrical machinery)	2,054	2,705	3,095	3,423	114	146	162	194
19. **Electrical machinery, apparatus, and appliances**	309	443	550	655	34	46	61	77
(a) Electrical machinery	24	35	45	52	5	6	7	10
(b) Telegraphs and telephones	15	16	18	14	6	6	12	11
(c) Electrical fans, radiators & other accessories	53	58	75	104	6	8	9	13
(d) Storage batteries	29	28	30	30	4	4	4	5
20. **Transport Equipment**	1,288	1,617	1,883	2,004	228	301	326	346
(a) Manufacture of bicycles	19	36	63	77	6	6	9	10
(b) Aircraft	20	25	26	29	5	7	19	21
21. **Electricity, gas and steam**	510	559	617	634	27	35	38	41
22. **Water and sanitary services**	160	165	180	190	5	6	8	7
23. **Recreation services**	54	55	55	54	4	5	5	4
24. **Personal services**	555	360	228	193	11	11	6	6
ALL INDUSTRIES	34,274	41,569	46,399	48,056	2,882	3,413	3,635	3,764[1]

Note: Figures in antique show the number of factories for which information on employment is not available. Rough estimates of average daily employment for the missing figures for the States and/or factories not submitting returns for the years 1958, 1959, 1960 are 184,000; 6,000; and 6,000 respectively.

(P)—Provisional.

Source: Ministry of Labour and Employment.

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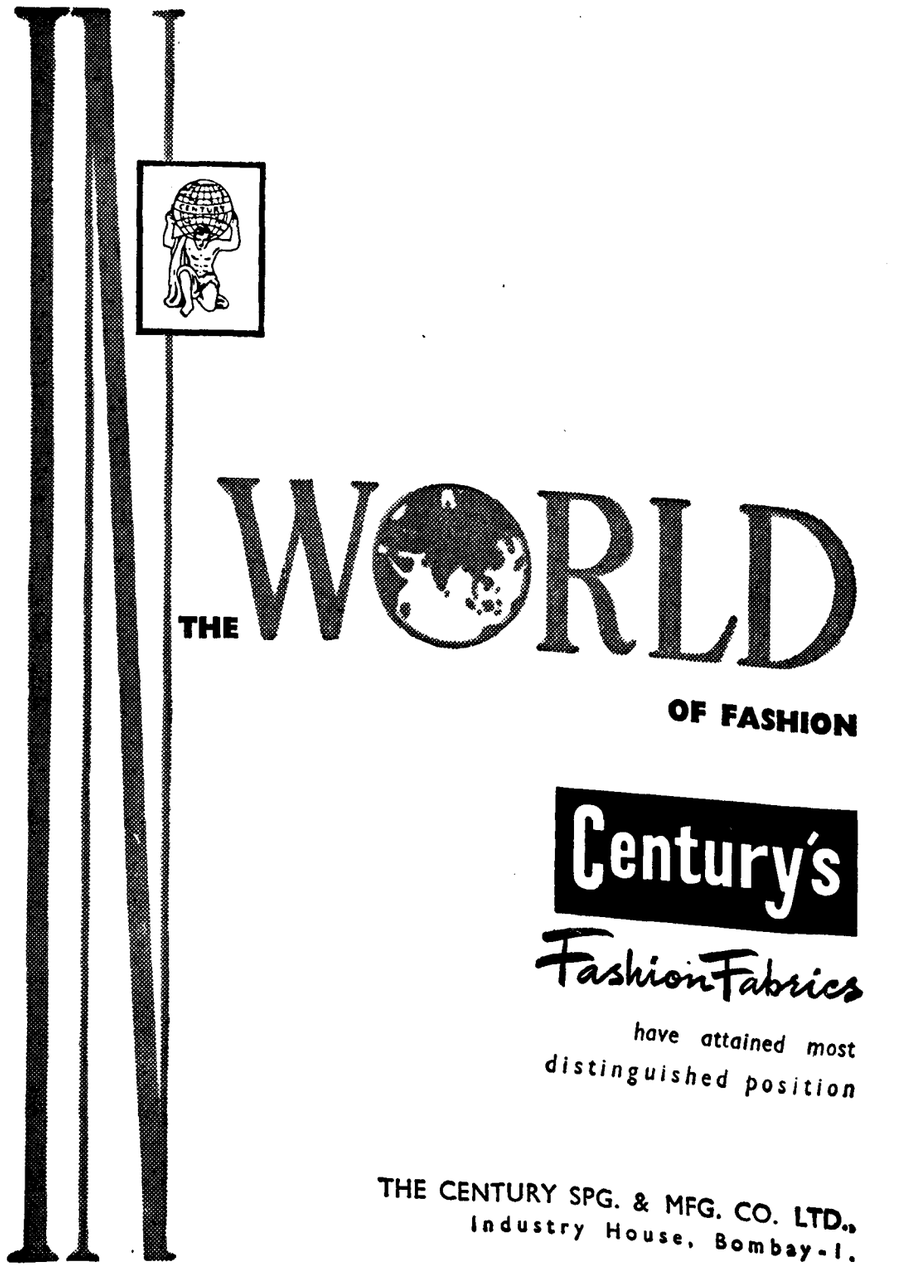
THE EASTERN ECONOMIST

VOL. XXXIX. NO. 18. NEW DELHI: NOVEMBER 9, 1962. ONE RUPEE

19 Nov 1962

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THE EASTERN ECONOMIST

NOVEMBER 9, 1962.

For Positive Action

AS the nation's top policy-making organization, the National Development Council must have very likely devoted a good part of its deliberations at this week's meeting to evolving programmes of positive action to mobilise resources for defence. The declaration which it issued at the conclusion of the session gives precious little, but it is only reasonable to presume that the NDC covered a much wider ground. Its members had more than a week's time at their disposal, since the state of emergency was declared, to give constructive thought to the tasks that will now arise. If so, the wisdom of issuing a laconic communique must be questioned. The public quite justifiably expected the NDC to give it a lead, but the latter has done less than justice in not taking it more into its confidence.

If the communique was brief, it was not for that reason altogether vague. The demand for maximising the nation's defence potential did not by any stretch of reasoning signify a call for a halt to the major part of the activities of civilian life, much less did it indicate a freezing of the main projects of development in the Third Five-Year Plan. But there could be no doubt that every single phase of national life will have to be given a defensive orientation—whether it is production, distribution, mobilization of financial resources, formation of emergency organizations or training of youth.

All this underscores the fact that the tempo of the resurging sense of unity and solidarity ought to be consolidated and fortified. The communique took care to stress these objectives. They have a legitimate place in the initial declaration issued by the NDC after its first session since the emergency. But a repetitive resort to patriotic exhortations and appeals stands the risk of degenerating into high-sounding platitudes likely to cause erosion of the enthusiasm and determination of the public to offer resistance to the aggressor. The stage has been reached when the public must be given guidance in precise and concrete terms how its newly generated energies will be harnessed.

The NDC was undoubtedly right in repelling the thesis that the Third Plan will have to be axed ruthlessly to spare resources for the war effort. It is not a total war in which the nation has been engulfed. The redirection of resources would imply a positive and pronounced change in emphasis, but it need not be assumed that it will hamper the pursuit of the Plan in its basic components. The economy geared, in the first instance, to the war effort will generate a new tempo of development, but not all of it need encroach on the Plan programmes. The extent of the diversion of financial resources, as the NDC has measured it at the moment, should serve to temper any tendency towards entertaining alarmist estimates.

For the next financial year, 1963-64, Central assistance for the State plans will be reduced by Rs. 50 crores out of the projected Rs. 450 crores. Social services and welfare programmes generally attract priority postponement in any scheme of a downward revision of financial allocations. It is quite easy to appreciate why housing programmes will be severely hit. Besides economy in expenditure, conservation of construction materials for the requirements of the armed forces is a very powerful reason for their drastic curtailment. Medical and health services will be modified on a selective basis and outlay on education will be stabilised except for the training of technicians.

But these reverse modifications in the State plans will be counter-balanced in a considerable degree by the positive accent on specified programmes of expansion. Agricultural production will be stepped up by intensive techniques, schemes of small irrigation receiving a calculated boost. Power generation, road construction, road transport and small industries will be under pressure of a higher tempo of development. In the face of the national danger, State autonomy loses much of its justification and force. It was not a surprise, therefore, to find the Chief Ministers agreeing readily to the proposal that public loans will be floated by the Centre alone and the allocation of their shares will be subject to the criterion of defence needs. Inevitably, the State budgets will have to be fitted into a somewhat common pattern with the Central budget.

Inflation is a camp-follower of war. The diversion of the part of the production capacity of the economy to unproductive channels, technically so called, and the creation of employment as well as purchasing power are forces which combine to exert pressures on prices. The NDC has not so far done anything to demonstrate by what concrete measures it proposes to put a curb on price inflation. Its faith in the efficacy of co-operatives is least calculated to inspire confidence. Co-operation is a plant of slow growth and in India its qualitative growth has been stunted over more than five decades of official patronage. It is ill-suited as a weapon for the short period. Government ought to face boldly the obligation to set up a far-flung network of fair price shops to put off the eventuality of physical controls.

It will be some time before a clear and precise picture of the changes that will be needed in industry during the war can be obtained. The full nature of war requirements can be assessed after a time, but this will be a continuing process. Changes in output, adaptation of plant and equipment to the production of the types of goods required for defence, modifications in installed capacity and similar problems will demand careful investigation. Since bulk of this production is to proceed from private plants, joint consultations between the Government and managements of the plants involved will be imperative.

Gold Bonds

THERE could hardly be a more critical juncture or a nobler cause than the present one for calling for the mobilisation of the unproductive gold hoards with the public. To fight the unscrupulous Chinese aggression on our northern border we need arms. To the extent the friendly countries have come to our succour in this grave peril, the immediate requirements of foreign exchange for purchase of arms have been vastly reduced. But to gear the economy to the war effort also requires precious foreign exchange. There is, thus, the imperative need of disgorging the gold hoards.

The scheme of the Gold Bonds announced by the Finance Minister is indeed attractive and generous if its full implications are clearly grasped

Unfortunately, the debacle in the bullion markets has created the impression that it calls for heavy sacrifices from the possessors of gold. The recent sharp set-back in gold prices had its genesis elsewhere, probably in the fears that Mr. Morarji Desai had as yet fired only the first shot from his armoury; he might soon come out with stringent measures to regulate purchase and sale of gold in the open market. Whatever be the case, the spiralling of gold prices in the country out of all proportion to the international price had been quite legitimately a cause of serious concern to the Government, for it encouraged the nefarious smuggling activity which inflicted a heavy, if invisible, strain on our foreign exchange resources and weakened the rupee.

A rough estimate on the basis of the terms offered for subscriptions to the Gold Bonds reveals that the subscribers will not incur any loss over the long run. The Gold Bonds carry 6½ per cent interest, subject to tax, payable every six months for 15 years, on an issued price of Rs. 53.58 per 10 grammes of .995 fineness. The subscriptions are to be immune to wealth tax and the levy on capital gains which may accrue from the sale of these Bonds. Since this interest is 2 per cent higher than that on comparable Government loans, the Gold Bonds, negotiable and quotable on the stock exchanges as they are, should immediately command a premium of about 45 per cent over their face value; their market price should be between Rs. 75 and Rs. 80. This provides an incentive for those who have invested their ill-gotten money in gold hoards, to turn a good deal of their black holdings into white which can be openly utilised for productive investment. The promise that the Finance Minister has held out that no subscriber to Gold Bonds would be asked to disclose the source of acquisition should be enough to allay the fears of everyone that disgorging of gold hoards will invite the heavy hand of the income-tax authorities. This newly converted white money, no doubt, involves a loss of about 25 per cent at the present ruling price of gold. But this loss can very easily be made up by investing it into productive channels in a period not more than three to four years.

Those whose life savings have been invested in gold ornaments due to the age-old custom in this country also do not stand to lose much by subscribing to these Bonds. They may consider their initial loss as a voluntary contribution to the national defence effort. The sale price of the Bonds, if invested by them in National Defence Certificates, will yield on maturity after 12 years approximately Rs. 132, tax free. Even if this legitimate manoeuvre is not resorted to, the loss to the subscribers should not be beyond what they would have expected as appreciation in the value of gold during the next fifteen years. At the compound rate of half-yearly interest of 3¼ per cent, the face value of the Gold Bonds gives a yield of Rs. 70 (less tax which in the case of lower income groups should only be small) in 15 years. How much appreciation in the gold price from the present one of about Rs. 100 per 10 grammes can be is anybody's guess. *The Eastern Economist*, feels that with the Government endeavouring to bring down gold prices and with the changes that can be expected to come about in the habits of the people, if for no other reason than on account of the mounting pressure of the cost of living, unproductive hoarding of gold can be expected to decrease materially. Growth in literacy, especially among the fair sex, can also be expected to lead to a reduction in the demand for gold.

Whatever may be the subscriptions to the Gold Bonds inside the country—it is hazardous to make any estimate in this regard, firstly, because no authentic figures are available of the gold reserves in this country and, secondly, it would be presumptuous to assume that during the three-month period in which the Bonds will be on tap, people, particularly in the country-side, will shed their age-old habit, howsoever the patriotic impulse has inspired them at the moment—it may be worthwhile to explore the possibilities of inviting subscriptions from Indian nationals abroad, especially from the entrepot trade centres, like Hong Kong, Singapore and Aden, and some other countries which have expressed their sympathy and moral support for our present cause. There may be difficulties in the shipment of gold subscriptions from these countries to India, but they may possibly be obviated by arranging with the Governments concerned the sale of gold there itself and remittance of foreign exchange. This is, of course, within the limits of the elbow room permissible under the exchange controls in these countries. If any country, however, shows the generous gesture to relax them, it would certainly be most welcome and opportune. Feelers can be sent out fruitfully in this regard. In the advanced countries where purchase of gold for uses other than industrial is generally prohibited by law, the response from Indian nationals there cannot be substantial. But in some other countries where customs do not vary from ours, the Indian community should be in a position to invest in these Bonds. It is worthwhile considering how the cumbersome procedure prescribed for the repatriation of Indian capital abroad should be modified to suit the present emergency. To enhance the appeal and marketability of the Gold Bonds, the Finance Minister might as well consider a provision being inserted in their terms and conditions for the automatic revaluation of their face value in the event of any upward revision in the international price of gold.

Parliament Meets

THE Lok Sabha which started its session yesterday, a week ahead of the original schedule, is meeting under the cloud of the emergency created by the Chinese invasion. The current session of the Lower House is undoubtedly unique in character, but it need not be considered singularly crucial. In his forthright and vigorous speech moving the two resolutions on the proclamation of the state of emergency and the nation's resolve to fight aggression, the Prime Minister minced no words and with all the emphasis at his command he impressed upon the House to take the fullest note of the fact that China had now set on the path of imperialist expansion. As he repeatedly pointed out the Chinese frontier is mobile. It was in the fitness of things that Mr. Nehru reminded the House to be prepared for all eventualities. It is for this reason that the duration of hostilities is unpredictable and there might be many occasions for the future sessions of Parliament to deal with matters of more crucial importance than now.

The dramatic manner in which the controversy over the removal of Mr. Krishna Menon from the Cabinet, which was carried in its last stage inside the Congress Parliamentary Party, culminated on the eve of the Lok Sabha session and saved it from considerable dissipation of time

and energy. Even a most balanced and liberal evaluation of the Defence Ministry's alertness (or the lack of it) in the matter of making defensive preparations in the NEFA area would show that the neglect in this behalf cannot be condoned, when plain inferences could have been drawn from China's prolonged and mass-scale preparations for the construction of roads and deployment of as many as eleven divisions on the Tibetan side of the eastern sector were under way.

Even normally, a Prime Minister has to reckon with the fact that he has to be instrumental for the rolling of ministerial heads, if only to placate public opinion. In this particular case, the head that rolled on Wednesday evening was long overdue for this fate. Mr. Nehru's sense of loyalty to his colleagues was overdone in this case and certainly it was far from prudent to subordinate the national interest to personal preferences. Public opinion asserted itself eventually.

Now that Mr. Krishna Menon has completely gone out of the Cabinet the atmosphere has been cleared for the restoration of full and unqualified confidence in the ability of the Defence Ministry to take up the challenge of the invasion and this confidence is quite fundamental to the sustenance of public morale. The Defence Ministry will need extensive overhaul of its techniques to clear the mess. The assumption of the defence portfolio by the Prime Minister in person accords with the public will. But it cannot be overlooked that the burden which the Prime Minister now carries would be too heavy for him to bear long in the critical period ahead. Sooner rather than later, he should make the choice of a dynamic personality to shoulder this strategic charge. The creation of a separate Ministry of Supply is another imperative.

The new atmosphere of emergency ordains that there should be a transformation in the role of the Opposition. This is not to argue that the Opposition should impose upon itself a self-denying ordinance in the matter of criticism of the Government's policies and actions. But this function should be strictly confined to matters other than those of defence. It is of the greatest importance that delicate issues connected with defence should be handled with the utmost care and caution on the floor of the House. Restraint and moderation will be more effective than superlatives where criticism is essential. But normally, so long as the hostilities last, on all important matters of defence Parliament ought to act as an undivided House speaking with one voice. Vital differences, if any, had best be reserved for personal discussion with the Prime Minister and the Defence Minister.

Sliding Share Values

THERE was a sizable landslide in share values last Monday necessitating drastic action of a degree that recalled to memory the debacle following the presentation of the Central budget of the Interim Government by Mr. Liaquat Ali Khan in 1947 as also the earlier crisis consequent on the Japanese entry in World War II in 1942. On the Bombay Stock Exchange, for example, hardly had trading been in progress for forty minutes on that day, when the stampede to sell assumed such proportions that the Stock Exchange authorities were obliged to intervene, declare an emergency and suspend trading till today. More or less similar conditions prevailed in Ahmedabad and forced the stock exchange authorities there also to suspend trading till mid-week. On the other stock exchanges too, minimum prices have had to be fixed.

The immediate provocation for such panicky conditions on the stock markets was obviously the decision of the National Development Council, reinforced by the Union Finance Minister's subsequent broadcast talk, that the country should be prepared for still more taxes and sacrifices. Coming as these indications did on top of the recent measures to tighten bank credit, they were almost the last straw on the camel's back. But the last straw really was the selling on the Bombay Stock Exchange by operators from other centres where minimum prices had already been fixed.

The fall in share values did not begin on Monday, but started much earlier. Commencing with the Wall Street collapse in May last, the downward movement steadily gathered strength and received a momentum towards the end of October, when the Chinese incursion into Indian territory began in a big way. In this context, and with no constructive factors to boost the morale of the market, coupled with the known gradually worsening technical positian against bulls, a collapse of this kind in share values was perhaps inevitable. Evidently the ad hoc and restrictive measures adopted by the stock exchange authorities to meet the worsening situation have proved hardly effective. For some inscrutable reason, the Bombay Stock Exchange has been lagging behind in fixing minimum prices. Even now, it has only fixed the making-up prices for the clearing on November 17. There is a more or less general feeling, therefore, that the stock exchange authorities have not risen to the occasion and investors have been demanding a thorough disclosure of what effective measures they have taken in the matter. In the meanwhile, equity values have heavily eroded, the fall in the leading scrips ranging from around ten to fifteen per cent since the declaration of emergency. The fact that, even at these admittedly attractive levels, there is a conspicuous absence of buyers clearly reflects the crisis of confidence that has descended on the stock markets.

Perhaps, so long as the emergency lasts and so long as appropriate economic policies are not followed by the Government the present stalemate in the stock markets must perforce persist, in a manner, some times pronounced and some times not so pronounced. The authorities could certainly come to the assistance of the markets by a well-defined and co-ordinated investment policy through their main financial institutions such as the Life Insurance Corporation. The Life Insurance Corporation has no doubt been coming to the rescue of the stock markets, off and on, but, for some reason or other, its approach has not always evoked the unqualified approval of those competent to express an opinion on the subject. At least in this limited sphere, if not in the wider sphere on high level economic policy, where ideological considerations intervene, it is to be hoped, the authorities would take prompt action so as to revive the morale of the markets.

After all the fact remains that the stock markets reflect the investor's confidence which is essential for the health of the corporate sector. But confidence is a sensitive phenomenon, highly susceptible to external factors. The health of the economy, however, is basically sound and with some overdue technical correction of the boom in share values in the past several months the stock markets should be able to revert to stability.

KOPPERS FIRST IN FUEL TECHNOLOGY



In more than 60 years of successful work in the field of fuel refining Koppers have attained world renown.

Heinrich Koppers are recognized as top-ranking experts in the coking industry. They established the technical basis of modern coke ovens by introducing the system of single or cross regenerators.

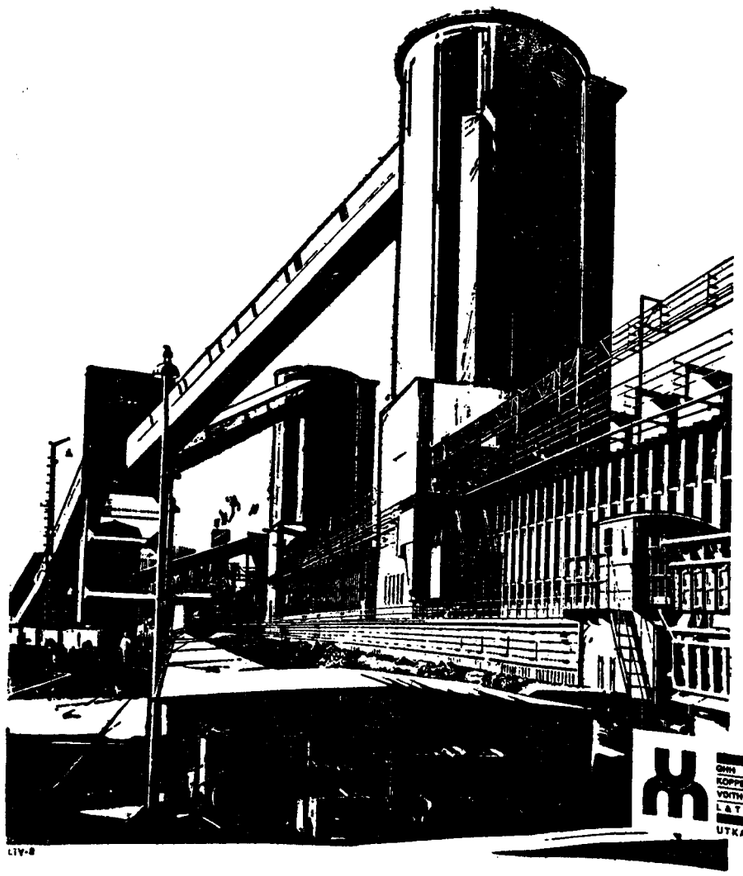
Koppers originated many improvements in the recovery and processing of by-products. Outstanding among these is the semi-direct process of 1904 for recovering ammonium sulphate. It was according to this that 90 per cent of all German coking plants were operated at one time. For the economical recovery and processing of tar, benzole and sulphur, Koppers have opened up new roads of technology. Their new processes have been hailed as pioneering achievements.

With the continuously operated vertical chamber oven, Koppers introduced a versatile oven system particularly for the low temperature carbonisation of coal.

Koppers were the first to gasify coal dust with oxygen and steam to produce synthesis gas and to develop a universal gasification process for solid and liquid fuels of all kinds. Synthesis gas plants operating by this system have been constructed for nitrogen plants in Belgium, Finland, France, Greece, Japan, Portugal and Spain.

Other development work by Koppers promoted the design and construction of plants for the chemical industry, the planning of oil refineries, plants for water preparation and sewage purification, the construction of industrial furnaces and the automation of production procedures for mechanical operations and chemical processes of all types.

At Kansbahal, Orissa, three leading German firms—Gutehoffnungshuette Sterkrade AG., J.M. Voith G.m.b.H. and Heinrich Koppers G.m.b.H. — and a reputed Indian company, Larsen & Toubro Limited, have pooled their vast resources and experience to set up UTMAL, a major undertaking for manufacturing heavy machinery. UTMAL will play a significant role in the rapid industrialisation of our country, by supplying a wide range of industrial machinery.



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THE WEEK'S NOTES

C.P.I.

CONVICTION OR EXPEDIENCY ?

THE NATIONAL COUNCIL of the Communist Party of India took several tortuous weeks to reconcile itself with recognizing the fact that China had committed an act of aggression against India by invading her territory south of the McMahon Line. It is significant to remember that it is silent on the Chinese aggression in Ladakh. The resolution adopted by the National Council at its meeting of October 31 is unequivocal in its expression. It brands China as an aggressor, recalls the fact that China broke her pledge which she had observed for the past three years not to violate the McMahon Line and it has called for full support to the Government in the national defence against this aggression. To this extent the resolution deserves to be welcomed. Superficially, this change in the policy of the CPI has a semblance of transformation in its basic attitude. But, in reality, is it so? One has only to analyse the trends in the voting on the resolution after a prolonged debate and a heated controversy over the draft of the resolution.

The precise voting is a closely-guarded secret, known only to the members of the National Council, but reliable reports which have leaked out confirm the fact that 23, if not more, of the 110 members voted against the resolution, while as many as 17 abstained from voting. The positive vote was thus about 70. Some reports place it at 60. Those who voted against represent the hard-boiled pro-Chinese core of the Party, drawn particularly from West Bengal and Andhra and to some extent from Punjab and a few other areas. It is significant, if the report is correct, that Mr. E. M. S. Namboodiripad, the Party's General Secretary, was among those who abstained from voting. This alignment in the voting not only proves lack of unanimity in the Party on a momentous issue of national importance but betrays the existence of a fanatic section which believes in Chinese aggressive tactics as no more than a tactical and innocent method of India's liberation or rather the liberation of the working class and the peasants. But the irony of fate for the CPI is that the workers and peasants whom it poses to represent consider this liberation as naked enslavement.

It would be absurd to slip into the belief that this change on the part of the CPI has come about as a result of conviction. All evidence tends to show that it is based on expediency. The earlier resolution adopted by the National Council and released after a good deal of hesitation and delay on October 17 is full of equivocation and a non-committal attitude. It even tended towards the acceptance of the Chinese version and threw doubts on the Government of India's version about aggression. What really has happened within the intervening brief period that the CPI should make a radical change in its attitude? This Party, which has all along looked for inspiration for a line either from Moscow or Peking, may make the discovery that in waging the defensive effort India is really falling into the trap of 'American imperialism'. It is vital to note that the rabid pro-Chinese leaders whose expulsion from the Party was demanded still stay inside the organisation. Has the CPI qualified itself for acceptance as a wholehearted collaborator — above suspicion — in the defensive war against China?

National Integration

EMERGENCY AS A SOLVENT

THE COMMITTEE on National Integration and Communalism, appointed under the Chairmanship of Mr. Asoka Mehta by the National Integration Council, decided at its fifth meeting held in the capital city on November 2 to adjourn all its further deliberations. In coming to this decision the Committee has recorded its considered view that "history will yet show that the evidence we collected is no longer needed to shape policies, but only to enrich the archives". It is common knowledge that during its extensive tours and the exhaustive labour it undertook, the Committee gathered a mass of evidence from leaders of thought and organizations at different levels. How is it that all this evidence would now go to adorn the archieves? The unexpected that has occurred is the result of the rude shock which the people received from the brutal Chinese invasion of India. Overnight, the emergency brought a sense of a grave danger which could be countered only by complete unity and unbreakable solidarity on the part of the people. All parochial differences or loyalties, based on communalism, casteism, linguism or regionalism, were banished and the Chinese challenge was taken up with a massive and spectacular demonstration that the Indian people are one and that they can be united in the hour of crisis, whatever the prophecies of critics at home and abroad. The integration that is now being witnessed throughout the length and breadth of the country is certainly as unique as it would have appeared incredible only a fortnight ago. The DMK with its unyielding goal of the creation of Dravidisthan, based on complete secession from the rest of India, has responded to the patriotic call of national unity for defence. The forces of integration have been fortified from yet altogether unexpected quarter. The hostile Nagas have proclaimed their opposition to the Chinese violation of the northern border.

It is not the Committee on National Integration and Communalism alone which feels convinced that the new psychology of national integration and unity created by the crisis of the war can be "a deeper solvent" to the grave problem posed by the centrifugal forces let loose since independence. However, if this integration is to be grounded on a solid foundation and made to grow as a perpetual force in the life of the nation, positive action must be taken to consolidate and direct in proper channels the new mood and psychology of oneness. The enthusiasm shown by people of all shades of opinion and the offers they have made of sacrifice and service in the national struggle against the enemy can be harnessed and conserved as an abiding force, if the people are given a positive sense of participation in the great defensive effort.

South Africa

APPLICATION OF SANCTIONS

SOUTH AFRICA once again came in for severe action at the hands of the United Nations, when the resolution on the application of sanctions against her was adopted in the world organisation. The requisite majority could be mustered primarily because of the united front presented by the Afro-Asian nations who hold very profound views on the subject as well as due to the support lent by the Soviet Bloc. The Western member-nations

abstained from voting certainly not for indicating their tacit approval of the racial policies in which South Africa persists but because they entertain serious doubts about the propriety of taking such an extreme step.

Perhaps it may be doubted how far sanctions can be made really effective and to what extent South Africa can be made to feel the physical isolation from the rest of the world. India's application of economic sanctions to that country, even in goods like jute manufactures where she holds a key position as a supplier, proved fruitless as it was circumvented by indirect channels of trade established with countries re-exporting the goods new or second-hand. Africa has gone on flouting world opinion on the question of her racial policies on the ground that that was a purely domestic issue in which the United Nations could not intervene. Numerous debates in the United Nations on her policy and the very sound and outspoken advice or criticism offered could produce little effect on her. In the still more flagrant case of the annexation of the mandated territory of South-West Africa, she paid no heed whatsoever to the United Nations. At the Commonwealth level she preferred severance of the tie to a change in her racial policy.

Some members of the United Nations are urging the extreme step of South Africa's expulsion from the United Nations if she refuses to mend her ways. This is not only a most ill-conceived way of thinking but a voice of despair. Expulsion or political ostracism will drive South Africa to a stiffer and more intransigent attitude under a persecution complex. While South Africa is inside the United Nations, there are chances to make repeated plain-speaking and trying to influence her with the force of world opinion to rectify her policies. With her expulsion from the United Nations, this valuable forum would be lost and she would get a blank charter to act as she would consider proper in her self-righteous attitude. Expulsion of South Africa, if ever it was attempted in real earnest, would defeat its purpose.

The Judiciary

A GRAVE LAPSE

THE ASSAM HIGH COURT adopted a most extraordinary and amazing course in exercising its powers to entertain appeals by the State Government against aquittals. In this case a railway official was tried on the charge of having accepted illegal gratification, but he was acquitted by the trial court. Against this order of acquittal an appeal was preferred by the State Government to the Assam High Court. The appeal was heard in May, 1959, and an order of dismissal was passed, upholding the acquittal. But for some mysterious reason the case was restored to the file and a secret rehearing of the appeal by the same Bench of Judges took place the next month. The order of acquittal was quashed and the railway official was sentenced to one year's imprisonment. The Assam High Court refused to grant him leave to appeal to the Supreme Court and in consequence he had to resort to the direct way open to him to move the Supreme Court.

The fact that the Supreme Court allowed the appeal and acquitted the aggrieved party, thereby restoring the decision of the trial court and of the Assam High Court in the hearing of the first appeal speaks for the merits of the judgment of the trial court. Justice in this case was done to the party. This is a matter of great reassurance. But what is distressing is the flagrant disregard shown by the High Court in going out of its way and reopening the case which was already decided. Strictly speaking, the moment the High Court dismissed the appeal of the State Government and upheld the acquittal, it ceased to exercise jurisdiction in the case. How the appeal was reopened and why the second hearing was held in secrecy contrary to the elementary canons of legal procedure is a mystery which the public at large should not expect to be unfolded. It casts serious reflections on the High Court at least which should have desisted from taking this astounding course. The judiciary in our country has inherited the noblest traditions of impartiality and uprightness. It is certainly a matter about which everybody, including critics of India after Independence, are proud that it has maintained its independence and uprightness. It is fulfilling its constitutional function of acting as a safeguard against the abuse of authority by the executive and dealing justice with an even hand and fair mind. It is to be trusted that what happened in the Assam High Court will be the last stray occurrence and this deplorable lapse will not be repeated. The Assam High Court merited the strictures which were passed on it by the Supreme Court.

Dr. Nkrumah

A SERMON ON SURRENDER

DR. NKRUMAH'S long-winding letter to Mr. Harold Macmillan gives a measure of how completely blind the Head of State is apt to be in his obsession with pet themes in total disregard of the bitter and stark realities of political life. The Ghanaian President says that he is gravely distressed and saddened to find that the British Government was ready and willing to support India's fight against China. Dr. Nkrumah has not left anybody in doubt as to what he in his obsession with peace and neutralism would have not only the Commonwealth countries but all other countries do in this ordeal of aggression facing India. In his letter he said: "Whatever the rights and wrongs of the present struggle between India and China, I am sure that we can all serve the cause of peace best by refraining from any action that may aggravate the unfortunate situation." Furtheron he expounds his theory of non-intervention and strict aloofness by arguing that armed support extended to India would not bring the termination of hostilities nearer for the obvious reason that assistance of arms and equipment provided to one country engaged in the conflict is likely to invite a counter-offer of like assistance to the other party to the conflict from its allies. This is splendid logic from the arm chair.

Does Dr. Nkrumah sincerely believe that the rights and wrongs of the dispute between India and China are a matter of not the least relevance at all? If so, on what basis is even a peaceful settlement of dispute to be negotiated? But apart from this primary consideration, does he mean that when a country like India has been the victim of aggression by an enemy, who has made full-scale and carefully planned preparations of invasion, it is to allow its territory to be overrun and finally grabbed by the aggressor? Is this the peace — the peace of the grave—which Dr. Nkrumah holds so dear to the heart? These posers may sound somewhat harsh, but it is most surprising that one who aspires to be the leader of Africa should be so self-righteous and also so naive as to assume that third countries should remain aloof when there are definite obligations, such as the Commonwealth ties or the supreme task to curb totalitarian aggression, cast upon them in the ultimate interest of world peace. Perhaps Dr. Nkrumah, who has taken ruthless measures in his own country to stamp out opposition and to put large numbers of the leaders of the opposition parties behind the bar, has his own notion of peace. But even in his own country he finds that the 'peace' he has gained by clapping opponents in jail has left him uneasy. It was only right that Mr. Macmillan should have treated his letter with a summary reply.

The World Abroad

THE (SOAP) BATTLE OF BRITAIN

By

ODYSSEUS

TWO OF THE MOST FREQUENTLY heard criticisms of the free enterprise system are that oligopoly has virtually eliminated the competition on which it claims to be based and that, in the "affluent" societies of the West, wants have to be artificially induced by wasteful advertising to keep the economy going—like a squirrel chasing its own tail in a cage.

A favourite example of those who insist on the social and economic waste of advertising is that of the constant battles for a limited total potential of sales between the sellers of detergent soaps in the UK. Let us, then, look at the chapter on detergents in "Advertising in Action," written by Ralph Harris and Arthur Seldon, and newly published by the Institute of Economic Affairs (66A Eaton Sq., London. S.W.1.)

The first point to notice is that synthetic detergents are an outstanding example of the built-in tendency towards change and growth of the free enterprise system, compared with the conservative tastes and conservative technological biases (at least in consumer goods if not in armaments!) of planned economies.

THE REVOLUTION IN WASHING

Over the past fifty years, technological advances in washing have revolutionised the Western housewife's once arduous burden. The invention of materials that dry quickly and need not be ironed have increased the frequency of washing. The housewife is no longer limited to the hand scrubbing board, zinc bath, kitchen sink, or copper, but has the choice of bagwash, laundry, laundrette, and a variety of home washing machines and driers. Not least has been the displacement of hard soap, soap powders, and soap flakes by synthetic detergents.

These synthetics are barely twelve years old. The first satisfactory synthetic product—Tide—was not widely distributed until 1950. But once some initial problems had been solved—Wisk, Fab, and others were unsuccessful because they caked—the sales of synthetic powders expanded from 0 in 1946 to 156,000 tons in 1955, and by 1961 formed 55 per cent of the volume of the powder detergent market.

Their swift success was due, first, to their superiority over soap and soap powders in hard water, and, secondly, to forceful advertising. But please note that no amount of advertising would have enabled the synthetics to succeed if the housewife had not, in fact, found them superior to soaps.

The basic ingredient in a washing agent must be able to remove dirt, emulsify it, and suspend it in solution until it is rinsed away. Soap does these jobs in soft water, but the magnesium and calcium salts in hard water react with the soap to form scum that gradually turns white materials grey. Synthetics do not react thus. On the other hand, the basic ingredient of synthetics is less efficient by itself than soap, so for washing fabrics "builders" are added to strengthen its cleansing and suspending powers. Synthetics also dissolve grease better than soap; they do not turn rancid; they leave no scum to spot clothes or ring a bath; and they give a better sparkle to glasses and dishes.

Synthetics thus reflect the real achievements of research chemists by offering housewives technical advances over exising products. Nobody disputes this. What they criticise is the extent and content of their sales promotion.

In 1960, total retail sales of synthetics were £22,500,000 and the cost of advertising was £400,000, or approximately 18 per cent. But synthetics cannot be sold at a price low enough to compete with soap unless sales are large, and to build up a vast market requires mass advertising, and advertising is likely to be cheaper than a price reduction as a market-builder. In practice, the alternative may be no more than a very small price cut, the effect of which also tends to wear off. The price of synthetics has remained fairly stable over the past ten years. Most are no more costly than when first introduced and the increasing frequency of "special offers" and short-term price reductions may have made some cheaper. Compared with a rise of 200 per cent in average UK prices since 1938, soap powders have risen by 60 per cent.

Nevertheless, it might seem that the loudest and cleverest advertiser wins the market. In 1948, when there were several hundred brands on the market, Unilever, Hedley, Colgate and the Co-operative Wholesale Society accounted for 28 per cent of synthetics. By 1956, they accounted for 97 per cent. Significantly, during this period total sales increased more than fourfold.

But advertising by itself does not explain why the largest firms became the dominant suppliers. They had the capital equipment to produce detergents that were technically efficient, did not cake, and had no unpleasant odour. They also had experience of the original soap industry. Not least they could, better than the powerful chemical and oil-refining companies that supplied the raw materials, ensure efficient distribution through their knowledge of soap marketing. Indeed marketing—and not advertising alone—emerges as the key to the structure of the industry.

COMPETITION BENEFITS HOUSEWIFE

But the housewife continues to benefit by the competition for her custom. A striking recent development has been the attempt to provide her with detergents suited for different tasks. Liquid detergents in plastic bottles are now widely used for washing up dishes. Stergene and Dreft may be used instead of soap flakes for fine washing, particularly for nylon and terylene; Flash and Handy Andy are designed for floor and paint washing. These refinements have led to more fragmentation of the market.

Because of the weight of their advertising, the layman might think that synthetics had taken over the whole market. But soap powders, of which Persil is one, accounted for about 45 per cent of the market by volume in 1961. Faced with severe competition from the synthetics, Unilever concentrated on improving the preformance of Persil in hard water areas, and their main improvements in 1950, 1958, and 1961, have included a scum disperser and other "builders", better stain removal, improved brightening and sudsing. The advent

of semi-automatic and automatic washing machines, and of spin dryers, have reasserted the advantages of soap powder. The excessive foaming of synthetics makes them less satisfactory for use in such machines.

We can readily concede that the use of detergents (synthetic and soapy) would not have spread so rapidly in the UK since 1950 if they had not been advertised, but the critics must also concede that the advertisers went to great trouble and expense to discover what the housewife's wants were and what could be useful to her. To allege, as does Mr. Galbraith in his "Affluent Society" that wants are in fact, the fruits of production and of advertising, and that production only fills the void that it has itself created, is, in the light of the case history of soaps and detergents in the UK, merely to split hairs. To fulfil Mr. Galbraith's thesis, the soap manufacturers should have been successful in compelling, by means of their advertising, the UK housewife to buy in ever increasing quantities the qualities and kinds of soaps that they were making in, say, 1909 when the original Persil was first launched. Such a world, in which you have only to spend enough on advertising the same old unchanging goods to maintain the ever increasing volume of production and full employment (the objects of the exercise in the "Affluent Society" thesis) would, in fact, be a business man's paradise. Ex-hypothesi, he could never go out of business because his advertising would keep the squirrel for ever chasing its tail.

The facts are, of course, that, thanks to competition, which induced soap-makers to study the housewife's needs, advertising has brought goods to her notice which have revolutionised her home life by increased efficiency, convenience, and labour-saving in washing of all kinds.

Ralph Harris and Arthur Seldon reasonably point out that a comprehensive study of the detergent market would show ways in which the leading firms might have achieved the same results with less expenditure on advertising, but this assumes an improbable, indeed inhuman, degree of foresight, or even hindsight. All human beings make miscalculations in any economic system, whether free or planned. Fuller research on marketing developments during a period of rapid change would, of course, permit a truer assessment of the role of advertising and might improve future judgments on marketing strategy and so reduce the avoidable waste on advertising, but perfection—the elimination of all waste —is unattainable.

"Advertising in Action" is the best corrective that I have yet encountered to the new "conventional wisdom", which proclaims that competition no longer prevails under free enterprise, and that oligopolies control prices so that they become umbrellas under which the efficient and the incompetent producer alike live comfortably, profitably, and inefficiently. On the contrary, "Advertising in Action" establishes that competition (in so far as it is not frustrated by tariffs or subsidies) remains the major regulating factor in a free market, (a) influencing prices, (b) rewarding the efficient, and (c) eliminating the inefficient.



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The European Scene

NEW COMMON MARKET TARGETS

From Our Special West European Correspondent

PARIS, November 4.

THE long and important memorandum submitted this week by the ECM Commission to the six governments suggesting rapid progress with European integration probably goes further than the various national capitals would have wished. This is as it should be, for it is the function of the Commission to be a few jumps ahead of the governments. The Rome Treaty gives it the monopoly of initiative, and the Council of Ministers the monopoly of decision; the Commission cannot itself take important measures, but the Ministers can only decide to act on propositions put up by the Commission. So it is the job of the Brussels experts to be cutting out the work of the national governments, to suggest long-range tasks to which, left to themselves, they would have turned more slowly. The point is worth noting, in case it appears, in the next few weeks as the memorandum is discussed in the national capitals, that there is some discord between the Six and their Supranational commission: this dialectic is intentional and provides the motor of integration.

It was especially important for the Commission to take a spectacular initiative at this moment, because there is a tendency (notably in Paris) to play down its role. De Gaulle is suspicious of it, on the grounds that it is supranational, which means for him that it is devoid of political efficacy; the British, who are on the verge of joining the Six, would no doubt take a similar view. The Commission wants to demonstrate that it is no ineffectual international bureaucracy, but the real source of unifying ideas, and that it has political power in that its ideas can win popular support that will oblige the governments to adopt them. Quite apart from the content of its memorandum, this energetic display of the Commission's originating role comes at a suitable time, to remove the illusions of the Gaullists and more importantly of the British about toning down the supranational aspect of the European union. The men in the back rooms in Brussels are a force to be reckoned with.

The two main proposals they have made this week not only go beyond the present desires of governments but exceed the letter of the Rome Treaty. They have suggested an all-European plan, modelled on the French national plan, and this is nowhere mentioned in the founding charter of the Common Market; this programme would come into effect from 1964. And they have sketched a form of monetary union that would begin to take shape from 1966. Here again the Rome Treaty is silent. The Commission argues that it is not proposing a revision or extension of the Treaty, but filling in gaps that had to be filled in if the other objectives were to be attained. Without a supranational plan and a monetary union, the goal of economic integration, which is definitely inscribed in the Treaty, could not be reached. Its arguments are sound, but the fact stands that if these ideas make their way, the Common Market will have acquired a new dimension, which it will owe to the supranational organism in Brussels and not to the individual governments. The British could not be warned more plainly that, whatever General de Gaulle's hostility to a European federation, in joining the Common Market they will be letting themselves in for a far reaching experiment in supranationalism.

As it happens, the measures proposed from Brussels will seem acceptable to most governments, even if prematurely ambitious. This is the justification of the supranational organisation: it is not likely to put up revolutionary ideas or to try to browbeat national capitals into surrendering sovereignty to a superstate, but rather to indicate how policies that they already approve, or practise at home, can be given a more effective expression at the international level. This is plainest in regard to indicative planning, or what the memorandum calls long-range programming in order to spare German sensibilities. All the nations now members or candidates accept some form of democratic planning, save the West Germans and even they must be coming around to the idea of community programming for otherwise the Commission (which is of course international in composition) would not have ventured its suggestion. It is not necessary that Bonn adopt a national plan for the West German economy, for it to be able to co-operate with its partners in writing a European programme, so no doctrinal volte-face is being asked of Dr Erhard. If he can obtain by other means the information about the development of his economy that his compeers find in their national plans, he will be able to collaborate in the task.

Similarly with the project for a monetary union. The present members of the Common Market are willing to enter this path, and if the idea seems revolutionary to the British, it also offers them the advantage that the burdens now carried by the pound sterling would be shared by the Continentals. For what the Commission is proposing virtually is that central reserves be pooled. There would be no single European currency, but since member-governments would have guaranteed the fixity of exchange rates, it would be indifferent to Europeans whether they held pounds, marks, francs or liras: these would all be expressions, as it were, of one currency, supported by the same pool of reserves. The Commission has cut across all the dispute about monetary unification by pointing out that nothing else matters once exchange rates are fixed once for all within West Europe; that is as much monetary unity as will be required.

Instead of being a remote objective, this is a feasible project for the third phase of the Common Market which will open in 1966. To prepare it, the Commission specifies the measures that could be taken now, in the second phase. The first is creation of a council of governors of the issuing banks of the region, whose job would be to follow all monetary matters; eventually this council could become the central board of a federal reserve system. Meantime, the council would have to discuss all important changes in national monetary policy, such as variations in discount rates or statutory reserves of banks. This sounds simple but it is in fact a very tall order. When a variation in bank rate is contemplated in London or Paris, it is a closely guarded secret known to only a few men; the ECM Commission is suggesting that such a plan be revealed and debated in an international council. For all its delicacy, this problem will have to be faced sooner or later if economic policy is to be harmonised, for in a region with no tariff barriers, with uniform agricultural prices and free movements of money, one cannot imagine central banks being able to vary interest rates by surprise and at will.

At the same time, i.e. before the third phase begins, the Commission suggests that central banks and finance ministries agree on a common attitude inside the international financial institutions. This implies an extension of present monetary co-operation, for there already exists a Common Market bloc in the IMF and World Bank. Members would consult each other before having resort to these international agencies, they would harmonise their policies regarding reserve currencies (dollar and sterling) and would agree on the assistance they are supposed to give each other in terms of the Rome Treaty. Meanwhile the progressive liberalisation of capital movements would be pursued, notably by allowing the issue of securities in other member-countries' money markets. The Commission argues that there is nothing in all this to abridge the sovereignty of States nor of their banks of issue; after the required consultations they will still be free to take the steps they think concordant with their national interest. It is only later, in the third phase, that there would be a real centralisation of decisions.

Obviously, this plan means something very different depending on whether the pound sterling is, or is not, one of the currencies involved. This degree of harmonisation of monetary policy as between the present Six would already be an event of importance, but if the pound is implicated it becomes a development of basic significance to the whole monetary structure of the world. If the pound were in a healthier condition, one would assume that London would shrink from any such internationalisation of its affairs; but in that case, Britain would not be a candidate for admission to the Common Market. In her present circumstances, a co-ordinated West European monetary policy might offer the only hope of permanent cure of sterling's difficulties.

Nevertheless, the British would be entitled to complain that the association they resolved to join a year ago has begun changing shape and meaning even before they are inside. A Common Market that is working out an economic plan covering the whole region and which is heading toward a federal monetary structure is a rather different proposition from the mere customs union (counterbalanced by Gaullist insistance on national sovereignty) that was first offered to the British people. The Commission realises that it will be criticised on this point, and replies in advance that it is only bringing out the implications of the Rome Treaty and that it is simply fair to acquaint candidate-members with the shape of things to come. All the same, one cannot help feeling that this sudden insistance on accelerated unity is a reaction to the fear that Britain's entry will slow down the process of unification in Europe. The bus is being speeded up, not in order to make it harder for Britain to catch it, but to make sure it maintains its original direction after Britain boards.

Whatever qualms the British may feel about the new face that is being painted on the Common Market, the draft plan contained in the Commission's memorandum can only serve to fortify their resolution not to be excluded from Europe. For that plan foresees a 60 per cent increase in the Common Market's gross national product between 1960 and 1970. For the first five years, from 1960 to 1965, an expansion of 27 per cent is regarded as certain; in fact this is a minimum figure; for the second five years, the rate of growth is guessed to be slightly less robust: 25 per cent. Since the expansion of the British economy is only a fraction of these figures, the impossibility of stagnating just off the shores of a booming Continent remains the strongest argument in favour of British association.

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JWT-AMFI. 4478

Economic Report from the U.S.

FOREIGN TRADE CONVENTION

By

GUY SIMS FITCH

NEW YORK, October 31.

THE American business community is taking a hard look at the challenges and opportunities it faces in a world of wide and rapid economic change. This has been the main subject of discussion among more than 2,000 executives concerned with international trade attending the forty-ninth foreign trade convention that ended today. They included representatives from enterprises that account for most of the nation's annual $20,000 million in exports and its $35,000 million in direct foreign investment. This vital cross-section of American business opinion gathered here to examine what President John Akin of the National Foreign Trade Council termed "historic new initiatives" in the patterns of world business—chief of which is the US Trade Expansion Act giving the President authority to negotiate deep reciprocal tariff reductions. Businessmen here joined government officials in approval of the opportunities the legislation provides for expansion of world trade, and adjustment to the rise of the Common Market as well as to changing trade patterns resulting from the emergence of newly developing nations.

US Secretary of Commerce Luther Hodges struck a responsive note here with his promise that the US Government will be prepared to put the new authority of the Trade Expansion Act to effective use in what he termed "tough" bargaining for the reduction of tariffs and other barriers to the flow of international commerce. This has particular pertinence to negotiations with the growing Common Market. As Secretary Hodges pointed out, the Common Market in a few years probably will have no internal duties at all. It, therefore, will be important to use the instrumentality of the new Trade Act, to assure that the European Economic Community's common external tariff wall will be low and non-discriminatory before new international trading patterns are set irrevocably. This, of course, also will benefit all other US trading partners, notably those in the 44-nation General Agreement on Tariffs and Trade (GATT), through the most-favoured-nation principle whereby tariff concessions granted to one are as a general rule extended to all. These international requirements have their counterparts in the domestic American economy. A prosperous economy, one which can compete in world markets by producing quality goods at reasonable prices, is an important concomitant to the healthy expansion of foreign trade.

In recognition of this link between domestic and foreign programmes, Mr. Hodges has just undertaken a reorganization of commerce department offices which will bring main elements of these two functions into one operating unit. With expanded international trade tied to expanded demand at home and abroad, it was encouraging to hear the Secretary's activity for the immediate future, and may well experience a renewed upsurge as business investment increases under the impetus of special government tax, and depreciation incentives. Nor did Mr. Hodges overlook the longer-term beneficial effects of a general reduction in corporate and individual income tax rates, which the Kennedy administration had indicated it will be proposing early next year. The extent to which such a general tax cut can or will be applied may well depend on developments in the international political arena. It is of more than passing moment, in this connection, that the businessmen here have generally supported the US government's course in the Cuban situation, and have welcomed the recent hopeful easing of tensions to which this course appears to have contributed. This underscores a fact that should be but is not always appreciated. It is in a peaceful world, bent chiefly on peaceful pursuits, that private enterprise and investment best flourish. It is in this kind of an atmosphere that they can best contribute to economic growth and advancement of developing standards at home and abroad.

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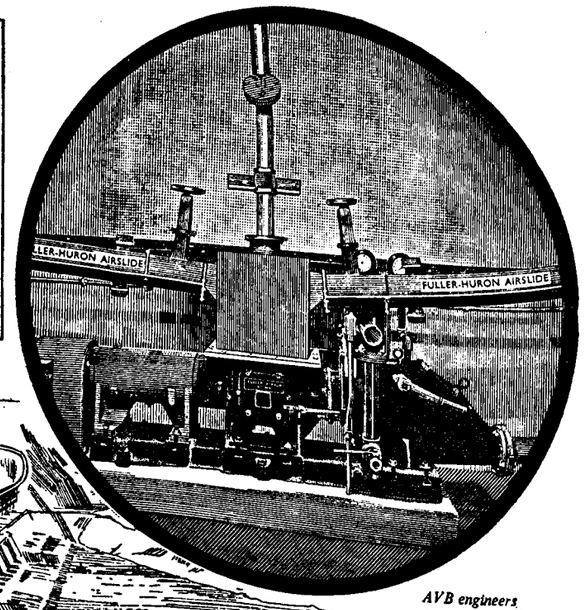
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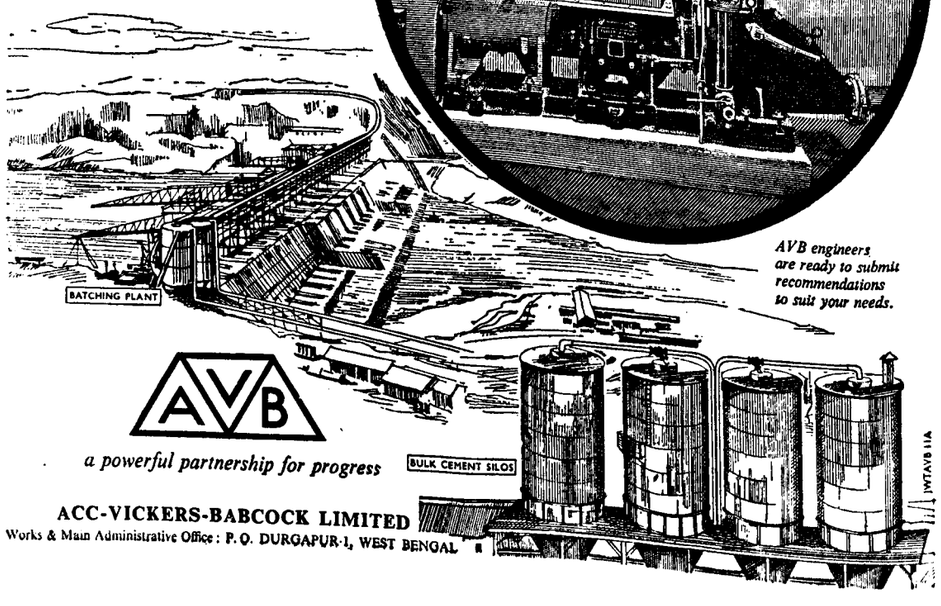
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Special Articles

THE SINEWS OF WAR

FOR the successful execution of the war on our northern frontier it is necessary that the tempo of production in the country should be accelerated. The Prime Minister has given the lead in this direction by stating at the National Development Council meeting that "nothing is required more than production when you have such a problem to face." Pronouncements have been made by the representatives of the businessmen that the "battle of the nation" would be fought by feeding the supply line adequately. The labour unions have pledged not to go on strikes or do anything which, in any way, may hamper the war effort. This is all heartening and augurs well for intensified production. An attempt is made here to show how the industrial machinery can be geared to the needs of a wartime economy.

There is no parallel situation in the history of India when a challenge of the present magnitude has faced the country. Memories travel back to the most recent experience i.e. of the period from 1939 to 1945 during the Second World War when the productive effort of the country was geared to a war economy. Through better utilisation of the available resources, production was increased and the handicaps of the non-availability of imports was overcome. The present situation has also to be tackled by reducing imports to the minimum. There are many industries which have larger unutilised capacity. In the case of those which have failed to gather momentum, because of the paucity of raw materials, indigenous sources will have to be tapped. There are many engineering and chemical industries whose output can be increased by working double shifts or triple shifts. It is here that an effort should be primarily directed to leave no stone unturned for achieving the objective of increased output.

The mistake is likely to be made that during the war, attention is to be diverted only to those industries which bear in one way or the other on the war effort. It is true that the strategic industries have perforce to claim increased attention but in this process, the consumer industries cannot be neglected. The business community deserves to be complimented on its decision to keep up the production of the necessary consumer goods and for promising that their prices would not be allowed to rise. At a recent meeting of the Federation of Indian Chambers of Commerce and Industry, its President announced that the essentials of life such as sugar, cotton and woollen piecegoods, edible oils, footwear, paper, drugs, coal and coke and cement would not be allowed to rise in prices. Industry has taken a pledge to keep down their prices by raising their output. This will need to be supplemented by a voluntary check on prices.

The table alongside gives the percentage of production of some of the industries as compared to their installed capacity in 1961. It shows that in many industries, there is ample room for improving production. If the percentages for some of the industries are more than 100, it may mean that some of the units are either working at high speed or operating two shifts instead of one. If all the units had taken to double-shift operation, the percentage would have risen to 200, subject, of course, to the feasibility of working two shifts. For those industries which indicate the percentage at below 100, there is definite room for increased efficiency. In the case of the cement industry, for example, the total available installed capacity is not being utilised. Only last week, the Federation's President told the Union Finance Minister, Mr. Morarji Desai, that the output of cement could be increased immediately by as much as 0.75 million tons provided additional transport facilities and coal were made available. A further increase of a million tons could be made if the scheme for producing cement from blast furnace slag could be implemented. In the same way all the other important strategic industries could be boosted up.

UTILISATION OF INSTALLED CAPACITY IN 1961

	Industry	Production as percentage of installed capacity
1.	Power transformers	143
2.	Storage batteries	139
3.	Electric motors	137
4.	Lathe tools (tool bits)	125
5.	Road rollers	124
6.	P.V.C. sheetings	116
7.	Automobile of all sorts	99
8.	Cement	87
9.	Superphosphates	87
10.	Aluminium sheets & circles	86
11.	Aluminium (virgin metal)	83
12.	Finished steel	80
13.	Sulphuric acid	73
14.	Steel pipes and tubes	73
15.	Calico looms	72
16.	Threading tools	71
17.	Grinding wheels	70
18.	Complete ring spinning frames	68
19.	Matches	68
20.	Paints and varnishes	67
21.	Soap	57
22.	Carding engines	50
23.	Railway wagons	50
24.	Wire ropes	44
25.	Aluminium rods and sections	42
26.	Bleaching powder	31
27.	Trailors	27

Will the present crisis in the stock exchanges have any repercussions on the productive machinery of the country? It seems that the present drop in the stock exchanges is a technical correction which had been long overdue and has been precipitated because of the anxiety of the speculative operators to get out of the market. The productive machinery continues to be very sound and even though there might be some effect on the liquidity of the corporate sector, it is certain that the production of the industrial units will continue unhampered.

Many industries have suffered in the recent months because of the non-availability of raw materials. The debate has continued whether the meagre foreign exchange resources at the disposal of the country should be diverted for installing new capacity or for the maintenance of the present industries. As matters stand today, there is no doubt that preference will have to be made in favour of the maintenance imports after provision has been made for the import of armaments and other strategic materials.

The bottlenecks for industrial production have been, in the main, transport and power. They have been discussed a number of times in the columns of "The Eastern Economist". More heroic attempts need to be made for easing the transport bottleneck. In the first place, top priority has to be given for the movement of war materials to the northern frontier, and beyond certain points it is the road transport which has to be utilised. After the war needs have been fully met, the civilian needs of transport must not in any way be curtailed. It is a happy sign that the Union Railway Minister, Mr. Swaran Singh, assured the All-India Manufacturers' Association that all efforts would be made to expedite the movement of goods. Already a number of useful suggestions have been made. Particular mention needs to be made of the suggestion that coal should be moved in four wheelers rather than in box type wagons. Equally important is the acceptance of the suggestion by the Railway Minister to allow private parties to install their own cranes in railway sidings. Such measures will certainly go a long way in relieving the pressure on the railways.

In the case of power, the civilian needs may have to be curtailed; in particular, the schemes for the electrification of villages may be withheld so long as hostilities continue. More of ths power may be diverted to productive industries so that the available capacity in all the industries can be made use of even beyond the installed capacity by working on multiple shifts.

The fact that India's industrial capacity has had a hesitant rise is due to the unwise and restrictive policies imposed on the economy by the Planning Commission. This is no time to blame one organisation or the other. But it is a fact that the Planning Commission has to adopt positive policies whereby the entrepreneur who is willing to stake his everything for the motherland is not discouraged by ideological restraints. If the coal industry is willing to increase its output, the old dogma of allowing expansion only in the public sector should be done away with. Similar bold decisions will have to be taken in the case of other industries as well. When production is the crying need in this crisis, resources and facilities must be provided where there is the capacity to deliver the goods—be it the public sector or the private sector.

MINERALS FOR WAR MATERIALS

(CONTRIBUTED)

IN the face of Chinese aggression it has become incumbant on us to think in term of considerably stepping up or manufacturing indigenously war materials as a long-term policy to defend our border in the north, west and east. In this article it is proposed to describe the availability of various useful minerals in the country required mainly for the manufacture of war materials where high temperature structural materials are required. Though iron and steel are the basic ingredients for the manufacture of all war material and equipment for which the country has abundant resources, nevertheless there are certain other metals which can be grouped as nuclear fuel—uranium and thorium; nuclear component construction—zirconium, columbian and vanadium; moderately high temperature light weight structures — titanium, magnesium, aluminium and very high temperature structure-columbium, molybdenum rhenium and tungsten, and which form the foundation of modern war equipments manufacture. The country possesses proved mineral resources for most of the metals stated above which can be fruitfully exploited and utilised for war materials.

Uranium and thorium are the two important fissionable elements which are in plentiful supply and are used in atomic weapons. Uranium minerals are worked in Bihar and Rajasthan and processed at Jaduguda, Bihar. Copper belt of Bihar is also an important source of uranium. The beach sands containing monazite occuring in Kerala and Madras are chief source of supply of thorium and uranium. Monazite sands yield 0.2 to 0.4 per cent U_3O_8 (uranium oxide) and 5 to 11 per cent ThO_2 (thorium oxide). These are being processed at Rare Earth Factory, Kerala. Thorium is known as fertile element for the production of U-233 in a breeder cycle. But U-233 is less useful from the fissionable product stand point than U-235 and plutonium. Uranium is the source of the two desirable fissionable fuels U-235 and plutonium.

Zircon ($Zr SiO_4$) is the important ore of zirconium and is in abundant supply. Kerala beach sand contains 8 to 10 per cent of mineral zircon. It is a sister metal to titanium having the same allotropy, structure and general physical and chemical behavoiur. Zirconium alloyed with steel has been used to manufacture a number of equipments, during the last war. The further use of zirconium seems to be largely in nuclear energy and chemical corrosion fields. Its low neutron captive cross sections is entirely satisfactory and its corrosion resistence and strength are superior to other competitive metals. Zircon as such is very refractory and used as moulding sand in casting high temperature metals. It is also a prescribed mineral under Atomic Energy Act.

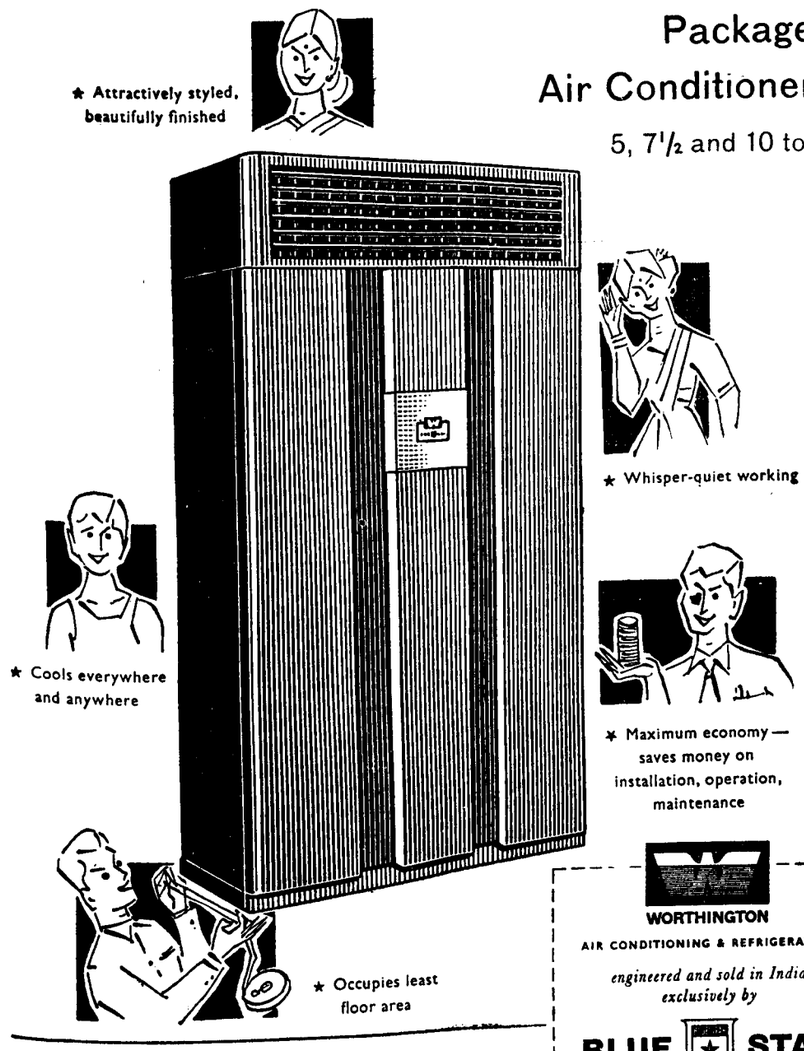
Ilmenite is the chief ore of titanium and in this mineral too the country has an abundant supply. We are exporting substantial quantity of ilmenite. The main source of supply of this mineral also is the beach sand of Kerala and Madras. The beach sand contains

(Continued on page 888)

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THE BUSINESS WORLD

Golden Opportunity to Give Away Gold

By CROESUS

WHETHER as a result of the country's foreign exchange reserves having dropped very near to the statutory minimum level, or as a sequel to the Chinese aggression, or as a policy measure to hold all gold available in the country on Government account, or as a consequence of the Government's determination to pursue its non-alignment foreign policy by insisting on purchasing arms and armaments only against payment, a decision to issue gold bonds has been taken and the process of gold disgorging may be said to have begun. Could this have been postponed for long? The pressure of public opinion, both from within and abroad, especially at the hands of the economists, had become too strong to resist even for the Government of a country whose people use gold traditionally as gifts on marriages and other occasions, or as an investment that is not subject to the risk of capital depreciation. Indeed, for some time past, the Government of India was reported to have been considering ways and means of harnessing the people's gold, but it probably required a psychological moment such as the present to administer the shock.

True, the Union Finance Minister has endeavoured his utmost to cushion the shock as much as possible by offering attractive terms for the gold bond issue. But the question is whether the proposed gold bonds should be judged from the point of view of their attractiveness or from the more exacting, and also imperative, criterion of one's loyalty to the country in this hour of crisis. There is no gainsaying the fact that the whole question must be used mainly from the latter angle. Nevertheless, being of the earth earthy, most people who may have the gold would want at least the price that they have paid for it in the open market, if only because this gold may possibly represent all their life's savings. For this reason, it is perhaps worth considering whether some relief or concession could not be extended to such people. It occurs to me that, if, in addition to giving them gold bonds against surrender of gold and gold ornaments, calculated on the gold content at the international price, an irredeemable National Defence Bond for the difference between this price and the actual open market price paid by them (or, to save all the headache of verification of the rates, etc., at the time of purchase, the average price for, say, the past three or five years) is also issued to them and the same treated as a donation under Section 88 of the Indian Income-tax Act for providing income-tax relief, the response would be several times more than what it may turn out to be otherwise.

Gold in substantially large quantities can be expected not from the above category of persons, in any case, but from those who traditionally hoard gold, or from those who may have acquired the yellow metal through doubtful means. Here again, the response will depend entirely upon the extent to which the hoarders regard the terms as sufficiently attractive. Mr. Morarji Desai has no doubt offered an attractive rate of interest, besides exempting the income from the bonds from Wealth Tax and the sales proceeds of the bonds from Capital Gains Tax. It is also arguable that, at the end of fifteen years, any purchaser of these gold bonds would have recovered enough by way of interest to offset the immediate capital depreciation now; in fact, the subscriber may actually get more, if the interest to acrue from the interest earnings also is taken into account. To a hoarder who does not think in terms of selling or investing his gold, this consideration is of no consequence. But, even here, I suggest that the authorities might consider the further attraction of an irredeemable national defence loan for difference between the ruling market price and the international price, as suggested above, to ensure the maximum results.

There could certainly be no more propitious opportunity than the present for those who cannot give a proper explanation of the origin of their gold to disgorge as much of their gold holdings as possible. For there will be no limits for investment in gold bonds, nor will any questions be asked from those who might choose to invest in these bonds. But, even here, according to a section of market opinion, so long as there is a lurking fear that the purchasers of gold bonds might eventually attract the vigilance of the ubiquitous income-tax authorities, the response may tend to be halting and restrained. It is too much, however, to expect Mr. Morarji Desai to go beyond what he has already done. However, the other suggestion offered in market circles, namely to issue bearer bonds may be considered on its merits. In supporting this, what is uppermost in my mind is not to provide an umbrella to the unscrupulous to apply the unction to their soul, but to explore all avenues of extracting every gramme of the idle, hoarded gold in the country.

Apart from falling in line with industrialised countries in the matter of our attitude towards gold holding, acquisition of as much gold as possible by the Government is an imperative necessity for this country. For reasons best known to themselves, however, the authorities have not made this task easy by their insistence on paying for arms and armaments procured from foreign countries lest they should be charged with dropping their policy of non-alignment. Be that as it may, as Mr. Morarji Desai told an American correspondent, in New Delhi, recently, situated as we are, there are only three courses open to us: (1) payment in rupees; (2) deferred payments in kind, and (3) lend-lease, but, as he further indicated of these three, lend-lease is perhaps the only choice. To quote Mr. Desai "We could give the weapons back when we have finished with them, so that there is no problem of paying. On the other hand, deferred payment would build up problems for the future. The Indian economy is already stretched to the limit in the effort to raise living standards. Rupee payments could also eventually become a drag on the economy, if the rupees are spent on goods which might otherwise be exported to earn foreign exchange". Here is a clear indication of the serious straits to which we have been reduced on the foreign exchange front. The superimposition of defence needs will, if anything, weaken our ability to build up our foreign exchange reserves by limiting imports and maximising exports. It is in this context that the need for gold becomes all important. Those who wish to help the war effort — and there is no loyal Indian who will refuse to do this today — will, therefore, do well to think in terms of first contributing gold and only next in terms of contributing cash. If the choice before any one is whether to pay gold or cash, he should unhesitatingly contribute gold.

The Union Finance Minister's justifications for fixing the price of gold for the issue of gold bonds at the level fixed by the International Monetary Fund are two: one, that it is the level at which the IMF permits all its members to buy gold as a measure of mutual co-operation for maintaining the value of each other's currencies; and, two, that buying gold at a price higher than the international price would give an impetus to smuggling. These are both unexceptionable. But an even more deterrent effect on smuggling than the latter, in my opinion, is possible from a proper response to the clarion call of Mr. Morarji Desai to every citizen not to purchase any gold for the duration of the Chinese aggression. If this advice is heeded to by at least a majority of the Indian people, no smuggler would be tempted to bring gold into India, for the simple reason that the game would not be worth the chase.

To many students of Indian economics, the extent of response to the gold bonds issue will provide at least a remotely reliable index of the volume of hoarded gold in this country. There have been far too many fantastic estimates of our gold hoards in the past. Even in the last few days, I have come across at least three different estimates of such hoards, namely Rs. 1,800 crores, Rs. 3,000 crores, and Rs. 4,500 crores. Even if the total volume of gold that the Government might succeed in siphoning off as a result of the sale of gold bonds during the next three months approaches the first of these figures, I think, this country would have done very well, indeed.

Business Notes

Power

AIMO's MEMORANDUM

THE PRESENT parlous position of the country's energy resources has been attributed, among others, to the inadequate attention accorded to it by the Planning Commission. How serious the position is will be evident from the fact that not only is India's per capita energy consumption the lowest in the world, but as much as 61 per cent of the energy consumed is accounted for by non-commercial sources, such as cattle dung, wood, charcoal, farm waste, etc.! This only serves to bring out glaringly the fact that the energy requirements of the country have not been properly assessed, and, if assessed, not sufficiently stressed by the Planners. No wonder then that the targets envisaged by them in the Third Five-Year Plan have any relevance to the country's capacity to achieve these targets. The Working Committee of the All-India Manufacturers' Organisation (AIMO), went into this subject recently and, in a frank and forthright memorandum submitted by it to the Planning Commission on "Energy Resources for Industial Development", has tried to focus public attention on what may appear to be an unpalatable truth, namely, the non-availability of adequate energy resources in the country. Without mincing words, the AIMO Working Committee has laid the blame squarely on the Planning Commission for not according due importance to this aspect of industrialisation, as is clearly reflected in the existence today of an unusually large percentage of unutilised installed capacities in various industries.

Referring to the woeful situation in respect of the country's coal resources, the Committee has pointed out that, while the present gap between targets and achievements indicates a considerable shortfall in output, the unsatisfactory distribution arrangements, thanks to the transport bottlenecks, have made the position worse still. Presently, a number of industries are facing coal shortage of anywhere between 25 and 30 per cent of their requirements, while the percentage is as much as 50 in the case of some new industries! It may be mentioned here that we ended the Second Plan with a shortfall of as much as 4.86 million tons of coal. Though, during the first year of the Third Plan, coal production showed a marginal improvement of 0.18 million tons, the backlog to be carried forward at the end of the current year is expected to be no less than 12.62 million tons. It is against this background that the AIMO Committee has rightly questioned the wisdom of the authorities in persisting with a coal target of 97 million tons to be achieved by the end of the Third Plan.

Even in the case of the private sector, the Committee has deplored the fact that private sector collieries should have found it possible to apply for assistance amounting to only Rs. 7 crores, as against the Government of India's total loan of Rs. 17 crores from the World Bank for this purpose. The Committee should have added here that, more than the collieries, it was the Government itself that was responsible for this. Be that as it may, in view of the chronic coal shortage bedevilling the country's economic progress as a cumulative effect of all these bunglings, the AIMO has criticised the authorities for continuing to impose all manner of restrictions on the expansion of the existing private sector mines. So long as these prohibitory conditions last, it would be impossible for these mines to achieve the target of 17 million tons set for them.

In the field of electricity generation, undoubtedly considerable progress has been made; so also in the rate of consumption, which has moved up to 45 kwh per head (1961), and this is expected to go up to 95 kwh by the end of the currentPlan. But, even so, this per capita consumption compares very unfavourably with those of Japan and Italy in 1958 of 930 kwh and 928 kwh, respectively.

So much for the prevailing position. What is needed now, according to the AIMO memorandum, is to augment power generation by setting up coal-fired power stations and diesel power stations, as also atomic power stations, in spite of the fact that these entail a large foreign exchange outlay and also the fact that they are not in any way cheaper than hydel power generation. (The Chinese aggression makes this suggestion a little unrealistic).

As regards the priority to be given to rural electrification, opinions differ. Whereas one school believes in according the highest priority to industries, the others, like the AIMO, for example, have been reluctant to relegate to the background the claims of rural electrification. In fact, the AIMO Working Committee has made out a case for the upward revision of the present outlay of Rs. 105 crores on this account. The AIMO could not have thought of a more inappropriate time than the present to press this point of view.

In conclusion, the Committee has suggested that the Government should not only carry out intensive geographical surveys, but, at the same time, make fuller utilisation of all the known resources like lignite; undertake the tapping of the country's known hydraulic potential, mineral oils and natural gases, and make an intensive search for finding out the possibility of utilising wind power, solar, geo-thermal and tidal energy on a commercial basis. The Committee has also suggested the manufacture of petroleum-coke to relieve the present coal-coke shortage. Calling for the appointment of an Export Fuel Efficiency Committee to study the nature of the various industrial processes, the types of fuels required, the feasibility of shifting to alternative sources of energy, etc., the Committee has observed: All in all, it is a must that the Government should recognise the importance of energy if only for the successful implementation of our Five-Year Plans. If the present shortage were to continue, it has warned, it would not



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only slow down the country's pace of industrialiastion but would also adversely affect its export earnings by starving industries with export potential of the required energy, as witness the not-too-distant experience of the jute industry.

CALCUTTA ELECTRIC SUPPLY CORPORATION'S EXPANSION

ONE FACTOR that is supposed to cause a major hurdle in the achievement of Plan projects in the industrial sphere is, beyond doubt, power. Several efforts have been made to raise the power production capacity but it seems even now that the shortages felt all round might not be relieved in the near future. The pressure of demand has been very persistent, and the electric supply industry is making efforts to expand its generating capacity. Sir William Lamond, Chairman of the Calcutta Electric Supply Corporation, speaking at the general meeting held in London last week, indicated that the Corporation was doing its best to alleviate the shortages in the Calcutta region. Through the instrumentality of the Electricity Supply Control Advisory Committee, he indicated, the Corporation was trying to spread its load as efficiently as possible. He was, however, of the opinion that the real gain lay in the increase in generating capacity which was desperately needed in the area. The company had been authorised by the Government to undertake an extension programme at New Cossipore to the tune of 50 MW. The plant installation programme was progressing and the Chairman was confident that new machine would be on commercial load by October next year. The real solution, however, would be visible when an increased import of power from Damodar Valley Corporation was possible.

The Chairman made a pointed reference to the power rates which had remained rather static. He believed that despite the continual rise in all other costs since the War, the existing rates for lights and fans and domestic power had remained unaltered for several years and other power rates had altered only to the extent necessary to reflect the greatly enhanced cost of coal. He was of the opinion that their rates for high voltage industrial power were, for energy supplied from coal-fired plant, almost the lowest in the world. The electricity suppliers had endeavoured to revise their rates on the general principle that each class of consumer should bear its proper share of the cost of production and distribution. It would be worthwhile if the comprehensive case of electricity suppliers was considered by the Government and the issues decided on the merits of the case.

Defence

RESOURCES

IN A Special Article in "The Eastern Economist" dated November 2, 1962, (pages 819—820) estimates of resources for Defence Fund which might be raised through voluntary contributions and through savings certificates and States contributions were presented. At that time, complete details in regard to National Defence Bonds were not available and hence it was not possible to include the estimated borrowings accruing to the Central Exchequer through these Bonds. According to the terms of the Defence Bonds, the interest payable will be at 4½ per cent per annum payable half-yearly and they will be issued at par in the multiples of Rs. 100. These Bonds will be redeemed at par after ten years from the date of sale and tax will not be deducted at source in the case of Bonds held by individuals. In the case of others, however, the interest will be liable to income tax. This is a medium-term national loan which is likely to have a very good response and according to the present indications the total subscriptions under this head alone might rise to Rs. 50 crores. It could have been higher if the Stock Exchanges and the bullion market had not passed through a revaluation during the past week which brought about substantial losses to many investors. If the yield from Defence Bonds alone should be around Rs. 50 crores, it is certain that the Defence Certificates and the Premium Prize Bonds will also yield Rs. 20 to 25 crores. In other words, under this head of Defence Certificates, Defence Bonds and Premium Prize Bonds, the estimated figure should change from Rs. 25 crores to Rs. 75 crores.

"The Eastern Economist" also estimated that the States would be in a position to contribute about Rs. 54.5 crores. The National Development Council has decided that the Central assistance to the States would be reduced by as much as Rs. 50 crores in 1963-64 so as to step up the Central Defence expenditure. This curtailment of Central assistance is not likely to have any impact on the contributions likely to be made by the States. They are planning to prune their expenditure for the current year and will definitely make an effort to control unnecessary expenditure.

The reappraisal of the Stock Exchanges and the all round downward turn in the share prices is likely to have an impact on the affairs of the corporate sector and it is now believed that the contributions from this particular sector might be reduced from Rs. 35 crores to Rs. 20 crores. The net position as it emerges is presented in the table below:

OVERALL ESTIMATES OF RESOURCES FOR DEFENCE FUND (Rs. Crores)

Source	Amount
A. **Voluntary Contributions**	
1. Contribution from the High-Income Group	35.0
2. Contribution from the Low-Income Group	15.0
3. Contribution from the Corporate Sector	20.0
B. **Savings and States' Contributions**	
4. From Defence Bonds, Defence Certificates and Prize Bonds	75.0
5. Contributions from States	54.5
TOTAL	199.5

Exports

NOT THE RIGHT APPROACH

COURTESY COSTS nothing, but it may earn one immense goodwill; lack of courtesy can cost dearly. This age-old golden principle appears to be at a discount in the Union Department of International Trade. A few instances have come to notice recently of some foreign dignatories vitally connected with India's export trade having not been humoured well which was their due.

A Foreign Minister of Trade passing through New Delhi, it is understood, paid a courtesy call on the Minister for International Trade in the Union Government by appointment. He was made to wait in his Secretary's office for as long a period as forty-five minutes only to be told that the Minister was too busy to spare any time for him. Another dignatory from a country which has recently joined the Aid India Consortium and for whom the Prime Minister and the Union Minister for Commerce and Industry, Mr. K. C. Reddy, could find time, even to attend a dinner party given in his honour, met not any better dealing at the hands of the Department of International Trade.

Last month two teams of Western German and Italian importers of Goa iron ore visited New Delhi to negotiate the price for the supply of this ore, but the treatment meted out to them left much to be desired. The Italian team boarded the plane back home the very next day. The German team followed soon after having been told that the Government of India's decision would be communicated to it by November 10.

Similar is stated to be the case with the offer made by the British Government in regard to training of Indians in export promotion. It took nearly six weeks

for the Department of International Trade to accept this offer, but the two nominees have yet to be selected and sent to Britain for receiving training in the British Board of Trade. A German export promotion expert is said to be in New Delhi at present waiting to be communicated whether his services are at all to be utilised by Mr. Manubhai Shah's Department.

All these instances are a significant pointer to a serious malady which afflicts the Union Department of International Trade. The concerted efforts which are supposed to be being made to step up Indian exports, obviously can be thwarted to a great extent by the lack of courtesy extended to the parties with whom we have to negotiate our export deals.

World Bank

THE NEW PRESIDENT

THE APPOINTMENT of Mr. George Woods as President of the World Bank in place of Mr. Eugene Black would be hailed in this country. Mr. Woods had been directly associated with India since 1952, when he first came over here as the head of the team sent by the World Bank to investigate the possibilities of setting up a steel plant in this country. Since then his interest in India has risen greatly. It was because of his influence that we got continued assistance from the World Bank for our various schemes of Development.

While formerly he was operating in an indirect way, now he will have the opportunity to look into the problems of developing countries directly. To him goes the credit of oraganising the Industrial Credit and Investment Corporation of India. Similarly, he has been responsible for organising development corporations in Pakistan and the Philippines. Then again the setting of the aluminium plant in this country with the collaboration of Kaisers has been largely due to his efforts. It was he who persuaded Mr. Edgar Kaiser to take an interest in the industrial development of this country. Industrialists of India had so much faith in this man that they always consulted the First Boston Corporation (with which he has been associated for such a long time as chairman) on matters of obtaining assistance from American banks and collaboration with American firms. In other words, he had been an unofficial link between Indian and American industry and finance. Mr. Woods has been a member of the governing body of the Indian Investment Centre since its very inception, and Chairman of the advisory committee of the Centre's New York office.

At the time of nationalisation of the Suez Canal, Mr. Woods played an important role in the settlement of the claims put forward by its shareholders. It is said that but for him the negotiations would not have come to a satisfactory end so soon and settled so amicably. Mr. Woods has a vast experience, a shrewed mind and a liberal outlook. The World Bank can well look forward to a period of healthy growth under his capable guidance. The job to be done at the World Bank is no doubt great, but under his stewardship, it can be expected that even the most complex of problems would be solved in the most effective manner. The dynamism that was imparted by Mr. Black to the World Bank's sister organisations like the IMF, IDA, IFC, is bound to get a further momentum for here is a man who understands each institution fully well. The underdeveloped countries on their part can hope that their problems would receive a sympathetic consideration for they know that the man heading the world institution is of a very liberal outlook.

Fertilizers

ENCOURAGING IMPROVEMENT AT SINDRI

IN THE present state of emergency in the country, the development of agriculture has been quite appropriately accorded a parallel priority to production for defence needs. Fertilisers have obviously to play a vital role in boosting our farm output. The encouraging improvement recorded by the Sindri factory in the recent past should augur well for acceleration of the development of our agrarian economy.

Production at Sindri's old Ammonium Sulphate group of plants is stated to have been restored to their full capacity. The Expansion Plants are also said to be now being operated at nearly the maximum possible capacity (90 per cent) consistent with the current limitations on the availability of coke-oven gas. The output of ammonia during the last month from the old group of plants was 8,890 metric tons, exceeding the monthly rated capacity by about 500 metric tons. Production in the Expansion Plants was of the order of 3,450 metric tons. The total production of ammonium sulphate during October was 30,463 metric tons, appreciably higher than the monthly rated capacity. Output of urea amounted to 1,849 tons. The production of double salt is also stated to have improved within the limitations imposed by restricted production of ammonia by the new plant.

Howsoever heart-warming this progress, achieved owing to an all-out effort organised during the last few months ,it is imperative that concerted efforts should be made to feed this very vital nitrogenous fertilizers manufacturing factory in the present exigencies with its full requirements of coking coal. In all, Sindri needs about 1,000 tons of coking coal per day — 60 per cent of these supplies from Dishergarh and 40 per cent from Jharia — in order to produce 600 tons of coke daily to feed the Gas Plant and at the same time to make available the requisite quantum of coke-oven gas to the Expansion Plants. A blend of 60 per cent Dishergarh coal is stated to be essential for yielding 10 million cubic feet of coke-oven gas for use in the Expansion Plants. If the requisite supplies are ensured, it could reasonably be expected that Sindri by boosting the production at the Expansion Plants to their rated capacity, will be able to turn out greater quantities of nitrogenous fertilizers the demand for which in the recent years has outstripped supplies by a wide margin. To the extent more food is produced in the country, the battle on the price front would be made easier to fight.

Industrial Estates

UNEVEN PROGRESS AND SHORTCOMINGS

ALTHOUGH ONE hears occasionally of the striking progress of an industrial estate here and an industrial estate there, one has still to know whether these estates have registered at least a more or less reasonably uniform progress throughout the country. Such an assessment would appear to be necessary, especially as new industrial estates have begun to crop up some times in the most unexpected places and certainly not always in the most suitable places.

Since the introduction of the scheme, the total number of approved estates has crossed the 200-mark (119 schemes at the end of the Second Plan and 94 under the Third Plan till June, 1962, to be precise), entailing an outlay of as much as Rs. 12 crores. According to a survey recently carried out by the "Financial Express" Bombay, the progress of these estates has been extremely tardy. Thus, although the number of industrial estates has gone up, only 69 estates are reported to have actually commenced functioning by the end of June last. Though 21 more estates had been completed, they had not started functioning for various reasons, while 16 more were still in various stages of construction.

Even the estates that have already started functioning, it is stated, have not fared well. Thus, out of 2,626 sheds constructed in all the estates by the end of March last, only 1,628 sheds (61.9 per cent) were actually in use. The percentage was still lower in the case of some individual states. In Uttar Pradesh, the Survey has mentioned, it was 34.5 per cent, in Jammu and Kashmir 37.5 per cent, in Mysore 39.8 per cent and in Maharashtra 49.4 per cent. The Survey has further observed that, in all these States, more anxiety was shown in inflating the number of estates than in the maximum utilisation of the facilities already brought into existence. Among others, it is stated, the non-utilisation of sheds in many cases has been due to lack of prior investigation and study in regard to location, while, in some other cases, it was more as a concession to popular pressure or clamour that estates were set up at places where some of the most important factors conducive to industrial development were woefully lacking. Moreover, some of the states are believed to have failed to provide even proper amenities, such as good roads, power, water, sewage, hospitals and residential areas. Some of the States are also reported to have ignored one of the main objectives of an industrial estate, namely, that of providing accommodation at an economic rent, by reason of the uneconomic use of land, heavy expenditure on construction, etc., by the authorities concerned. Although, in the earlier stages, the rent is to be subsidised, even the subsidised rent is alleged to be higher than the normal rent for similar accommodation in the neighbourhood. If this is the position with subsidised rents, what will be the position of tenants when the subsidy is withdrawn eventually, as it is bound to be?

The major handicap of these estates would appear to be the acute shortage of raw materials. Many entrepreneurs who were attracted to these estates on definite assurances in regard to supplies of raw materials, mainly iron, steel and non-ferrous metals, have found to their dismay that they can at best get only a fraction of their total requirements. For example, as the Survey points out, while the State Directors of Industries had assessed the requirements of these units for the August-September, 1962, period in respect of black sheets at 1.40 lakh tons, the actual allocation made by the Iron and Steel Controller was only 30,000 metric tons; as regards the supply of galvanised plain sheets and corrugated sheets the position was worse. For, whereas the assessed requirements were 88,210 metric tons and 11,499 metric tons, respectively, there was no allotment at all! The allocations with regard to non-ferrous metals, especially zinc and copper, according to the Survey, was only sufficient to meet 30 per cent of the actual requirements. This is, indeed, a sorry state of affairs in all conscience and requires to be looked into without delay if the country is not to be disillusioned about an otherwise potentially constructive move.

Lederle-India

NOW CYANAMID INDIA LIMITED

THE CHANGE in the name of Lederle Laboratories (India) Limited to Cyanamid India Limited, with effect from November 1, not only marks a significant event in the 15-year history of this Indo-American venture, but also is a signpost of wide import for the agrarian economy of this country. The change has been necessitated, according to Mr. William Parker, the Managing Director of Lederle-India, by the company's branching into the activities of the Agricultural Division of the parent Company—American Cyanamid. Hitherto Lederle—India had been carrying on the activities of only the Lederle Division of the American Cyanamid Company and thus was engaged in the manufacture and distribution of pharmaceutical products. The company had set up for this purpose two manufacturing units at Bulsar — the pharmaceutical unit, which commenced production in 1953, and the other one producing from local raw materials a large number of antibiotics, namely, the famed Tetracycline group antibiotics, Ledermycin, Achromycin and Aureomycin, that was commissioned early this year.

The new Agricultural Division of the company, which recently started producing and marketing animal health and veterinary products, is currently engaged in setting up a new plant for the basic manufacture of Malathion, a safe insecticide developed by Cyanamid Research. It hopes to market this product of local manufacture in the near future. Gradually, the company envisages to go into the manufacture and marketing of various other chemicals of the parent company's Agricultural Division as well. As the plans progress, the company proposes to raise its capital, in which the Indian participation at present is 24 per cent. An application to this effect has already been made to the Government of India.

In the initial stages, Malathion output is envisaged to be of the order of 160 tons per annum. Eventually, it is proposed to be stepped up to 1,000 tons. The significant role that Malathion can be expected to play in the attainment of the Third Plan target of 100 million tons of foodgrains should be evident from the fact that, according to authoritative estimates, the loss to our food crops due to insect pests is estimated around 9 million tons of grains valued at nearly Rs. 400 crores. In addition, approximately two million tons of grains, worth nearly Rs. 88 crores, are lost in storage owing to damage by insects and pests. Application of Malathion, which because of its low toxicity and high potency has been recognised and approved by the WHO as an insecticide of choice, should contribute materially towards avoidance of these losses, thus increasing the availability of foodgrains from indigenous sources.

The company has also plans to develop new insecticides suitable for Indian conditions. For this purpose, experiments are envisaged to be conducted on Indian farms. The resources of the parent company for this research work will be available to the Indian company.

Co-operation

SPECIAL EFFORT WEEK

THE NATIONAL Co-operative Union of India decided to celebrate Co-operative Week from November 3 to November 10 during which period "vigorous efforts in several directions on a continuing basis" were to be made. Mr. Braham Parkash, General Secretary of the Co-operative Union of India, stressed that all co-operatives must exert austerity and cut all avoidable expenditure. This indeed is true. During the coming period of emergency all institutions have to direct their energies to increase production of items which are vital for national defence. It is good that the co-operatives have decided to co-ordinate their activities on an all-India scale and have decided to strengthen all their agencies in the preparation and carrying out of their urban and rural plans.

Mr. Braham Parkash laid a special stress on the consumer co-operatives. This was all the more important because during the coming months there is every likelihood of shortages appearing in respect of certain commodities. It would be through association of consumers in the process of distribution that a smooth functioning of the consumer market can be assured. During the week, possible benefits of housing co-operatives and several schemes under which assistance from the State was available for housing co-operatives had to be explained to the people in details.

In the rural sector too, co-operatives have to play a very significant role. The role of service co-operatives in providing assistance to rural communities in different fields of economic activity has to be explained to the people in the villages. The co-operatives have to generate a sense of emergency so that the people in the rural areas exerted to their maximum to raise the output in the field of agriculture.

FROM THE CAPITAL'S CORRIDORS

NATIONAL DEVELOPMENT COUNCIL MEETING

THE National Development Council, the highest policy making body of the country, met in an emergency session here on November 4 and 5 to consider the situation arising out of the Chinese invasion of our northern frontier. In particular, the Council deliberated on questions relating to rephasing of the Third Plan, holding of the priceline and participation of the masses in the struggle to keep the flag of freedom flying. It declared at the end of this meeting: "We are fighting for our freedom and our honour, to save the democratic way of life adopted in our Constitution. With faith in the justness of our cause, we dedicate to protect our motherland."

The Chief Ministers pledged "the entire resources, in men, money and material, of their respective States, to the making of a supreme effort to maintain inviolate the integrity of the country."

The Council considered the country's plans of development as integral part of the national defence; all these plans have to be geared to the defence effort.

So far as the rephasing of the Third Plan is concerned, a note prepared by the Planning Commission for this meeting throws ample light on the directions which the Planning Commission has given to the States for making the necessary adjustments in their Plans. The Planning Commission feels that during the current and the next year of the Plan, the Centre will be called upon to bear extraordinarily heavy burdens the magnitude of which cannot be precisely estimated at present. The States also will have to incur expenditure on several new activities arising from the emergency. Large amounts of purchasing power will be released and the supply of many goods for civilian consumption will have to be restricted. In the circumstances, both for economic reasons and for stepping up the tempo of development and production related to the defence effort, utmost economy will have to be observed. This, the Planning Commission feels, will have to be done first in relation to the State Plans. During 1963-64, it has been indicated to the States that the Central assistance for their Plans will have to be curtailed from Rs. 450 crores to Rs. 400 crores. The States' envisaged outlay of Rs. 275 to Rs. 300 crores, however, has been kept intact.

To make the maximum contribution towards defence effort in the immediate future, priorities in the State Plans have to be reviewed in the light of the following broad principles:

(a) re-examining the priority of activities which are not sufficiently closely related to present needs;
(b) rephasing large projects so as to reduce the claims on scarce resources (materials, foreign exchange, etc.) and to produce the largest possible results in the short run;
(c) intensifying action for increasing agricultural and industrial production;
(d) making the most effective use possible of trained manpower and multiplying facilities for training of personnel, including shortening of training periods;
(e) strengthening the administrative machinery at each level and mobilizing fully the leadership and machinery of Zila Parishads, Panchayat Samitis and Panchayats of municipal bodies in the urban areas and of voluntary organizations;
(f) reviewing existing loan policies of Government, substituting, as far as possible, assistance in kind for assistance in cash, and limiting assistance to essential purposes and for parties really in need; and
(g) ensuring maximum use of local resources.

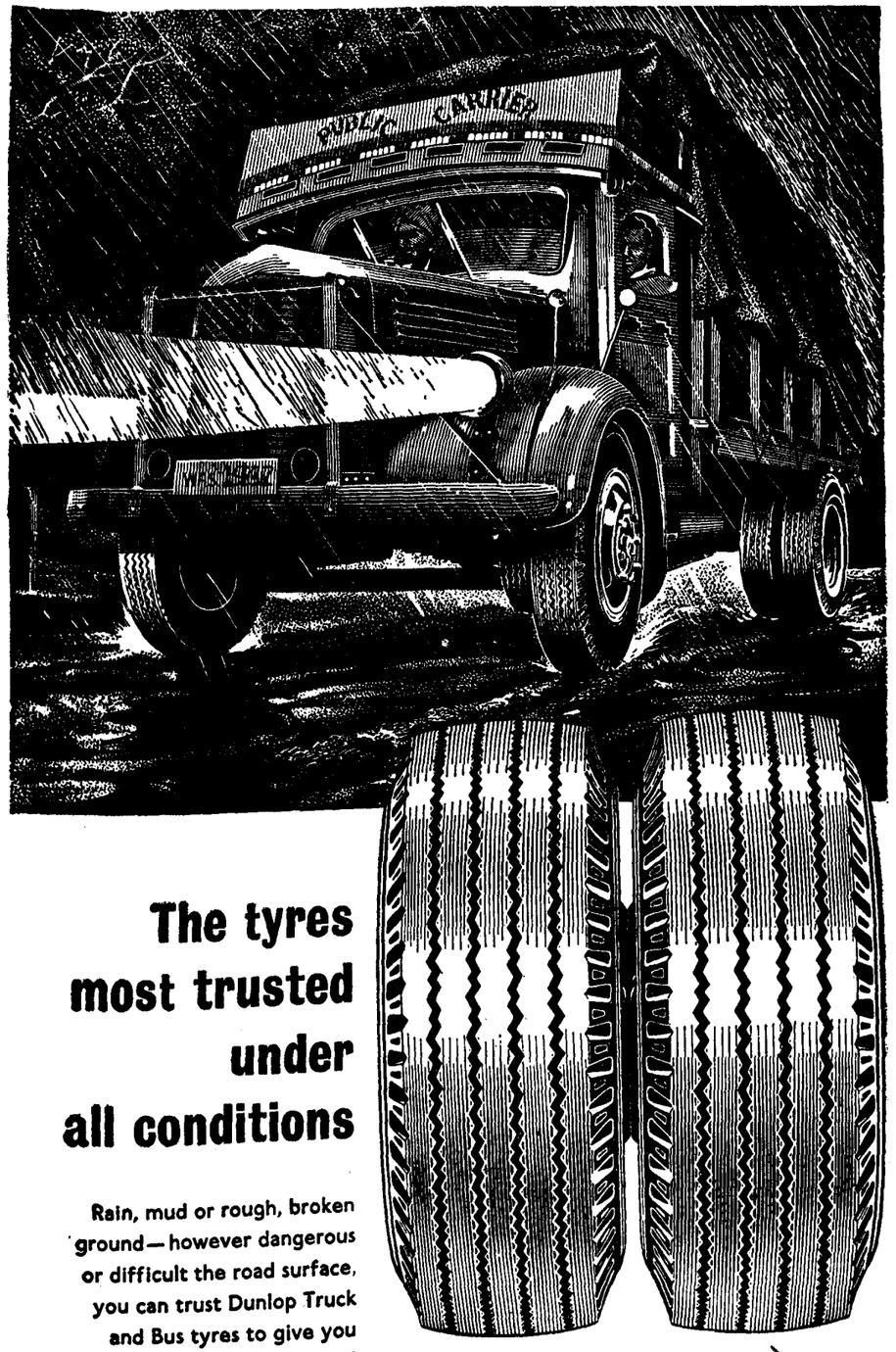
The individual sectorial Plans of the States have to be reviewed according to the following programme:

(a) **General**
(i) Every project under construction should be reviewed with a view to speeding of its flow of benefits.
(ii) The priority of every project, now in progress or planned for implementation, should be tested in relation to present Defence needs and early addition to production potential.
(iii) Preference should be given to small and medium-sized projects which are capable of yielding results quickly, say, within one year or at the most two years.
(iv) Long-term projects already in progress should be suitably re-phased so as to reduce present claims on scarce resources.
(v) Utilization of existing capacities of projects already completed should be ensured and of those nearing completion should be speeded up.
(vi) Efficient maintenance is of the utmost importance; but foreign exchange expenditures required for maintenance should be cut down to the maximum extent possible.

(b) **Irrigation and Power**
(i) All measures needed for utilizing fully the irrigation potential of existing projects and those nearing completion should receive immediate attention.
(ii) Completion of medium irrigation scheme in progress should have first priority as against new medium schemes and all medium schemes should have absolute preference over large projects.
(iii) Subject to certain exceptions, large major projects, on which comparatively small expenditures have been incurred (say, 10 per cent of estimated cost) should be rephased and deferred as far as possible.
(iv) Existing flood control embankments should be strengthened adequately. The execution of flood control works should be speeded up. In respect of new flood control works, only short-term ones should be taken up.
(v) Power development has high priority for Defence production. Supplementary programmes for additional capacity, where feasible on a short-term basis, may be taken up.
(vi) In operating plants and power systems the maximum efficiency should be ensured through proper maintenance, avoidance of heat losses in thermal plants and reduced transmission and distribution losses.
(vii) All non-essential power loads should be restricted. Where necessary, additional charges should be levied for such loads.

(c) **Industrial Projects**
(i) Completion of projects which are well advanced should be expedited.
(ii) Projects on which there has not been much progress so far should be rephased and deferred unless they are related to production for Defence or for essential civil supplies.
(iii) Schemes relating to Industrial Development Areas may be deferred.
(iv) Loans and assistance from State Financial Corporations and State Industrial Development Corporations should be channelled for production and development related primarily to Defence efforts.

(d) **Intensification of Agricultural Production**
(i) The most important contribution which State Plans can make is to achieve a rapid increase in



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agricultural production. The Third Plan itself embodies large-scale programmes for agriculture and provides substantial resources. By and large, agricultural programmes are not yet intensive enough and the organization of supplies and services has to become much more efficient. Local communities and their leaders must be fully involved in the production drive.

(ii) In August, 1962, States were asked to step up by 20 per cent the Third Plan targets for areas to be benefited by minor irrigation (12.8 million acres) and by soil conservation on agricultural lands (11 million acres), and additional resources for the purposes were provided. These targets should now be stepped further in every State, so that 50 per cent increase is realised.

(iii) Special stress has been laid on securing urgent increase in the production of cotton and oilseeds.

(e) **Reorientation of Community Development**

(i) In community development blocks village level workers should now be given one set of tasks, only to carry out, namely, organizing agricultural extension and supplies and helping the Village Panchayat and Co-operative to draw up and implement the village production plan.

(ii) For the time being, apart from maintenance of social services already established and extension of rural water supply, the funds allotted to Community Development Blocks should be diverted to the utmost extent possible for agricultural development.

(iii) The target for extension of dry farming, which has been placed in the Third Plan at 22 million acres, should be increased at 50 million acres. Responsibility for realising this should be placed squarely on the Community Development Organization. The target should be broken down through Zila Parishads and Panchayat Samitis by Districts, Blocks and Villages.

(f) **Production of Fruits, Vegetables, Fish, Eggs and Milk:** Production programmes relating to these subsidiary foods should be intensified, especially those which are capable of speedy execution. Special efforts should be made in the vicinity of cities and towns. Detailed proposals for intensifying present programmes have been formulated and will be sent to States.

(g) **Co-operation:** Execution of Plan programmes for co-operative credit, co-operative marketing and co-operative farming should be speeded up. Organization of labour co-operatives and consumer co-operatives should be undertaken as immediate priorities.

(h) **Rural works programme:** The rural works programme will be continued, but it will be concentrated on works relating to agricultural production and in areas which have been markedly backward in development.

(i) **Roads and Road Transport**

(i) Roads and bridges of strategic importance and trunk routes should be strengthened. The first priority should be to strengthen weak bridges on strategic roads and trunk routes. Special attention should be given to missing links. New roads programmes and programmes relating to construction of roads of lower priority should be deferred.

(ii) Programmes for expanding fleets of nationalised undertakings for passenger services should be held in abeyance or curtailed of the minimum and where possible, deferred.

(iii) Road transport services in the private sector, specially for goods traffic, should be reorganized, as far as possible, on the basis of pooling of vehicles. This would make it possible both to utilise available capacity to the maximum advantage and to release a proportion of vehicles for use in other areas.

(j) **Education**

(i) In primary schools, specially in classes I and II, double shifts may be introduced.

(ii) Facilities for teaching in science and in technical subjects at the secondary level should be expanded further and improved.

(iii) Programme for NCC and ACC should be expanded; also physical education.

(iv) Targets for technical education should be raised. By ensuring the utmost economy in respect of buildings, these higher targets should be realised without increasing financial provisions under the Plan.

(v) To the utmost extent, educational buildings should be put up with local materials, and existing buildings should be used intensively.

(vi) All economies possible in the expansion in education at the secondary stage should be achieved.

(vii) Programmes for conversion of high schools into higher secondary schools and for primary schools into basic schools should be staggered.

(viii) Proposals for opening new universities and new arts colleges should be postponed. This may be counterbalanced by increase in admission capacity in some of the smaller colleges.

(ix) Schemes for expanding cultural programmes may be held in abeyance as far as possible.

(k) **Health**

(i) The National Malaria Eradication Programme should be continued as at present.

(ii) Training programmes for medical and paramedical personnel should be expanded, and periods of training shortened wherever possible.

(iii) The urban water supply programmes should be staggered over a longer period.

(iv) Expansion programmes for hospitals and dispensaries should be rephased. Wherever construction is necessary, it should be of the cheaper kind.

(v) New schemes should not be sanctioned unless they are urgent and related to present requirements.

(l) **Welfare of backward classes:** The proposed expansion in the number of Tribal Development Blocks under the Third Plan should be deferred.

(m) **Housing**

(i) Generally, housing programmes will have to be slowed down, including industrial housing, low-income housing and slum clearance.

(ii) Land acquisition programmes should go forward but, as far as possible, payments should be made in Defence Bonds, Defence Certificates, etc.

In regard to the Central Plan projects, utmost priority is to be accorded to development in the vital sectors, namely, transport, steel, heavy engineering, power, coal and cement. The agricultural development in the State Plans is given the highest priority. The Union Ministry of Food and Agriculture is being geared to the new tasks of co-ordination and rendering of advice. Some of the Central projects on which work is in the preliminary stages at present and which can be postponed without affecting the defence effort, may be postponed so as to make available all the funds for fighting the Chinese menace.

Price Policy: To fight the battle on the price front, the State Governments have been advised to set up immediately the necessary organisations at State and district levels for regulating and ensuring supplies for civilian consumption at reasonable prices. In respect of

food, cotton textiles and drugs and medicines detailed instructions are expected to be issued by the Central Ministries concerned very shortly. The accent is to be on stepping up of production of essential commodities of civilian consumption along with the maximum production of materials required by the Defence Ministry. A large network of co-operative and other consumer stores is envisaged to be set up immediately in accordance with a scheme drawn up by the Union Ministry of Community Development and Co-operation. Vigilance committees to stand watch on the situation are also to be set up through the length and breadth of the country. Hoarding and profiteering are envisaged to be checked with a firm hand.

FEDERATION ON EMERGENCY

An emergency meeting of the Committee of the Federation of Indian Chambers of Commerce and Industry was convened here on Monday to consider the situation arising out of the blatent Chinese aggression and the measures to be taken by the business community to meet this grave peril. Mr. Shriyans Prasad Jain, President of the Federation, pointed out that the Regional Conference of the Federation's constituents in South India on October 23, had already called upon business men to exercise self-restraint and to do their utmost to ensure that the tensions in the economy that were likely to be generated in such a situation were checked effectively. The nation had reasons to congratulate itself, he added, at the manner in which all sections of the community, not the least, business men and industrialists, had spontaneously responded to the appeals made, and the remarkable enthusiasm that had been generated. He was of the opinion that this enthusiasm should be channelised in the most fruitful direction. He, therefore, pointed out that business men had a special role to play and they should follow certain precise rules.

They, he said, should (a) maintain and increase production of commodities essential to the life of the nation, (b) increase the potential of war supplies; (c) maintain the priceline; (d) subscribe to the various schemes of Defence Bonds, Loans and Funds and (e) should mount a massive propaganda for the success of all these.

He indicated that the following commodities were essential to the life of the nation: (1) Foodgrains and wheat flour, (2) Sugar and gur, (3) Cotton piecegoods, (4) Woollen piecegoods, (5) Vanaspati and other edible oils, (6) Footwear, (7) Paper, (8) Drugs and pharmaceuticals, (9) Coal and coke, and (10) Cement.

He was confident that the position in regard to the supplies and availability of foodgrains, sugar, cotton piecegoods, and vanaspati were fairly satisfactory. Even then, he said, the problem had to be seen not from a narrow and immediate point of view, but as it is likely to emerge over the next two or three years. He suggested that every effort should be made to increase the production of these essential items. In the case of cotton textiles, he opined, the industry could increase production, of course with the co-operation of labour, if supplies of raw cotton were augmented. Although a good crop was aniticipated, he added arrangements would still have to be made to import the requisite quantity of cotton from abroad.

Cement output, he pointed out, could be raised by about 7.5 lakh tons if coal supplies were adequate and further by a million tons or so if the requisite machinery for producing slag cement could be imported expeditiously. In the case of commodities like the woollen piecegoods and yarn, footwear and also cement, people, he said, have to be told to consume less.

As regards increasing the war potential, Mr. Jain pointed out that discussion were already going on in Government circles. By and large, the industry did not yet know as to what would be the equipment it would be expected to produce. A sense of urgency has, however, to permeate the consideration of all these vital issues so that right from now the industry could prepare for the trying times ahead. He urged that (a) the Government should decide, as early as possible, as to what were the strategic supplies that had to be developed and supplied from our existing industrial potential and in what manner the switch-over should take place; (2) to the extent possible, essential industries must be supplied with full requirements of indigenous as well as imported raw materials; (3) the recent improvement in the supplies of coal and rail transport must be maintained and further improved — (Special examination must be made of the transport problem because of the possible increased pressure); (4) since railway transport may not be able to meet the situation fully, all kinds of restrictions on road transport should be removed and at the same time fuller use should be made of inland waterways; (5) efforts must be made to stockpile strategic materials like steel, non-ferrous metals, petroleum products and the like by securing them from friendly countries; (6) in order to enable industries to take the best out of the existing equipment, amendment to the statute concerning labour should be effected to enable three-shift working wherever possible, and for working additional hours and on holidays.

Mr. Jain assured on behalf of the Federation that the central organisations of manufacturers of the various commodities would make arrangements to see that the products of their industries were distributed in such a manner that they reached the ultimate consumers at prices they were expected to pay. They would also ensure that such commodities which could be price-marked were stamped with retail prices. The retailers, particularly in large towns, would be asked to display prices in prominent places in their shops, so that the consumer knows, even before he buys, as to what he is being charged.

DEFENCE OF INDIA ORDINANCE: ALL PROVISIONS IN OPERATION

All the provisions of the Defence of India Ordinance, 1962, promulgated on October 26, have been put into effect from October 31, 1962. The Ordinance provides "for special measures to ensure the public safety and interest, the defence of India and civil defence and for the trial of certain offences." Earlier, only Section I of the Ordinance had been put into operation.

MOBILISING RESOURCES FOR DEFENCE

The Union Government has announced the details of its new borrowing programme to raise resources for meeting the emergency created by the Chinese invasion on our northern border. It consists of issue of five new series of bonds and certificates to suit all types of investors.

For institutional investors and also those in the higher income brackets, a new series of bonds, called the National Defence Bonds, repayable after 10 years from the date of sale, is being floated from November 10, 1962. The series will be kept on tap for a period of six months i.e. upto May 9, 1963, if not closed earlier at the discretion of the Government, and will be issued at par in multiples of Rs 100. The Bonds will carry interest, payable half-yearly, at 4¼ per cent per annum. Interest will be liable to tax, but in the case of small investors, tax will not be deducted at source at the time of payment of interest in the case of Bonds held by individuals.

To attract small savings in a larger measure, two types of certificates—10-year Defence Deposit Certificates and 12-year National Defence Certificates—are being issued. The Defence Deposits Certificates will be issued from November 10, 1962, and will carry an interest of 4½ per cent per annum, payable every year. Subscriptions will have to be in multiples of Rs. 50. The principal will be repaid after 10 years from the date of purchase. Interest will be free of income-tax. The

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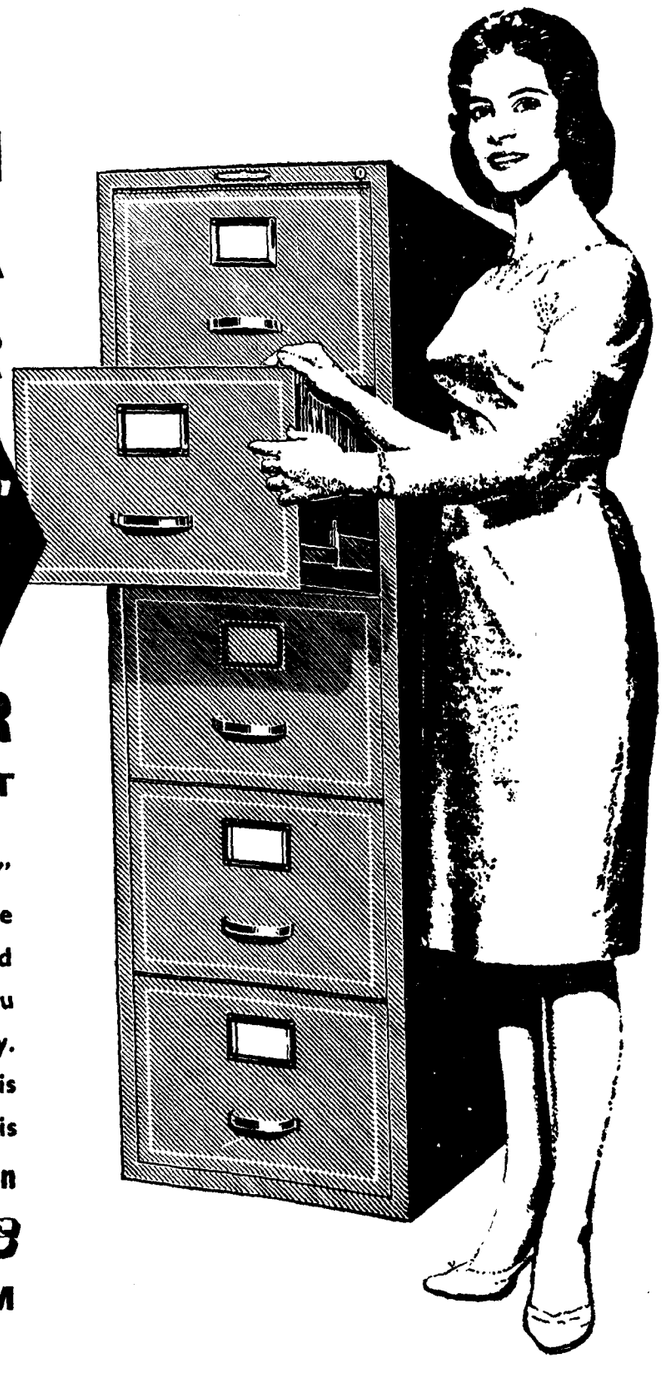
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maximum amount that can be invested in these certificates, including the investment in the Treasury Savings Deposit Certificates, will be Rs. 25,000 for individuals and Rs. 50,000 for joint holders. The existing 4 per cent 10-year Treasury Savings Deposit Certificates will cease to be issued with effect from the close of business on November 9, 1962. To enable the investors in Treasury Savings Deposit Certificates to have the benefit of higher rate of interest on the Defence Deposit Certificates choice has been offered for conversion of the former into the latter if they have been purchased on or after November 1, 1962.

The 12-year National Defence Certificates will be issued in the denominations of Rs. 5, Rs. 10, Rs. 100, Rs. 500, Rs. 1,000, Rs. 5,000 and Rs. 25,000 from November 15, 1962, and will replace the existing 12-year National Plan Savings Certificates. They will be repaid on maturity at a premium of 75 per cent of the issue price, yielding a return of 6.25 per cent per annum simple or 4.75 per cent per annum compound, as against the maturity yield of Rs. 165 on the National Plan Savings Certificates. The yield on the new series, as in the case of the old one, will be free of income-tax. The maximum amount of investment in these certificates, inclusive of the investment in the earlier Postal Savings Certificates, will be Rs. 25,000 for individuals and Rs. 50,000 for two persons jointly. The National Plan Savings Certificates purchased after November 1, 1962, can be converted into the National Defence Certificates so that the investors could have the benefit of higher return.

To encourage small savings further, a new series of prize bonds, called the Premium Prize Bonds, 1963, is proposed to be put on sale with effect from January 1. These Bonds will be issued in the denominations of Rs. 5 and Rs. 100 and will be repayable with a premium of 10 per cent five years after the date of their sale. The Bonds will be bearer bonds. In addition to the premium, the bond-holders will be eligible to participate in two draws for prizes to be held in 1964. For each Rs. 1 crore worth of bonds the prize money will be Rs. 5 lakhs in each draw for each of the two denominations and will be distributed in 243 prizes in the case of Rs. 100 denomination bonds and 568 prizes for Rs. 5 denomination bonds. The details about subsequent prize draws have not been made clear as yet. The number and amount of prize money will not be limited but will increase with every increase in the sale of Bonds. For sales of fractions of a crore of rupees, both the number and amount of prizes will be suitably adjusted. Unsold Bonds will be completely eliminated for winning prizes and all prizes will be awarded amongst the sold Bonds only. Both the premium and the prize money will be free of income-tax.

For mobilising for productive purposes the gold resources, which at present lie hoarded in private hands, 15-year Gold Bonds are envisaged to be issued from November 12, 1962. These Bonds will carry an interest of 6½ per cent subject to tax, but will be exempted from wealth tax and the tax on the capital gains which may accrue from their sale. Subscriptions to these Bonds will be in the form of gold, gold coins and/or gold ornaments. They will be treated as issued on the date the gold is tendered as subscription. The value of the gold will after assaying be calculated at the rate of Rs. 53.58 nP per 10 grammes of .995 fineness, equivalent to Rs. 62.50 nP per tola of the same fineness. In the case of individuals, the tax on interest will not be deducted at the time of payment of interest if the holder gives the declaration that the total nominal value of the Gold Bonds held by him or on his behalf does not exceed Rs. 10,000. Subscription lists for these Bonds will remain open for a period of three months from November 12, 1962, but they can be closed earlier at the discretion of the Government without notice.

COMPANY CONTRIBUTION TO NDF

With a view to enabling companies to make prompt and generous contributions to the National Defence Fund, the President has promulgated an Ordinance under which the Board of Directors of a company can, irrespective of the provisions of its Memorandum and Articles of Association, make contributions to the NDF and other Funds approved by the Government for the purpose of national defence, in excess of the limits of Rs. 25,000 or five per cent of its net profits without obtaining the approval of its shareholders as was required under the Companies Act. The Ordinance came into force immediately.

The Federation of Indian Chambers of Commerce and Industry, it is stated, will shortly finalise a scheme for corporate sector's contribution's to the National Defence Fund on a generous and regular basis during the current emergency.

WITHDRAWALS FROM IMF CREDIT

Thanks to the timely untied aid provided by the U.S.A., the U.K., Holland and West Germany to enable India to finance her maintenance imports, the Government does not intend withdrawing further 25 million dollars from the IMF credit for the present.

The aid mentioned above is untied to the projects, but is available for imports from the donar countries. It should release India's free foreign exchange for purchase of war materials.

A policy decision is also envisaged in the near future on India's purchase of military equipment and ammunition from the friendly countries who have come to her assistance in the present grave crisis. The three alternatives being studied are the commercial purchase of arms outright to the extent possible, procuring arms on deferred payment or on lend-lease basis. Deferred payment includes grant of long-term loans from the supplier countries, out of which payments can be made to the supplying concerns there.

TWO NEW U.S. LOANS

The United States Agency for International Development has made available to the Government of India two more loans, totalling $24.4 milllion (Rs. 11.6 crores), for the development of thermal power in this country. Both the loans are repayable over a period of forty years. They will carry no interest but only a service charge of three-fourths of one per cent per annum. No payment of any kind is to be made in the first 10 years.

One of the loans, amounting to $16 million, is meant for utilisation for augmenting the capacity of the Delhi 'C' thermal power station, currently under construction with an earlier grant of $4.2 million from the U.S. Government, from 36,000 KW to 2,16,000 KW. Apart from meeting the power requirements of the capital, power produced here will also be supplied to Punjab; the station will be interlinked with the Punjab State Electricity Board's Bhakra-Nangal Hydro-Electric Plant over the existing 200-mile double circuit 220 KV transmission lines.

This loan will meet the bulk of the foreign exchange cost of the expansion programme of this power station and is envisaged to be utilised for purchase in the U.S. three 60,000 KW turbine generator units, cooling towers, switchgears, transformers, coal handling equipment, engineering services and other mechanical equipment.

The second loan, amounting to $8.4 million, will help in stepping up the present 37.5 MW capacity of the thermal power station at Ramagundam by installing one 60 MW turbo-generator with associated boiler and other facilities. This plant, which is located in the heart of coal-mining area in Andhra Pradesh, will provide power for the neighbouring coal mines and for industrial development in Sipur and Mancherial. It will be interconnected with the Northern Andhra Pradesh Grid

and thus will also serve a large part of the demand in the metropolitan area of Hyderabad.

The U.S. Agency for International Development has also plans to provide loans from the sale proceeds under P.L. 480 to finance the local currency costs of these two projects which are presently estimated at Rs. 12 crores.

COMMERCIAL PURCHASES OF FOREIGN WHEAT TO BE CUT

The U.S. Administration has agreed to the Government of India's request for a reduction in India's commercial purchases of wheat. India will now be required to buy only 200,000 tons this year (July 1962 to June 1963) instead of 400,000 tons which was the agreed quantity under the original P.L. 480 deal. Commercial purchases are made generally from Australia and Canada. The 50 per cent cut means a saving of about Rs. 8 crores in foreign exchange.

The United States Government is also stated to have sounded the Union Food and Agriculture Ministry on stepping up of foodgrains supplies under PL 480 for building up adequate reserve stocks in this country to meet the exigencies of the present emergency. The proposal is being considered.

The Union Food Ministry is said to have issued directives to the States and Warehousing Corporation to step up the storage capacity to the maximum extent possible.

INDUSTRIAL TRUCE ARRANGED

An industrial truce for the period of the present state of emergency in the country was approved last week at a joint meeting of all the central employers' and workers' organizations convened by the Government of India.

The resolution passed at the meeting said: "Realizing that a grave emergency has overtaken the nation on account of the Chinese aggression and the need has arisen for taking urgent steps, in every direction, to prepare adequately for the defence of the country, and repelling the invasion of its territory, the Joint Meeting of all Central Employers' and Workers' organisations, held today, November 3, 1962, resolves that no effort shall be spared to achieve maximum production, and managements and workmen will strive in collaboration in all possible ways, to promote the defence effort of the country and reaffirms their pledge of unstinted loyalty and devotion to the country."

It was agreed that positive steps should be taken to promote constructive co-operation between managements and workers, in all possible ways.

INDUSTRIAL LICENSING COMMITTEE'S MEETING POSTPONED

The monthly meeting of the Industrial Licensing Committee scheduled for last week was postponed sine die. The Committee was set up under the industrial (Control and Regulation) Act to license industrial units according to development plan, taking into consideration the availability of raw materials, transport, fuel and power, and select their location with a view to secure even development of the country or, conversely, prevent concentration of industries in some States. The Committee is also an authority to approve foreign collaborations. Its adjournment sine die reflects the state of emergency and Government's decision to gear production to war effort.

MANUFACTURE OF ELECTRIC EQUIPMENT FOR LOCOMOTIVES

A collaboration agreement for indigenous manufacture of electrical equipment for 25 KV AC electric locomotives was signed here last week between the Union Ministry of Railways and the Group for the Study and Electrification of Railways at Single Phase, 50 cycles, Zurich. The Group is a combine of eight reputed electric equipment manufacturers of France, Belgium, Germany and Switzerland.

The electrical equipment, under the agreement, will be manufactured at the Heavy Elctricals, Bhopal, for assembly in the vehicular portions to be turned out at the Chittaranjan Locomotive Works. The Chittaranjan Locomotive Works has already commenced the manufacture of mechanical parts of such electric locomotives.

The Group has already supplied 100 AC electric locomotives to the Indian Railways. Another order has been placed on this consortium for the supply of a few more locomotives and equipment.

ADDITIONAL PAYMENTS TO CANE-GROWERS — CHANGES IN FORMULA

The Government of India had issued on August 22, 1962, a Resolution and a Press Note on the Tariff Commission's Report on the revision of the price-linking formula for sharing the price of sugar between sugar factories and cane-growers. It was stated therein that Government had decided to retain the formula notified in September, 1958, in the Sugarcane (Control) Order, after making suitable changes. Since the proposed changes had to be given retrospective effect, Parliament passed necessary legislation (on September 16, 1962) viz., the Sugarcane Control (Additional Powers) Act 1962, authorising the Central Government to amend the provisions in the Sugarcane (Control) Order relating to additional payments either prospectively or retrospectively. The Government has now finalised the changes which need to be made in these provisions and they have been notified in a Gazette Extraordinary dated November 1, 1962. The principal changes made are:

(1) The schedule of costs given by the Tariff Commission in its report of 1959 has been used for purposes of determining the ratio which the cost of sugarcane bears to the cost of sugar (including taxes). There is provision for the costs to be brought up-to-date.

(2) Three-fourths of the amount earned by factories by way of rebate in excise duty for their production during 1959-60 and 1960-61 has been ordered to be taken into account for determining the additional price to be paid to cane-growers. But this amount would be shareable in the same manner as other receipts.

(3) An allowance for the purposes of rehabilitation has been made admissible to such factories as may have actually spent certain amounts on rehabilitation or transferred such amounts as reserve to a special rehabilitation account during the year.

The Government will be shortly setting up the required machinery to determine the amount which may become due to sugarcane-growers from factories in various parts of the country. It is intended to complete this process as soon as possible, but it would involve scrutiny of accounts and other data relating to all the factories during a period of four years.

In accordance with the decision announced earlier that the minimum price of sugarcane would be linked with sugar recovery from the year 1962-63, the Government has fixed the minimum prices for sugarcane payable by individual sugar factories in the country with effect from November 1, 1962. The prices vary from Rs. 1.50 to Rs. 2.13 per maund of cane. They have been published in a Gazette of India extraordinary dated November 1, 1962, and communicated to State Governments and individual factories.

JAYANTI SHIPPING

The Union Government has given permission to the Jayanti Shipping Company to acquire five freighters of the Courtline Shipping Company of the United Kingdom for £1.2 million. Part of this payment will be made on signing the deal, and the remaining in instalments spread over a period of ten years.

NEWS IN BRIEF

INDIAN

A small-scale refrigerators factory in the private sector has been set up at Jagadhri, Punjab. It is expected that its present production of one refrigerator a day would be ultimately increased to 15 per day.

*

The Assam Government is considering the purchase and sale of rice through co-operatives in an effort to keep down prices.

*

The British Physical Laboratories Company and the Universal Refrigeration of Bombay have come to an agreement to set up a factory in the Kerala State to manufacture electrical and electronic meters and component test equipment. The unit is expected to go into production by January, 1964.

*

Licences have been granted for the setting up of seven paper mills in the Madras State.

*

The Indian Central Cotton Committee has decided to implement a long-term research programme in hybridisation in the regional research centres at Coimbatore, Surat and New Delhi.

*

A banking seminar under the auspices of the International Chamber of Commerce will be held in New Delhi from December 17 to December 21.

*

Mr. Raj Bahadur, Union Minister for Shipping, commissioned the Pondicherry pier on October 26. It was built at a cost of about Rs. 41 lakhs.

*

The traffic handled by the Kandla port, Gujarat, in the first half of 1962 showed a rise of 17 per cent over the figure for the corresponding period last year.

*

Mr. S. K. Patil, Union Minister for Food and Agriculture, inaugurated on October 25, 1962, the Delhi Institute of Catering Technology and Applied Nutrition.

*

The Union Government has decided to set up the National Design Institute at Ahmedabad as an all-India body with the assistance of the Ford Foundation.

*

India will participate in the Leipzig Fair to be held from March 3 to 12, 1963.

*

The Coal-Mines Labour Welfare Organisation has earmarked Rs. 33 crores for various labour welfare schemes during the Third Plan period.

*

The Hindustan — Pilkington Glass Works Ltd., Calcutta, has obtained the necessary licence to manufacture plate glass for the first time in India.

*

The United Nations Special Fund has agreed to contribute $324,000 to the development programme of the Metropolitan Water and Drainage Board of Greater Calcutta.

*

The Ford Foundation, U.S.A., has announced grants worth $13.3 million for various educational institutions in the world. India gets slightly more than $2 million.

FOREIGN

An agreement was signed in Bonn on October 25 between representatives of Afghanistan and West Germany, providing for a credit of DM 200 million to finance development programmes in Afghanistan.

*

Britain has provided a credit of £525,000 to Nepal to help her finance her present electricity programme.

*

The Japanese Government, in association with a number of Japanese commercial institutions, has offered to Mexico credit worth $100 million.

*

The United Kingdom has adopted 85 action projects, costing over £3 million, under the Freedom-from-Hunger Campaign of the FAO.

*

The Statistics Bureau of Japan has estimated the present population in the country at about 95 million and forecast a population of 100 million by 1967-68.

*

An official press release states that the United States provided over two-fifth of foreign capital valued at $28 million invested in Spain since the Stabilisation Plan of 1959.

*

Tunisia has received a credit of $5 million from the International Development Association (IDA) for construction of secondary and technical schools, and a loan of $10 million from Italy for the purchase of industrial plants and machinery.

*

The United States has promised a credit of $225 million to Nigeria for her development programme.

*

A Bank of National Construction and Development with a capital of about £3 million has been set up in Yemen.

*

The Inter-American Bank will provide three loans totalling $10 million to finance development programmes in Peru, Ecuador and Chile.

*

The Rumanian health authorities have decided to take X-rays of the entire population between 15 and 25 age group in a concerted effort to combat tuberculosis.

*

The Pakistan Government is considering the establishment of a shipping corporation with private sector participation to improve the operational efficiency of Pakistan ships on foreign routes.

*

The Government of Pakistan has invited foreign ship-builders to tender for orders worth £37 million for her merchant marine.

*

An official publication states that in 1961 the Japanese Civil Aviation Industry was ranked tenth among the 90 countries affiliated to the International Civil Aviation Organisation. This represents a remarkable advance over the 15th rank she held in the previous year.

*

An official press release from Czechoslovakia claims that the cost of living index in that country for the year ending 1961 has dropped by 5 per cent compared to 1958.

COMPANY AFFAIRS

TATA CHEMICALS

The working results of Tata Chemicals Limited for the year to June 30, 1962, reveal a profit of Rs. 16.94 lakhs which is nearly at the last year's level when the profit was Rs. 16.60 lakhs. A sum of Rs. 4 lakhs is transferred from development reserve. The Directors have recommended the payment of a dividend at the rate of 5.41 nP. per share on new ordinary shares representing proportionate dividend for one month. A dividend at the rate of 65 nP. per share was recommended on old ordinary shares of Rs. 10 each. The value of goods sold during the year, inclusive of excise duty recovered, amounted to Rs. 5.31 crores as compared to Rs. 4.16 crores during the previous year. In spite of this major advance in production and the sales to the extent of 27 per cent there was a minor decrease in profit. This, the Directors indicated, was almost entirely due to heavy rainfall during the last year's monsoon which resulted in the loss of the larger part of their company's salt harvest and necessitated the purchase of salt at an additional cost of Rs. 26.60 lakhs.

The Chairman of the company indicated in the annual report that the company is concentrating on achieving production of Soda Ash and its derivative chemicals at the full rated capacity of its plants and at the lowest possible cost. Along with this, the production of Dense Ash and Pure Salt is being pressed forward. A new series of Hooker Cells which will ultimately double the present volume of electroytic caustic production is expected to be commissioned by December. When these things have been done, the current programme of modernisation and expansion will have been completed. The company plans to increase further the production of Soda Ash by another hundred tons or so per day. If the technical studies now being made of this possibility prove it to be feasible, the company proposes to proceed with it in the assured expectation that it will strengthen the company and improve its profitability through higher production and lower costs.

The Controller of Capital Issues consented in January this year to the issue to the existing shareholders of 5,03,920 new ordinary shares of Rs. 10 each, at a premium of 50 nP. per share in the ratio of one new share for every five shares held. The Consent Order stated that any surplus unsubscribed shares should be distributed among subscribing shareholders who apply for additional shares, on an equitable basis with reference to the number of shares already held, provided that shareholders who had renounced their rights either in whole or in part, would not be entitled to apply for these additional shares. The issue was oversubscribed, and the new equity shares have qualified for dividend with effect from 1st June, 1962.

AIR - INDIA

Profit and loss accounts of Air-India reveal that during the year to March 31, 1962, the company registered a reduced operating profit at Rs. 67.99 lakhs against Rs. 117.41 lakhs a year before. Net surplus was also lower at Rs. 38.86 lakhs against Rs. 67.97 lakhs last year. It may, however, be observed that net worth of the company in terms of capital and reserves has increased to Rs. 27.93 crores against Rs. 21.38 crores at the financial year 1960-61. As is indicated, this year was essentially one of transitions for air transport industry. It was the period in which massive world-wide increase of capacity has brought about sharply decreased load factors resulting in serious financial losses for many of the major airline companies.

The Corporation commenced the year with a fleet of 13 aircraft comprising 3 Boeing 707 jets, nine Super Constellations and one Dakota used for non-commercial purposes. Two Boeings were added to the fleet in April 1961 and March 1962. A sixth Boeing was added to the fleet in April 1962.

The Chairman has indicated that the international airlines industry is growing acutely competitive one. During the previous year, the industry suffered from excess of capacity in relation to demand which is primarily responsible for its low load factor. This situation, the Chairman adds, is likely to continue for some time more. The constant expansion of the international air transport industry through the creation of new carriers of or expansion of small regional airlines in the long haul operations further aggravated the existing excess of capacity over demand and has led to widespread unhealthy practices. The Corporation, the Chairman points out, feels that such a situation should not be allowed to aggravate although the Corporation is confident that it would itself be amongst those able to survive the crippling competition. The question of excessive capacity is linked with that of levels of fares and rates. While by and large fares have over the years been steadily reduced in the tourist and economy classes, it is felt by many in the industry including the Corporation that the process of reducing fares should be continued and if possible accelerated in the future with a view to create a much larger market than is available at the present fair levels.

NEW ISSUES

The following companies were authorised to issue further capital. The consents are valid for 12 months.

The Central Bank of India Ltd., Bombay, will raise further capital of Rs. 3.15 crores (nominal) divided into 630,000 new ordinary shares of Rs. 50 each, to be issued for cash at a premium of Rs. 10 per share, Rs. 25 paid-up.

Bombay Suburban Electric Supply Ltd., Bombay, is issuing capital of Rs. 187.50 lakhs consisting of convertible debentures of Rs. 87.50 lakhs and mortgaged debentures of Rs. 1 crore.

Precision Bearings India Ltd., Bombay, a new company, is raising capital of Rs. 105 lakhs in equity shares of Rs. 100 each for cash at par. Out of this, shares of the value of Rs. 30 lakhs will be offered to Norma-Hoffman Bearings Corporation, USA, and Rs. 18 lakhs to IFC, Washington.

Trianthrene Dyes, Drugs and Organics Ltd., Bombay, a new company will issue capital of Rs. 50 lakhs in equity shares of Rs. 100 each for cash at par.

Nepa Chemicals Ltd., a public company, registered in the State of Madhya Pradesh and engaged in the manufacture of heavy chemicals, is issuing capital of Rs. 50 lakhs (including Rs. 3.35 lakhs already issued) divided into 40,000 equity and 100,000 9.5 per cent cumulative redeemable preference shares of Rs. 100 each, for cash at par.

Rajasthan Textile Manufacturing Company Ltd. is to issue capital of Rs. 40 lakhs divided into Rs. 32 lakhs in equity shares and Rs. 8 lakhs in preference shares.

The Yemmiganur Spinning Mills Ltd., Andhra Pradesh, is issuing capital of Rs. 25 lakhs for cash at par, divided into 20,000 equity shares and 5,000 9.3 per cent (subject to tax) preference shares of Rs. 100 each.

THE
INDIAN SMELTING & REFINING
COMPANY, LIMITED
'Industry House' 159, Churchgate Reclamation,
BOMBAY-1.

Cable : 'ISARC' Phone : 245006 & 246281/2

Manufacturers of

1. ALLOYING & CASTING DIVISION

* Antifriction Bearing Metals
* Gunmetals
* Leaded Bronzes
* Phosphor Bronzes
* Brazing Solders
* Type Metals
* Tin Solders
* Fine Zinc Die Casting Alloys — 'ISMAK-3'
* Cupro Manganese
* Aluminium Base Die Casting Alloys
* Brass & Bronze Rods—Solid & Cored
* Finished Castings—rough & machined.

2. HOT ROLLING DIVISION

* Commercial Quality Brass Sheets
* Commercial Quality Copper Sheets
* Brass & Copper Heavy Base Plates
* Copper Anodes

3. COLD ROLLING DIVISION

* Cold Rolled Industrial Quality Brass Sheathings, Strips & Coils (from 10 SWG to 45 SWG) in width from 7 mm to 355 mm.
* Cold Rolled Industrial Quality Copper Sheathings, Strips & Coils (from 10 SWG to 45 SWG) in width from 7 mm to 355 mm.

(Continued from page 866)

nearly 65 to 70 per cent ilmenite. The total reserves of about 245 million tonnes of ilmenite are estimated. Titanium is both light and most plentiful. It is known as the metal of tomorrow. Its significant properties are its low density (about 0.6 that of steel), magnificient corrosion resistence to marine and saline atmosphere, its good resistence to oxidation damage upto 649°C and its allotropy which permits the formulation of very strong (upto 200,000 psi) alloys. Titanium is finding increasing use in aircraft and missiles.

The chief source of the vanadium in the country is the vanadium bearing titaniferous magnesite ore found in a belt stretching from southern part of the Singhbhum district of Bihar to Mayurbhanj district of Orissa. The reserves are estimated at 224 million tonnes. The vanadium oxide (V_2O_3) content in this deposit has been found to vary from 0.5 to 0.48 per cent going upto 8 per cent in some cases. Vanadium has a relatively high melting point (1899°C) and a relatively low density about midway between the densities of Ti and steel. A number of simple vanadium alloys appear to beat the best titanium alloys and stainless steel in short-time strength and creep properties in the range 538°C-649°C. Vanadium alloys are dutile and can be welded. Its thermal conductivity is double that of Ti or stainless steel which are important for both aircraft and nuclear reactor applications. Vanadium steel when further alloyed with other elements like chromium, manganese, tungsten etc. its property is further increased and utilised for the production of high speed tools. Such high speed steels are used in the manufacture of axles, clutch, gear etc. where strength, hardness and fatigue are primary requisite. The country has adequate resources for chromium and manganese ores.

During the years 1945 to 1946 an attempt was made to produce ferro-vanadium by a newly formed company styled as the National Vanadium Trust Ltd. But the company stopped the work in April, 1946, the plant is located at Rairangpur in Orissa. It is utmost important to produce ferro-vanadium by reviving the old plant or making an ancillary unit to Rourkela. The entire requirements of ferro-vanadium and also considerable quantity of vanadium bearing steel ore imported.

It has highest melting point (3410°C). It is used mostly as cutting tools. Tungsten carbide is the well-known product for the drilling bits. Wolfram is the chief ore found in India though in limited quantity. The ore is known to occur only at two places, one at Chenadpather in Bankura district, West Bengal, and the other in Degana hill, Jodhpur district, Rajasthan.

Besides minerals and the metals discussed above which are required for armament purposes, the country possesses as well good resources of beryllium ore. Beryllium and its alloys are also reported to be used in many high speed aircraft and reactors. Other minerals like mica, manganese ore, aluminium ore etc. which are directly or indirectly used in the manufacture of various components are found in adequate quantity in the country and there could be no deficiency in meeting the expanded requirements. Small resources of nickel and cadmium metals have also been found. These metals would be recovered as by-product during the electrolytic production of copper and zinc metals shortly. To conclude, it may be stated as an objective proposition that India has good resources of most of the required minerals and it can conveniently depend and utilise its own resources for building up heavy equipment and war materials.

THE MYSORE KIRLOSKAR LIMITED
Yantrapur, P. O. Harihar

NOTICE

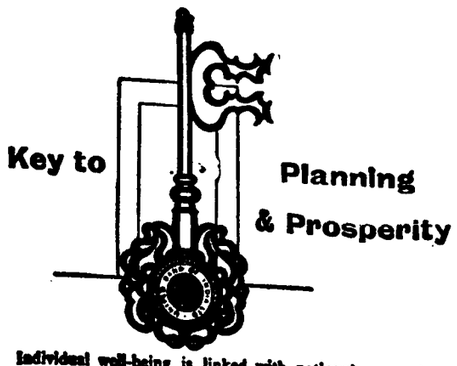
NOTICE is hereby given that the Twentyfirst Annual General Meeting of the Company will be held on Saturday the 8th December, 1962 at 11-00 A.M. (I.S.T.) at the Registered Office of the Company at Harihar to transact the usual business the details of which have been made known to the share holders separately by notice sent along with the Balance Sheet and Profit and Loss Account and Directors' Report.

The Share Transfer Books and Membership Register shall remain closed from the 24th November, 1962 to the 8th December, 1962 (both days inclusive).

By Order of the Board,
For THE MYSORE KIRLOSKAR LIMITED

V. K. BODAS
Asstt. Secretary.

Dated 18th October, 1962.



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

ANNOUNCEMENT REGARDING THE ISSUE OF 110,000 EQUITY SHARES OF RS. 10 EACH AT PAR IN TERMS OF THE PROSPECTUS.

A Copy of the Prospectus together with the documents required to be attached thereto has been duly filed with the Registrar of Companies, West Bengal.

WELLMAN INCANDESCENT INDIA LIMITED
Regd. Office: 8, Harington Street, Calcutta-16

EXISTING AND PROPOSED ACTIVITIES:

The object of the Company with reference to the proposed issue will be to undertake the design, production and sale of all types of oil fired, gas fired, coal fired and electrically heated furnaces, ovens mechanical handling and allied equipment.

With the approval of the Ministry of Steel and Heavy Industries Government of India a Technical Assistance Agreement has been entered into between the Company and the Wellman Smith Owen Engineering Corporation Ltd. of London with its subsidiaries including Incandescent Heat Groups of Companies, the largest designers and manufacturers of industrial furnaces and heat treatment equipment in the world. Under the agreement the company is given the right to manufacture in India the products designed by the Wellman Incandescent Group of Companies. The technical consultants will assist and advise the company in the preparation of design drawings specifications and other technical data, in tendering for contracts and for the construction, erection and commissioning of the products and the purchase of components and equipment required to be imported in India.

LOCATION OF THE INDUSTRY:

Part of the Fabrication and manufacture will be undertaken by the Company itself at the plant located at the Howrah Industrial Estate in West Bengal. A major part of the fabrication and manufacture will be subcontracted to various other manufacturers.

BOARD OF DIRECTORS

Name and Address of Directors and their Occupation	Description
1) Maharaja Sir P. C. Bhanjdeo of Mayurbhang (Chairman) 3, Rainy Park, Calcutta. Company Director.	Director of:- Burn & Co. Ltd., The Hooghly Docking and Engineering Co. Ltd., The Indian Iron & Steel Co. Ltd., Union Carbide India Ltd., India Steamship Co. Ltd., etc., etc.
2) Donald Allen Hume, 107, Leigham Court Road, London, England. Business Executive.	Director of: The Wellman Smith Owen Engineering Corpn. Ltd. Robinson and Kershaw Ltd., England.
3) George Dallimore Wright, 107, Leigham Court Road, London, England Business Executive.	Director of: Incandescent Limited.
Albert Edwin Crawley, 57/1, Ballygunje Circular Road, Calcutta. Consulting Engineer.	Alternate Director to Mr. G. D. Wright.
4) Barendra Prasad Ray, 2A, Dhanada Ghosh Street, Calcutta-5. Solicitor.	Director of: Baghmari Tea Co. Ltd., Rewa Coal Fields Ltd. Kumardhubi Fireclay and Silica Works Ltd. Eagle Rolling Mills Ltd., Ganges Printing Ink Factory Ltd., Partner of: Orr Dignam & Co., Calcutta, etc., etc.
5) Bryan Allan Harper, 8, Harington Street, Calcutta-16. Thermal Engineer.	Managing Director.
6) Santosh Kumar Basu, P-141, Lake Road, Calcutta-29. Chartered Secretary.	Secretary of the Company.

SHARE CAPITAL

Authorised:
500,000 Equity Shares of Rs. 10 each .. Rs. 5,000,000|-

Issued & Subscribed:
70 Equity Shares of Rs. 10 each .. Rs. 700|-

Present Issue:
249,930 Equity Shares of Rs. 10 each .. Rs. 2,499,300|-

OUT OF THE PRESENT ISSUE:

(a) The Wellman Smith Owen Engg. Corpn. Ltd. of London have agreed

to take up and will be allotted 125,000 Equity shares of Rs. 10 each at per .. Rs. 1,250,000

(b) The Directors, their associates and their friends have agreed to subscribe for and will be allotted 14,930 Equity Shares of Rs. 10 each at per .. Rs. 149,300

(c) NOW OFFERED AT PAR FOR PUBLIC SUBSCRIPTION 110,000 Equity Shares of Rs. 10 each .. Rs. 1,100,000

Rs. 2,499,300

DATES OF THE OPENING AND CLOSING OF THE SUBSCRIPTION LIST:

The Subscription list will open at the commencement of Banking hours on 19th November, 1962, and will remain open until the close of banking hours on 24th November, 1962 unless closed earlier at the discretion of the Directors but not before the close of banking hours on 21st November, 1962.

APPLICATION FOR SHARES AND ALLOTMENTS:

Application forms along with copies of the prospectus can be had from the registered office of the Company or from the Bankers and Brokers whose names and address are given below:

BANKER

1) Mercantile Bank Ltd., Calcutta, and its branches at Delhi, New Delhi, Bombay and Madras.

2) The Bank of India Ltd., Calcutta, its head office at Bombay, and its Branches at Delhi, Madras, Hyderabad, Ahmedabad and Indore.

BROKERS:

CALCUTTA : Place, Siddons & Gough (Private) Ltd., 6, Lyons Range, Calcutta-1.

BOMBAY : Lewis & Jones, Bank of Baroda Building, Apolo St., Bombay-1.
Batlivala & Karnani, Union Bank Building, 1st Floor, Dalal St. Bombay-1.

DELHI : Harbans Singh Mehta & Co., 22, Regal Buildings, Parliament Street, P.B. No. 300, New Delhi.

MADRAS : Paterson & Co., 22, Errabalu Chetty St., P.O. Box 48, Madras-1.

Company Meeting

THE CALCUTTA ELECTRIC SUPPLY CORPORATION

SIR WILLIAM LAMOND'S REVIEW

The 65th Annual General Meeting of The Calcutta Electric Supply Corporation, Ltd., was held on November 1, at Victoria House, Vernon Place, London. W.C., Sir William Lamond, chairman, presiding.

The following is his review, which had been circulated with the report and accounts:

It is with very deep regret that I have to record the death on 19th November, 1961, of Sir Harry Burn who had been a member of your Board since 1947 and was Chairman from 1954 until his death. Sir Harry worked tirelessly in the interests of the Company and his experience was of great value. He is missed by all his colleagues. The Board elected me to succeed him — an honour which I greatly appreciate. Mr. I. A. Macpherson has been appointed Deputy Chairman.

To fill vacancies on the Board Sir Owain Jenkins and Mr. A. R. Colley were appointed to be Directors. Both Sir Owain and Mr. Colley with their wide experience in their respective spheres will give valuable assistance to the Board. Those two appointments now come up for confirmation.

It is also with deep regret that I record the death on 1st July, 1962, of Dr. B. C. Roy, Chief Minister of West Bengal. Successive Chairmen and Agents of this Company have been honoured by his friendship and have been privileged to have the benefit of his advic and guidance.

In the Chairman's Review for the year ended 31st March, 1961, mention was made of the series of breakdowns of plant that occurred at our New Cossipore Generating Station towards the end of that year and at the beginning of the year 1961-62. These breakdowns had a twofold effect in the year under review; first to the extent to which the output of the machines which were out of action could not be covered by increased generation elsewhere or by increased import from the Damodar Valley Corporation, the demand on our system was unsatisfied and the consequent load shedding involved us in loss of Revenue; and secondly, to the extent to which these outages could be covered by increased generation with less efficient plant elsewhere in our system and by increased import (which in fact happened to a substantial degree) they involved us in enhanced Revenue Expenditure, quite apart from the actual cost of repairing the damaged machines. This abnormal Revenue Expenditure is, under the provisions of the Electricity (Supply) Act, 1948, being recovered from the Contingency Reserve Fund.

Serious as were the effects of these breakdowns on our Revenues they were equally serious for our consumers, particularly our industrial consumers, who had to bear the brunt of the drastic load shedding that was necessary and I welcome this opportunity of expressing once more the Board's great appreciation of their cooperation during this difficult period. The load shedding and the load spreading which were then necessary unfortunately still persist, as was predicted last year, though of course not to the extent that was the case when our New Cossipore machines were out of action.

EXPANDING ECONOMY

India is on the threshold of an industrial revolution which obviously generates pressures within an economy, the expansion of which has of necessity been planned against the background of an acute shortage of foreign exchange. One of these pressures is a shortage of power which has for some years now been manifest throughout the country. We can regard this as one of the growing pains of an expanding economy but whilst it persists, the electricity supply industry must make every effort to expand its generating capacity, and at the same time, to ensure maximum utilisation of existing capacity.

In Calcutta we are doing both: the latter through the instrumentality of the Electricity Supply Control Advisory Committee on which our industrial consumer interests are represented and which makes recommendations to Government with regard to load spreading and also to the amount of, and the conditions under which new load should be connected to our system. But, of course, the real remedy lies in the increase in generating capacity which is so desperately needed in the area.

NEW COSSIPORE EXTENSION

Last year you were informed that Government, reversing its previous decision, had at last authorised our 50 MW extension at New Cossipore. During the year under review great progress has been made on the foundation raft and the new pumphouse monolith, both of which were completed ahead of time; the plant manufacturing programme in this country is also well up to schedule and I have every confidence that this new machine will be on commercial load in October next year — about the same time as we have been promised the first tranche of the power we shall be importing in increasing quantity from the West Bengal Government State Electricity Board in the future. The present shortage will thus continue for at least another year and the position between now and then can only be alleviated by an increase in the import of power from the Damodar Valley Corporation hitherto pegged at the contractual figure of 105 MVA. Any surplus in the Damodar Valley Corporation system which can be transmitted to Calcutta, even if only during the evening peak hours when our own system is so hard pressed, brings great relief to industry in the area and particularly to the jute industry which is of such national importance from a foreign exchange earning point of view.

We realise that the Damodar Valley Corporation is at times itself hard pressed and often has the same difficulty that we have experienced in taking plant out for overhaul. It is, therefore, with pleasure that I record our appreciation of the fact that the Damodar Valley Corporation has recently been able to increase its export to us; we are grateful to them and to the officials in Government and the State Board whose good offices have made this possible.

YEAR OF EXPANSION

It will be noted from the Report of the Directors that during the year ended 31st March, 1962, there were increased sales of energy for Power Purposes, Lights and Fans, Public Lighting and Bulk Supplies. 80 per cent of the energy sold for Power Purposes is supplied to High Tension Industrial consumers and the effect of the load shedding, to which I have already referred, has been almost entirely confined to those consumers. Consumers using energy for Lights and Fans and those receiving Bulk Supplies suffered only slightly. Thus, if there had been no load shedding the energy sold for Power Purposes would have shown a much larger increase.

In addition to large industrial consumers energy sold for Power Purposes covers a large number of small industries supplied at Low Tension. It also includes energy sold for Domestic Power Purposes the demand for which again showed a substantial growth due to the popularity of small air-conditioning units in residences and offices. Although the jute industry holds its predominating position as our largest industrial cnnsumer, supplies to that industry were less than the previous year owing to the severe shortage of raw jute in the middle of 1961. But in recent months the demand from the jute mills has greatly increased, as supplies of raw jute became more plentiful. Other important industries on our supply are Rolling Mills and Engineering Workshops, Cotton Mills, Chemical Works and Paper Mills, and with the exception of the last mentioned, their consumption has increased.

Sales of energy for Lights and Fans again increased. Various housing estates, both in the Calcutta suburbs and in other parts of our area, are still being developed.

Almost all of the increased sales for Public Lighting were for the Calcutta Corporation. Our sole consumer for traction purposes is the Calcutta Tramways Company Ltd., whose demands are not likely to show any appreciable increase.

The West Bengal State Electricity Board, which distributes entirely outside the Company's licensed area, takes 95 per cent of our Bulk Supplies. The large increase was almost entirely for that Board whose demands will continue to expand. Most of the sales under Special Contracts were at our special tariff to owners of large office and residential buildings, public institutions, cinemas and hotels. Demand from such consumers was little changed and is not likely to show much increase in the near future.

REVENUE ACCOUNT

The Revenue Account shows that gross revenue from the sale of current at £10,494,687 was just short of £700,000 more than last year — an increase of 7 per cent. This compares with percentage increases of 11 per cent in 1960-61 and 8.9 per cent in 1959-60 and reflects the effect of load shedding on our power sales, already mentioned. On the other hand, Revenue Expenditure has increased by about £1,120,000 owing for the most part to an increase of some £870,000 in the cost of power imported from the Damodar Valley Corporation. It must be realised that the price paid for bulk supplies necessarily includes interest and depreciation charges whereas such charges are not included in our own operating expenditure, being shown separately in the Accounts. The large increase in the import from the Damodar Valley Corporation has thus resulted in a disproportionate increase in our total operating expenditure.

Cost of Generation, Transmission and Distribution is about £190,000 up on last year, despite a saving of about £75,000 in the cost of coal, brought about by the breakdowns at New Cossipore, as a result of which the output of our generating stations, at 1,666 million units generated, was some 177 million units less than in 1960-61. This net increase can be attributed, for the most part, to increased salaries and wages arising out of a general revision of scales of pay which came into effect from 1st September, 1961. In 1960-61 our purchases from the Damodar Valley Corporation totalled 390.4 million units at a cost of £1,070,194; in the year under review the figures were 664.9 million units and £1,940,775. Administration and General Establishment Charges increased by about £60,000, due again, for the most part, to higher salaries and wages.

I deal now with the Net Revenue Account. Despite the uninterrupted increase in sales, the Company's rates have in recent years produced insufficient revenue to meet the increasing costs and, in addition, to earn the full Reasonable Return to which we are entitled by statute; the shortfall has been made good by transfers from reserves accumulated in the past specifically for this purpose. As is explained in the Directors' Report, the shortfall in revenue this year was £515,618 which

has been reduced to £327,802 by the transfer of the balance remaining in the Tariff and Dividends Control Reserve, namely £187,816. These reserves being now exhausted, we have, in the future, to look to current revenues to earn our Reasonable Return. We are hopeful that our recently revised rates, which I refer to below, will have this result. The Indian tax charge at £945,310 for the year is some £220,000 less than last year, due of course to the fact that for the reasons referred to above, the balance on the Revenue Account at the end of the year was some £458,000 less than last year. This tax charge does not take into account certain demands we have received from the Indian taxation authorities, which we are contesting, and which are referred to more specifically in the notes on page 10 of the directors' report. After providing for Debenture Interest and making the other usual appropriations, including the transfer of £300,000 to Special Appropriations for Plant Expansion, Replacements and Contingencies and providing for dividends on the same scale as last year, the balance on Net Revenue Account, including £124,585 brought in, amounts to £100,524.

BALANCE SHEET

The Balance Sheet shows a decline in our holding of Treasury Bills of some £400,000 as compared with last year. This represents funds used in London for the purchase of plant exported to India and for the payment of Sterling Debenture Interest, Dividends, etc. Apart from the normal expansion of the transmission and distribution system which involves capital expenditure averaging £1¼ million per annum paid, for the most part, from depreciation monies and other sources of internal finance, the extension to our New Cossipore Generating Station is estimated to cost £3½ million. To the extent by which our liquid resources are insufficient to meet the cost of this plant, when this would normally be payable, it will be met by finance specially arranged with our Bankers in India and by deferred payments which have been negotiated with certain British manufacturers. Capital expenditure during the year amounted to approximately £1.4 million of which about £225,000 was on account of the extension at New Cossipore.

REVISION OF RATES

I have referred above to the recent revision of our rates which, because of the increasing cost of imported power and of rising taxation, could no longer be delayed. Despite the continual rise in all costs since the war, our existing rates for lights and fans and for domestic power have remained unaltered for over fifteen years and other rates have altered only to the extent necessary to reflect the greatly enhanced cost of coal. In fact, our rate for high voltage industrial power was, for energy supplied from coal-fired plant, almost the lowest in the world for which statistics are available. We have endeavoured to revise our rates on the general principle that each class of consumption should bear its proper share of the cost of production and distribution. For many years now our industrial high voltage consumers have not provided an adequate share of our overall cost and so our first call has fallen on this class of consumer whose rates have been increased by about 17½ per cent on average. For the present, our other very important rates, that for lights and fans, will remain unchanged, as will also the rate for the smaller low voltage power users. The rate for the larger low voltage power users has, however, been increased by about 17½ per cent on average and our rate B (high voltage energy for domestic and commercial supplies) by about 13½ per cent. In addition meter rents have been increased. It was also our intention to increase the rates for low voltage domestic power and for distributing licensees, but at the express request of the State Electricity Board we have agreed to forgo, for the time being, the increase contemplated in these two rates. We have, however, the right to review the position.

Although the impact of the charge for Indian taxation is not always predictable year by year, we hope that this revision of rates, which came into effect from the beginning of May, this year, will result, in a full year, in more nearly equating our Clear Profit with our Reasonable Return than has been the case in the recent past. Whether it does so or not will depend also largely on the cost of imported power. If the State Board from whom, as from a year hence, we shall be importing power on an increasing scale, is able to let us have this power at a basic price, comparable to that now charged by the Damodar Valley Corporation, then our present cost structure will not be radically disturbed — otherwise a further increase in rates in 1965 when the State Board supply is expected to be fully available, may be necessary.

VISITS TO CALCUTTA

During the year Mr. Macpherson and Sir Owain Jenkins visited Calcutta where they had the great benefit of discussions with the Chief Minister, the Chairmen of the State Electricity Board and the Damodar Valley Corporation, officers of the Government of West Bengal and leaders in commerce and industry in Calcutta. They inspected all sections of our organisation and were satisfied that all was being conducted with efficiency and economy. Despite the anxious period through which we have passed and are still passing, because the power shortage still persists, the prestige of the Company in the City remains high — a tribute to the efficiency and devotion with which the Company's affairs are conducted by our Staff in India who have the great responsibility entrusted to them of running this important public service.

Our thanks are again due to the Electricity Council, the Area Boards and the various manufacturing companies who have provided facilities in this country for the post-graduate training of young Indian Engineers under our Technical Training Scheme. This scheme was introduced shortly after the war and has been a great success. It gives me much satisfaction to record that some of our earlier trainees are now holding responsible positions with our undertaking in Calcutta.

TRIBUTE TO STAFF AND EMPLOYEES

In conclusion I would remind shareholders of the debt we owe to our Staff and Employees in Calcutta. It is difficult for anyone who was not in Calcutta at the time to appreciate the difficulties with which the breakdowns of our plant at New Cossipore confronted them — difficulties which, because of the continuing power shortage, still persist. It gives me the utmost satisfaction to report that, ably led by our Agent in Calcutta, Dr. Bowker, by our Chief Engineer, Mr. Kanga, and by our Commercial Manager, Mr. Pugh, the staff proved equal to the severe calls that were made on them. Mr. Pugh has since retired after nearly 26 years with the Company in India, the last 10 in the important position of Commercial Manager. We wish him many happy years of retirement. I also wish to record the Board's appreciation of the able manner in which Mr. Colley has discharged his responsible duties as Secretary.

The report and accounts were unanimously adopted and an alteration to the Articles of Association was approved.

Note: The above statement is not a report of the proceedings of the Annual General Meeting referred to.

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
July 1961 ..	124.2	98.6	122.1	151.4	141.9	125.3	127.6	128.8
August „ ..	124.3	99.9	122.3	144.6	140.9	123.9	126.3	127.5
September „ ..	121.1	99.7	121.4	138.3	140.6	123.1	125.5	124.6
July 1962 ..	128.4	98.5	124.5	138.8	142.6	127.2	129.4	129.6
August „ ..	131.5	99.2	124.5	139.6	143.1	126.7	129.0	131.1
September „ ..	130.3	99.8	124.3	139.8	142.9	127.2	129.4	130.7
15-9-1962	130.8	99.9	124.3	139.4	143.0	127.5	129.7	131.0
22-9-1962	129.8	99.9	124.3	139.8	143.4	127.1	129.4	130.4
29-9-1962	129.0	100.0	124.8	140.0	142.9	126.9	129.2	130.0
6-10-1962	128.6	100.0	124.7	138.9	142.9	126.6	128.9	129.6
13-10-1962	128.5	100.0	124.7	138.6	143.5	127.1	129.4	129.6

* 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†
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
1962 January	415	436	295	170	399	513	495	180	482	177	174	175
February	417	438	295	170	399	513	492	192	480	177	177*	175
March	418	439	300	170	403	503	493	198	480	179	175*	175
April	418	439	300	170	410	491	492	198	480	182	175*	177
May	422	433	303	167	417	491	496	199	480	180	177*	178
June	426	447	308	171	417	505	497	201	484	182	177*	179
July	427	448	—	175	420	515	501	202	487	185	177*	181*
August	433	454	—	177	431	530	510	204	488	187	179*	182*
September	429	450	—	176	—	525	506	—	488	—	—	—
October	—	—	—	—	—	—	—	—	487	—	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 2-11-1962			26-10-1962			19-10-1962			12-10-1962		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 gram)	121.10	116.45	118.72	123.20	118.20	120.43	120.90	117.05	119.26	117.60	115.75	116.44
Silver (per kilogram)	224.55	222.00	223.63	224.20	222.15	223.47	222.00	220.65	221.31	220.00	218.45	219.21

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	1,862.07
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										
August 1961 ..	1,898,63	13,31	1,911,93	117,76	116,86	234,62	12.27	123,85	1,553,46	1,911,93
Sept. „ ..	1,877,38	21,36	1,898,74	117,76	116,86	234,62	12 36	126,45	1,537,67	1,898,74
Oct. „ ..	1,895,94	21,25	1,917,19	117,76	116,86	234.62	12.22	126,23	1,556,35	1,917,19
August 1962 ..	2,040,68	23.91	2,064,59	117,76	89,74	207,50	10.05	121,45	1,735,59	2,064,59
Sept. „ ..	2,029,26	18,74	2,048,00	117,76	88,34	206,01	10.06	123,87	1,718.03	2,048.00
Oct. „ ..	2,055,65	18,84	2,074,48	117,76	88,14	205,90	9.93	122.84	1,745,74	2,074,48
Week-Ending										
21-9-1962 ..	2,019,79	18,97	2,038,76	117,76	88,34	206,10	10.11	124,63	1,708,03	2,038,76
28-9-1962 ..	2,011,48	28,30	2,039,78	117,76	88,34	206,10	10.10	125,63	1,708,05	2,039,78
5-10-1962 ..	2,054,34	17,85	2,072,19	117,76	88,33	206,09	9.95	123,04	1,743,05	2,072,19
12-10-1962 ..	2,071,14	20,12	2,091,25	117,76	88,08	205,85	9.84	122,10	1,763,31	2,091,25
19-10-1962 ..	2,047,88	19,65	2,067,53	177,76	88,08	205,85	9.96	123,38	1,738,31	2,067 53
26-10-1962 ..	2,049,22	17,74	2,066,96	117,76	88,08	205,85	9.96	122.82	1,738,29	2,066,96

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														
August 1961 ..	65,39	16,45	88,09	180,22	350,16	89,86	525,02	13,35	15,21	30,97	47,71	116,37	284,51	16,89
Sept. „ ..	60,81	26,76	83,71	159,06	330,34	96,02	511,36	21,42	16,73	17,47	49,15	131,54	257,92	17,13
Oct. „ ..	60,23	14,40	81,36	147,41	303,39	95,52	483,91	21,30	35,09	20,06	60,56	135,19	193,80	17,92
August 1962 ..	65,16	24,57	94,63	181,32	365,69	115,38	566,08	23,97	69,23	5,45	31,00	136,99	265,68	33 76
Sept. „ ..	83,68	20,13	86,69	161,43	351,93	177,55	554,48	18,79	115,11	6,10	27,81	159,93	192,28	34,46
Oct. „ ..	55,95	16,07	85,02	160,16	317,65	119,09	521,74	18,90	134,17	5,25	39,11	151,72	136,82	35,77
Week-Ending														
21-9-1962 ..	73,78	15,71	86,58	160,13	336,20	116,27	537,48	19,03	125,24	7,58	27,88	147,17	176,16	34,42
28-9-1962 ..	61,79	13,76	85,72	163,09	324,36	115,14	524,50	28,36	102,27	5,60	31,37	149,40	172,76	34,74
5-10-1962 ..	60,87	17,95	85,82	160,08	324,72	115,11	524,84	17,91	136,73	5,64	35,44	154,59	139,49	35,05
12-10-1962 ..	59,49	21,20	83,68	161,45	325,82	115,04	525,85	20,18	155,08	4,58	37,74	157,15	118,79	35,20
19-10-1962 ..	52,42	15,27	89,88	159,86	317,43	125,51	527,90	19,71	139,65	6,27	39,65	144,40	142,91	35,31
26-10-1962 ..	51,01	9,85	80,71	161,05	302,62	120,70	508,31	17,79	105,25	4,49	43,59	153,58	146,09	37,52

* 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	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
1961-62 ..	849,52	1,142,61	1,992,13	47,92	78,11	6.33	1,101,66	185,61†	64.62	585,01
Average of Fridays										
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
April „	927,18	1,240,90	2,132,08	51,77	83,78	6.36	1,198,27	229,73	66.96	592,07
May „	920,22	1,230,84	2,151,06	52,43	83,85	6.34	1,216,77	220,89	66.83	580,32
June „	911,54	1,266,78	2,178,32	53.30	84,92	6.35	1,235,93	197,66	65.81	584,76
July „	909,70	1,288,13	2,197,83	51,28	99,24	6.85	1,240,45	169,86	64.17	613,11
August „	915,52	1,305,73	2,221,21	50,04	90,22	6.30	1,213,47	180,08	62.74	678.24
Sept. „	913,02	1,283,49	2,196,52	48,53	82,13	5.95	1,203,38	197,61	63.79	678,63
Oct. „	927,03	1,292,66	2,219,69	51,65	78,85	5.88	1,186,41	206,90	62.77	697,75
Week Ending										
28-9-1962 ..	917,81	1,286,89	2,204,70	47,38	79,05	5.74	1,187,76	198,14†	62.86	689,93
5-10-1962 ..	920,73	1,290,81	2,211,54	49,18	79,96	5.84	1,194,90	202,29†	63.18	692,57
12-10-1962 ..	932,48	1,288,99	2,221,47	54,76	73,14	5.76	1,190,20	208.26†	62.95	690.15
19-10-1962 ..	933,31	1,293,94	2,227,25	52,69	84,53	6.16	1,177,33	206,57†	62.14	697,13
26-10-1962 ..	921,61	1,296,88	2,218,49	49,94	77,76	5.76	1,183,19	210,49†	62.82	711,16

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(REVISED SERIES)

(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)
1951-52 ..	1,849,96	1,285,51	564,45	544,85	19,60	—159,82
1955-56 ..	2,219,92	1,571,01	648,91	636,90	12,01	+262,53
1956-57 ..	2,345,30	1,622,73	722,57	710,92	11,65	+125,38
1957-58 ..	2,417,00	1,674,07	742,93	723,06	19,87	+ 71,70
1958-59 ..	2,530,27	1,792,02	738,25	719,00	19,25	+113,27
1959-60 ..	2,725,04	1,930,86	794,18	772,39	21,79	+194,77
1960-61 ..	2,874,11	2,098.05	776,06	757,10	18,96	+199,84
1961-62 ..	3,049,45	2,201,79	847,66	824,26	23,41	+175,34
December* 1961 ..	2,840,48	2,059,62	780,86	761,95	18,92	+ 40,37
January* 1962 ..	2,900,10	2,105,11	794,99	774,89	20,10	+ 59,62
February* „ ..	2,954,85	2,154,75	800,10	781,08	19,02	+ 54,75
March* „ ..	3,049,45	2,201,79	847,66	824,26	23,41	+ 94,60
April* „ ..	3,105,62	2,255,10	850,52	826,42	24,09	+ 56,17
May* „ ..	3,097,65	2,257,10	840,54	819,27	21,27	— 7,97
June* „ ..	3,047,99	2,203,73	844,27	824,00	20,26	— 49,66
July* „ ..	3,026,41	2,170,10	856,31	833,63	22,69	— 21,58
August* „ ..	3,007,52	2,141,77	865,75	843,46	22,29	— 18,89

* Provisional. † Excluding balances held on I.M.F. Amount No. 1 and other extraordinary items.

Source: Monthly Bulletin of Reserve Bank

WORLD TRADE : 1950 - 1961

Imports C.I.F.

(In million US dollars)

	1950	1955	1956	1957	1958	1959	1960	1961
World*	59,000	88,700	97,900	107,500	100,500	106,000	118,700	123,500
United States	8,853	11,516	12,803	13,381	13,340	15,476	15,071	14,679
Canada	2,882	4,628	5,638	5,710	5,205	5,746	5,746	5,694
Latin America	5,620	7,510	7,940	9,330	8,530	7,920	8,240	8,410
Argentina	1,187	1,173	1,128	1,310	1,233	993	1,249	1,460
Brazil	1,098	1,306	1,234	1,488	1,353	1,374	1,462	1,460
Chile	247	376	353	441	415	413	500	..
Colombia	365	669	657	483	400	416	519	539
Cuba	563	575	649	813	808	..	..	..
Mexico	556	884	1,072	1,155	1,129	1,007	1,186	1,139
Peru	176	300	361	400	335	293	373	469
Uruguay	200	229	213	255	151	160	243	209
Venezuela	594	942	1,119	1,668	1,423	1,408	1,060	1,037
WESTERN EUROPE	25,030	40,160	44,260	48,360	45,130	48,000	56,820	60,460
Common Market	11,210	19,280	22,350	24,820	22,940	24,310	29,590	32,170
Belgium Luxembourg	1,942	2,830	3,273	3,432	3,129	3,442	3,957	4,219
Germany Western	2,697	5,793	6,617	7,499	7,361	8,477	10,103	10,941
France	3,030	4,739	5,558	6,110	5,609	5,086	6,276	6,678
Italy	1,488	2,711	3,175	3,674	3,216	3,369	4,725	5,222
Netherlands	2,056	3,208	3,725	4,105	3,625	3,939	4,531	5,112
Free Trade Association	11,550	17,520	18,330	19,620	18,400	19,660	22,740	23,120
United Kingdom	7,035	10,483	10,413	10,960	10,096	10,787	12,368	11,871
Denmark	853	1,178	1,311	1,358	1,366	1,602	1,805	1,870
Norway	679	1,090	1,212	1,275	1,310	1,323	1,461	1,615
Sweden	1,182	1,997	2,209	2,428	2,366	2,405	2,899	2,921
Austria	477	887	974	1,128	1,074	1,145	1,416	1,485
Portugal	274	398	443	502	480	476	545	655
Switzerland	1,047	1,489	1,766	1,964	1,706	1,923	2,243	2,707
Other Western Europe	2,280	3,360	3,590	3,920	3,800	4,030	4,490	5,170
Finland	388	769	885	891	729	835	1,063	1,151
Spain	389	617	767	862	872	795	721	1,092
Yugoslavia	279	441	474	661	685	687	826	910
Middle East	2,140	3,080	3,290	3,620	3,850	3,980	4,330	4,480
Aden	117	198	203	206	203	205	217	232
Sudan	78	140	130	194	171	164	181	234
U.A.R. (Egypt)	583	538	535	547	662	616	646	662
Iraq	105	272	317	341	307	326	391	385
Israel	299	333	376	433	421	427	496	577
Central Africa	1,690	3,020	3,160	3,400	3,190	3,150	3,360	3,490
British East Africa	199	417	375	392	339	340	375	378
Rhodesia-Nyasaland	231	388	446	497	441	420	439	434
Ghana	135	246	249	271	237	317	362	394
Nigeria	173	381	428	427	466	500	604	622
Congo Republic	188	379	416	436	361	324	—	..
Central West Africa	241	384	381	426	403	309	—	..
Mozambique	58	90	95	104	115	120	127	..
Sterling Asia	4,120	4,720	5,460	6,290	5,480	5,820	6,780	6,570
Burma	111	181	198	296	204	223	260	216
Ceylon	245	307	342	379	361	421	412	358
India	1,173	1,414	1,725	2,243	1,844	1,986	2,258	2,131
Pakistan	403	290	417	440	396	353	654	642
Federation of Malaya	428	504	572	593	541	568	703	728
Hong Kong	665	651	799	901	804	866	1,026	1,045
Other Asia	1,530	2,650	2,910	3,190	2,760	2,590	2,980	3,280
China (Taiwan)	120	201	194	212	226	231	297	312
Indonesia	440	630	860	803	544	483	574	794
Philippines	342	548	506	613	559	524	604	611
Thailand	209	334	365	407	393	426	453	486
Rest of the World								
Australia	1,410	1,932	1,713	1,684	1,792	1,854	2,367	2,094
New Zealand	455	804	751	832	798	648	786	..
Japan	974	2,471	3,230	4,284	3,033	3,599	4,491	5,810

* Excluding Eastern Europe and China (Mainland).

Source: U.N. Monthly Bulletin of Statistics.

WORLD TRADE : 1950 - 61

Exports f.o.b.

(In million US dollars)

	1950	1955	1956	1957	1958	1959	1960	1961
World*	56,300	83,700	92,900	99,800	95,200	101,000	112,700	117,600
United States	10,149	15,428	18,952	20,694	17,738	17,459	20,383	20,666
Canada	2,897	4,386	4,916	5,094	5,045	5,365	5,554	5,811
Latin America	6,790	7,960	8,640	8,650	8,170	8,310	8,600	8,550
Argentina	1,361	929	944	975	994	1,009	1,079	986
Brazil	1,347	1,423	1,482	1,392	1,243	1,282	1,269	1,403
Chile	283	475	544	458	389	497	490	..
Colombia	396	580	599	511	461	473	465	434
Cuba	667	611	695	845	763	675	617	..
Mexico	521	805	880	727	735	756	760	826
Peru	189	268	308	320	281	312	431	494
Uruguay	254	184	211	128	139	98	129	175
Venezuela	1,161	1,873	2,116	2,366	2,305	2,369	2,432	2,415
Western Europe	20,430	34,470	37,680	41,340	41,130	44,700	51,240	54,870
Common Market	9,290	18,370	20,070	22,470	22,770	25,230	29,730	32,320
Belgium-Luxembourg	1,653	2,776	3,162	3,186	3,046	3,295	3,775	3,924
France	3,037	4,912	4,541	5,065	5,117	5,607	6,862	7,210
Western Germany	1,976	6,135	7,358	8,575	8,807	9,804	11,415	12,687
Italy	1,209	1,857	2,145	2,552	2,577	2,913	3,648	4,188
Netherlands	1,413	2,687	2,862	3,097	3,218	3,607	4,028	4,307
Free Trade Association	9,620	13,760	15,220	16,190	15,760	16,680	18,220	19,090
United Kingdom	6,048	8,054	8,800	9,226	8,893	9,324	9,955	10,311
Denmark	665	1,057	1,111	1,174	1,288	1,401	1,493	1,537
Norway	390	633	772	821	744	810	880	929
Sweden	1,103	1,726	1,945	2,137	2,088	2,207	2,564	2,737
Austria	326	699	849	979	918	968	1,120	1,202
Portugal	186	285	300	288	289	291	327	331
Switzerland	903	1,307	1,442	1,560	1,539	1,683	1,880	2,043
Other Western Europe	1,520	2,340	2,390	2,680	2,600	2,790	3,290	3,460
Finland	392	788	774	826	775	835	989	1,054
Spain	389	446	442	476	486	501	725	709
Yugoslavia	159	257	323	395	441	477	566	569
Middle East	2,460	3,720	3,940	4,230	4,670	4,700	5,120	5,190
Aden	111	177	181	185	182	178	171	182
Sudan	103	145	192	148	125	192	182	178
U.A.R. (Egypt)	513	419	409	493	470	443	550	463
Iraq	140	519	478	360	566	606	654	..
Israel	37	89	107	140	139	176	211	239
Central Africa	1,750	2,810	3,010	2,870	2,860	3,140	3,320	3,380
Br. East Africa	201	299	336	332	343	357	388	370
Rhodesia-Nyasaland	242	484	509	437	380	523	576	579
Ghana	192	243	222	229	263	286	294	292
Nigeria	253	370	377	357	380	458	475	486
Congo Republic	261	456	535	473	406	489	—	..
Central West Africa	176	305	343	335	345	269	—	..
Mozambique	37	54	53	65	71	66	73	..
Sterling Asia	4,780	4,830	4,880	4,900	4,440	4,970	5,340	5,230
Burma	158	227	250	229	193	224	224	220
Ceylon	328	407	364	353	359	368	385	364
India	1,178	1,276	1,300	1,379	1,222	1,304	1,331	1,396
Pakistan	489	401	340	358	302	321	393	400
Federation of Malaya	852	774	739	713	616	808	956	857
Hong Kong	657	444	563	529	524	574	689	688
Other Asia	1,660	2,010	2,030	2,170	1,970	2,250	2,310	2,280
China (Taiwan)	76	123	118	148	156	157	164	196
Indonesia	800	946	924	955	791	931	840	784
Philippines	331	401	453	431	493	530	560	499
Thailand	304	335	335	365	309	358	408	478
Rest of the World								
Australia	1,668	1,747	1,887	2,203	1,655	2,016	1,962	2,325
New Zealand	511	724	777	772	699	821	846	793
Japan	820	2,011	2,501	2,858	2,877	3,456	4,055	4,236

* Excluding Eastern Europe and China (Mainland).

Source: U.N. Monthly Bulletin of Statistics.

TRADE OF THE CENTRALLY PLANNED ECONOMIES: 1950 - 60

Country	Value of trade (Millions of roubles*) 1950 Imports	1950 Exports	1960 Imports	1960 Exports	Annual rates of growth (Percentage) Imports 1950-60	Exports 1950-60
Czechoslovakia	575	701	1,634	1,737	11.0	9.5
Germany, East	423	365	1,953	1,972	16.6	18.4
U.S.S.R.	1,310	1,615	5,067	5,006	14.5	12.0
Hungary	284	296	879	787	12.0	10.3
Poland	601	571	1,345	1,193	8.4	7.7
Rumania	219	191	583	645	10.3	13.0
Bulgaria	127	112	570	514	16.1	16.6
China (mainland)	496	475	1,165§	1,280§	13.0†	15.2†

*New Roubles; the new rate of exchange is one dollar equals 0.9 rouble.
§Relates to 1957. †Relates to 1950-57.

EXPORT AND IMPORT ELASTICITIES: 1950 - 60

Country	Annual rate of growth of national income (%) 1950-55	1955-60	Elasticity of Imports 1950-55	1955-60	Elasticity of Exports 1950-55	1955-60
Czechoslovakia	8.2	7.0	1.28	1.66	1.05	1.49
Germany, East	10.2	6.8	1.97	1.93	2.53	1.69
U.S.S.R.	11.4	9.3	1.40	1.40	1.21	1.11
Hungary	6.3	6.6	1.90	1.82	2.05	1.20
Poland	8.6	6.3	0.81	1.57	0.91	1.21
Rumania	13.9	6.9	0.99	1.01	1.06	1.62
Bulgaria	9.3	9.7	1.30	2.09	1.47	1.98
China (mainland)	13.1	17.9	1.79	..	1.47	..

PER CAPITA IMPORTS AND EXPORTS

(Roubles)

Country	1950 Imports	1950 Exports	1960 Imports	1960 Exports	Index of trade* per Capita 1960 (Base: 1950 = 100)
Czechoslovakia	46.4	56.6	119.7	127.2	240
Germany East	23.0	19.8	113.3	114.4	532
U.S.S.R.	7.2	8.9	23.6	23.3	291
Hungary	30.4	31.7	87.9	78.7	268
Poland	24.2	23.0	45.3	40.2	181
Rumania	13.4	11.7	31.7	35.0	266
Bulgaria	17.5	15.4	72.5	65.3	419
China (Mainland)	0.9	0.9	1.8§	2.0§	211§

* Imports plus exports. § Relates to 1957.

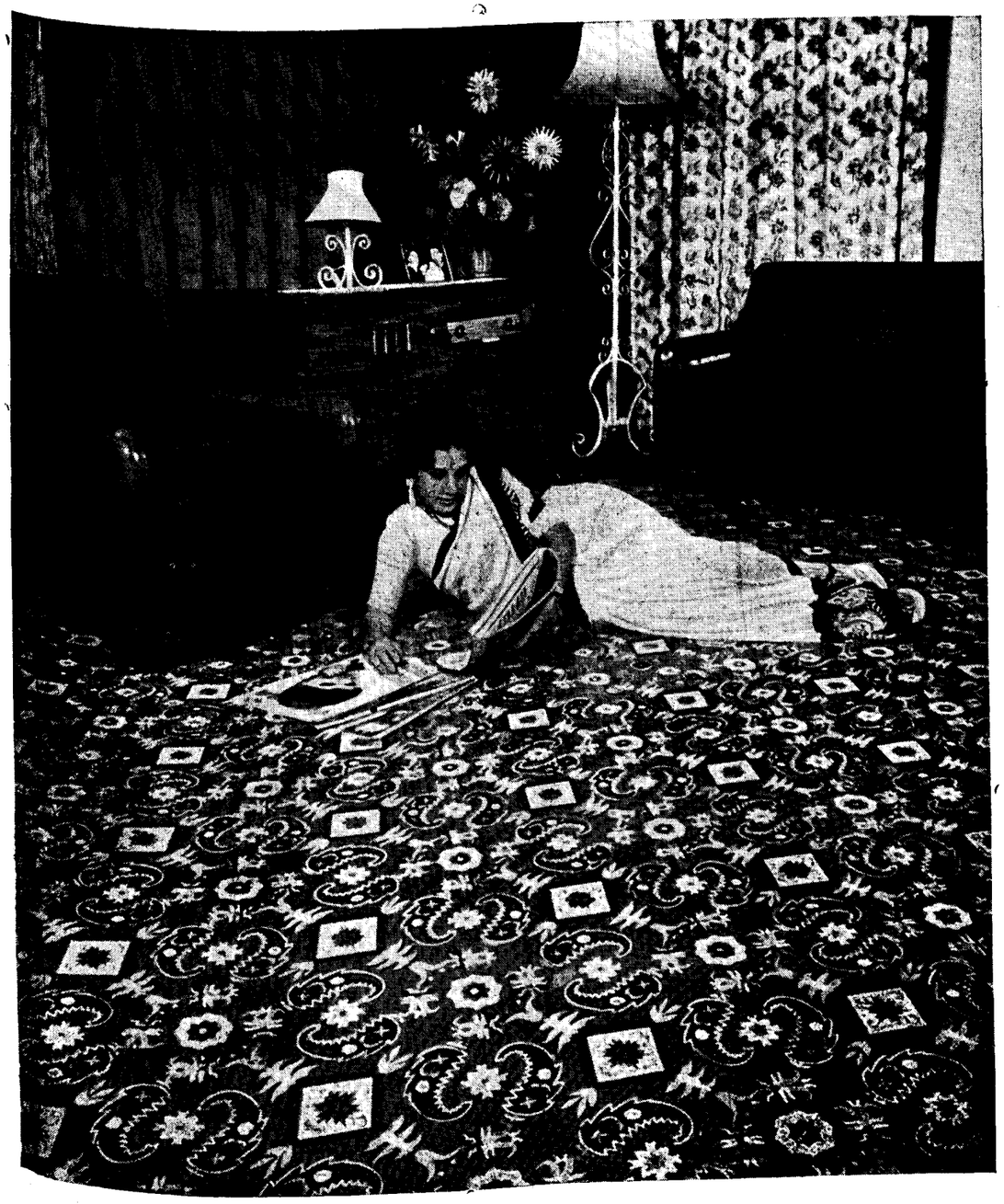
FOREIGN TRADE IN RELATION TO NATIONAL INCOME IN 1960

(Percentage)

Country	Imports	Exports
Czechoslovakia	14	15
Germany East	12	12
U.S.S.R.	4	4
Hungary	17	15
Poland	10	9
Rumania	8	9
Bulgaria	17	15
China* (Mainland)	2	3

* Relates to 1957.

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THE EASTERN ECONOMIST

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THE EASTERN ECONOMIST

NOVEMBER 16, 1962.

With One Will

AT no point in the parliamentary debate on the nation's resolve to repel the Chinese aggression to vindicate the inviolability of our territorial integrity was the slightest doubt left that the entire people would rise like a man, full of determination to put up a united defence, whatever the cost in effort and sacrifice. India, torn by interminable dissensions of all sorts since independence, threatening to draw her to the downward path of disintegration, shed all the petty, parochial feuds and emerged with perfect unity overnight as China threw the challenge on the NEFA front. This metamorphosis verily sprang as a boon from the lightning onslaught. It was a stroke of luck that the enemy who invaded us to smash our strength inspired us to forge solidarity with a united will and determination to fight his aggression. There was a touch of irony, as of paradox, in the Prime Minister's remark in his reply in the Lower House how he wished he could append a paragraph to the resolution to extend a vote of thanks to China for awakening our national soul.

A grave issue of extraordinary moment was being debated by Parliament with a full sense of the gravity of the situation. The fact that the nation was treated to some humiliation by the reverses in the first stage of the fighting in the north-eastern sector had chastened the mood of the House. There was deep resentment that this should have been allowed to happen on such a scale and in such an uninterrupted succession. The invasion took us unawares But could greater defences not be built, if, as the Prime Minister later stated, the possibility of an attack in this sector of the front was not ruled out for a long time past? Mr. Nehru's explanation, repeated twice or thrice in the two Houses together, about the expansion of the output of small arms in the ordnance factories, their switch-over to automatic weapons and the necessary time-lag required in the whole process does not go far enough.

This is not the time for what may be dubbed an inquisition, but the point of unpreparedness on such a surprising scale had to be driven with force and repetition. Nothing must be done during the critical situation of the emergency that may produce its own repercussions on morale, particularly on the army's morale. But a proper probe is necessary. It has been promised at an appropriate time. But it need not be regarded as in the nature of the formality of an inquest. It will be a live investigation with considerable potential for guidance to close similar likely gaps in our defence in the future.

China's massive invasion of NEFA after extensive and calculated preparations over a long time has administered a shock to the people. The theory that this is a bargaining counter to coerce India into conceding all her claims in Ladakh will not be entertained by any one. The Prime Minister, therefore, did the very thing that ought to have been done in impressing upon the people that they must take note of the deadly fact that China had entered on the phase of imperialist expansion. But expansion for what? The attempt made in certain quarters to dissociate it from international communism is, perhaps, prompted by political expediency, but it hardly carries conviction. Some MP's were forthright in quoting Mao Tse-tung on the mission of the socialist camp to spread communism by armed force. Whatever the inner purpose of China's aggressive expansionism, she must be contained at any cost in this sector. It is not necessary to amplify that in the vicinity lie the oil wells of Assam and India's Ruhr as prizes to be coveted. These cannot be dismissed as scares. However, the House fully reflected public opinion and strengthened the hands of the Government in pronouncing the people's united determination not to rest until the nation's honour and territory were redeemed.

The determination to defend and not to relax until the lost ground is recovered is a time-consuming ordeal which may be prolonged to three or four years. More important than that, it demands arms and equipment on a scale and at a cost which can be met with the co-operation of friendly countries. America, Britain and Canada, which rushed arms to us or promised planes to us, the moment we approached them, did so to stand by us in our hour of danger. It is true that the ulterior purpose of the Chinese aggression transcending India's frontier and also its repercussions beyond Asia were factors which weighed with them. India's non-alignment and its continuance have not been allowed to confuse the major objective. Now that a candid confession has been made that we were living in an artificial atmosphere of our own creation, let us address ourselves to the task of defence as realists. Of what avail is it to go on harping that we will procure arms from any country, when we are inwardly convinced that it is only the Western countries that will heed our call?

Price Policy

THE price policy announced last week-end assumes that no elaborate enforcement machinery on the pattern of the prototype introduced during World War II will be necessary at the moment, since physical controls will be reserved as a weapon of the last resort. This aversion to controls is easy to appreciate in the light of past experience. Nevertheless, the continuing prospect of a tight supply position for the civilian population makes regulation of prices and of the system of distribution of commodities of essential consumption obligatory on the Government. The policy as announced represents the first phase and covers three groups of commodities — foodgrains, cotton textiles and drugs and pharmaceuticals. They hardly extend to one-sixth of the range of articles, which may be considered, on a conservative estimate, as the minimum for the average standard of living, whether in the urban or rural areas. Among the articles which have not qualified for priority in regulation at the current stage, there are many — kerosene, matches, oils and vanaspati, footwear, paper and patent foods, for instance — that do not admit of any substantial expansion in output or supply. Economy in their use will be an imperative necessity. In any event, austerity in consumption, to the extent it is practicable, will be the supplementary means to blunt the edge of shortages and to mitigate the impact of inflation.

Cotton textiles, among the three groups included in the first phase, are amenable to smooth and efficient regulation. There already exists a close liaison between the Textile Commissioner and the industry. Fixation of prices at the ex-factory, wholesale and retail points presents no serious difficulties. Likewise, direction of output to ensure adequate quantities of coarse and low as well as middle medium varieties of cloth in popular demand can be successfully implemented. Earmarking of output for supply to the consumer stores and fair price shops, too, is easy of enforcement. Confusion is likely to arise, despite price marking and exhibition of price lists, in the smaller towns and rural centres at the retail level because of the prevalence of illiteracy. Close vigilance is the main corrective here.

The principal problem with which price policy will have to grapple is ensuring a continuous and adequate flow of foodgrains and pulses. The absolute preliminary to the programme of regulation in this sphere is building up necessary stocks by the Government. As usual, rice will present intractable difficulties. The exhortation to change or modify dietary habits is quite justified in the situation, but it is unlikely to produce any marked impression on demand. The stockpiles are to be fortified by State purchases in surplus areas from growers and in all areas from the rice mills. These domestic purchases are to be supplemented by imports — mostly under P.L. 480 shipments. Here lies the snag since the surplus quantities offered under this agreement are small. Transport is almost sure to raise obstacles to timely movements. These factors underline the need for setting up storage facilities. The Third Plan schedule is to be advanced by one year to store 3 million tons of foodgrains. The backlog in construction and the dubious shortening of the time schedule emphasize the necessity of requisitioning suitable buildings particularly for small storages.

The policy statement on foodgrains highlights the role of co-operative stores and creates the impression that the co-operatives, coupled with fair price shops for the vulnerable sections of the population in the smaller towns and rural centres, will do the trick of keeping the supply line adequately fed. In all, 200 wholesale co-operative depots and 4,000 primary stores or branches are to be ramified over cities and towns with a population of one lakh or above. Some additions to these are envisaged in the short run. No target is mentioned for the fair price shops. Confidence in setting up the co-operatives is inspired by the fact that the initial capital and working capital will be supplied in a fair proportion by the Government and so also supplies will be ensured by it.

But it must be remembered that cities and towns with a minimum population of one lakh number 107 and their aggregate population was 3.51 crores last year. The co-operatives will touch only the fringe of this urban mass. The significance of the traditional private channels of trade cannot be underrated. Associations of grain dealers (as also representative apex organisations of the corporate sector like the Federation of Indian Chambers of Commerce and Industry) have come forward with voluntary assurances to keep the price line. In the present spectacular upsurge of patriotism, they ought to be taken on trust and encouraged to forge codes of disciplinary behaviour. The emergency powers can take care of anti-social miscreants. But an obsession with the universal prevalence of profiteering is most certain to lead to a witch-hunt and choke up the distributive channels for the majority of the consumers.

The nerve-centre of this system of price regulation is to be the official Price Stabilisation Committee. Production costs and profit margins of the wholesale and retail trade will be the two basic determinants it will have to assess in recommending fair prices. No representative sample surveys on any adequate scale have been undertaken in respect of the profit margins especially at the retail end. The Committee runs the serious risk of being led by assumptions of questionable validity in this as in some other basic matters. It is vitally important that this Committee should include non-officials possessing business expertise to impart objectivity and flexibility to the methods it adopts in the discharge of its intricate work.

Oil and Emergency

THE Union Minister for Oil, Mr. K. D. Malaviya, has ruled out for the present any rationing of petrol and has remained content with appealing to the public for an austere use of kerosene. In view of the surplus that we have in the former and presumably owing to the understanding which Mr. Malaviya might have received from the Soviet Union, during his recent visit to that country, in regard to the supplies of the latter, already committed, the Oil Minister may claim justification for his attitude. But any prolongation of hostilities, as envisaged by the Prime Minister, obviously calls for a drastic reappraisal of our oil policy.

There can be little doubt that all the estimates of our requirements of petroleum products, including Mr. Malaviya's estimate of 14 million tons by the end of the current Plan and the Oil Steering Committee's estimate of 17.25 million tons, have now gone awry as a sequel to the Chinese aggression. To meet the immediate spurt in demand, hardly any emphasis needs to be placed not only on making the existing refineries, both in the public and the private sectors, work to their full capacity, but also on calling upon them to improve on their current performance to the extent possible. An estimate prepared by *The Eastern Economist* reveals that the existing refineries should be able to step up their throughput further by about 7 lakh tons per annum, through debottlenecking at two or three of these refineries at minor expense or by cutting into the time required for annual overhaul.

The question of permitting the private sector refineries to expand their capacity further has also assumed a new significance in the present circumstances. With the country's foreign exchange position coming under greater and greater stress, it may not be possible to step up foreign exchange allocations for import of petroleum products beyond a point. *The Eastern Economist* has no quarrel with the long-term objective of the Government of earmarking a dominant role for the public sector in the oil economy of the country. *But the question is how expeditiously this end should be achieved.* Setting up of new refineries is admittedly a time-consuming process and a costly affair. The present situation warrants that resort should be taken to expansion of the present refineries which should not take more than 18 to 20 months and that too with no additional finances required from the Central Exchequer, except in the case of the Noonmati Refinery. The hypothetical possibility of the course of hostilities on the eastern sector dislocating the flows of crude oil from Assam is also a factor which has an important bearing on this issue. The negotiations with the private sector refineries on the abrogation of their Refinery Agreements and replacement of these by licences under the Industries Act on an understanding being reached on some crucial issues, included in which is the question of their expansion, need to be expedited with a sense of urgency.

Even if this enhanced capacity of the private sector, along with the proposed refineries to be set up at Barauni, Koyali, in South India and at Calcutta, makes the country surplus in refining capacity at some time, the cutback in output obviously can be brought about in the refineries based on imported crude. There should be no objection by the private sector refineries to this since the use of indigenous resources to the maximum extent has a legitimate priority over imports. If the private refineries do not favour any cutback in their output at that stage, they can be allowed to function to their full capacity on the understanding that all their surplus products would have to be exported by them. The country needs to plan for plenty and not for marginal shortages, especially in an emergency.

Another important aspect of the problem that has to be given its due share of consideration is the production of lubricants in the country. The peace-time demand for lubricants at the end of the current Plan period is placed at nearly 4.5 lakh tons per annum. Even today it is around 3 lakh tons, of which only a small quantity is produced indigenously. The rest of the requirements are currently met through imports from places as far away as the United States. It is, indeed, heartening that an agreement has been reached on details regarding the ESSO Standard's proposal to set up a one-lakh-ton lubricating oils plant, in partnership with the Government; a formal pact is due to be signed shortly. For another two-lakh tons requirements, the proposal is to set up a plant in the public sector at Barauni. But in view of the increase in demand, which can be envisaged as a consequence of the present war with China, it would be judicious to plan for further capacity in this regard. Burmah-Shell is known to have put forth a proposal some three years ago for setting up a lubricating oils plant, but it was rejected outright at that time. The proposal may be revived now to tide over the difficult times ahead.

In the end, a word about the oil exploration policy of the Government should not be out of place. The Union Ministry of Oil at present has plans to spend over Rs. 200 crores on the search for oil, of which nearly Rs. 68 crores would be the expenditure in foreign exchange. In view of the necessity of diverting resources, both rupee and foreign exchange, to defence requirements, some saving needs to be effected in the exploration programme of the Oil and Natural Gas Commission. This does not imply that oil exploration should be hampered. The ONGC should be in a position to effect some economies in its working. Efforts also need be made, by imparting flexibility in approach, to interest experienced oil companies in the matter, not merely as contractors to the ONGC but on the basis of exploration on their own expense.

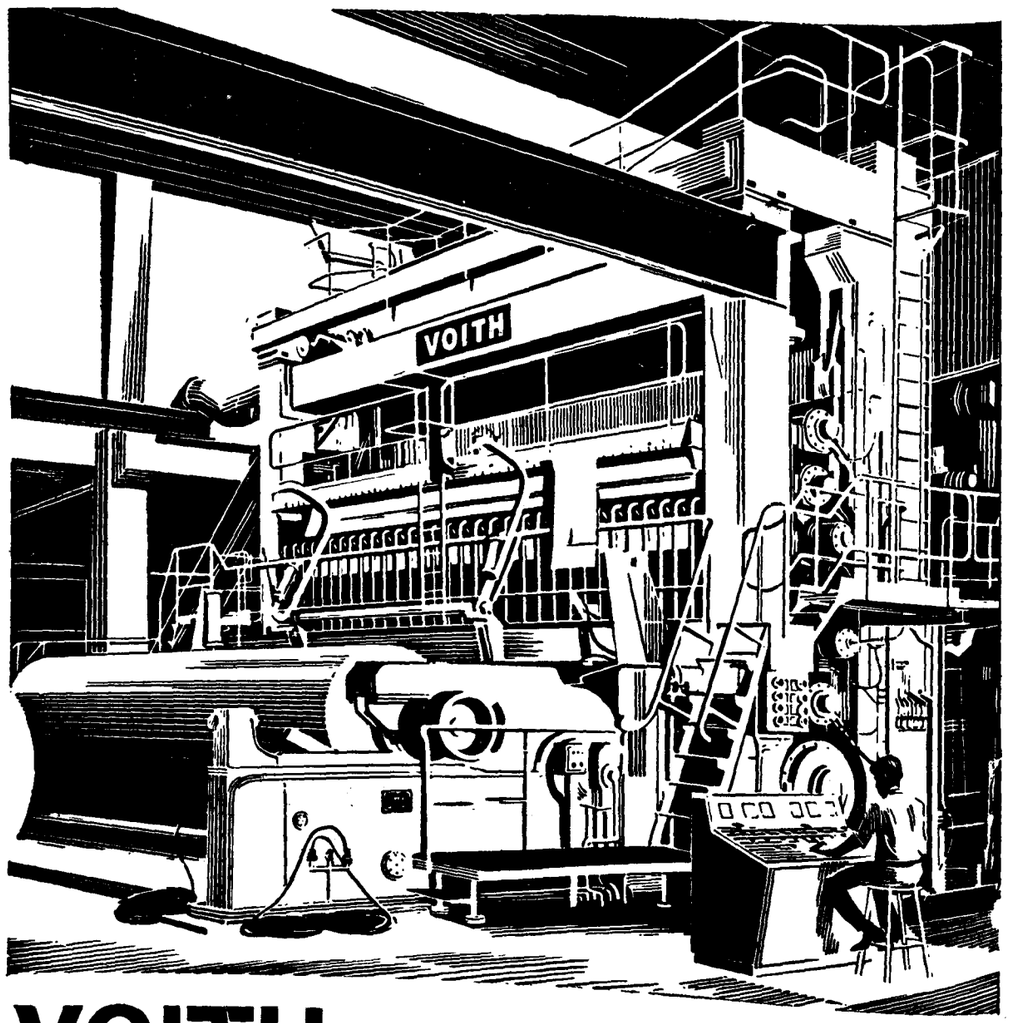
Steel: Production Before Price

THE marathon speech of Sir Biren Mookerjee, Chairman of the Indian Iron and Steel Company centres round the recent decision of the Government of India to reject, in part, the findings of the Tariff Commission and fix the retention prices of steel on the basis of (a) a reduced capital block due to allocation of special advance, (b) a diminished block by taking operational efficiency at 100 per cent, and (c) a curtailed working capital provision from six months' cost of production to four months only. Cogent reasoning has been advanced by him while refuting the stand taken by the Government on all the three counts. Citing the example of the United Kingdom, he has shown that the average operational efficiency there during the last eight years was 92.2 per cent and in 1959 it dropped as low as 78.9 per cent. Tracing the history of the advance of Rs. 10 crores to IISCO, he has demonstrated that the Government policy relating to the expansion of the steel industry in the private sector has undergone a revolutionary change since 1953. In a telling manner he has refuted the contention of the Government that "every indentor of steel has to pay in advance 25 per cent of the total value of his order in cash to the steel producer before it can be booked, and therefore, the companies invariably had a fairly large sum of money at their disposal"; for the last three years the audited accounts of the company show that the security deposit and advance payment in cash have not been even one per cent of the gross steel sales.

However convincing his arguments may be, the fact remains that the price of steel — whether in India, the U.K. or the United States of America — has always been influenced by extraneous factors without strict regard to the scientific principles of cost accounting and a fair return. *The Eastern Economist* reiterates its view that "the price of steel, entering, indeed, in a wide variety of industries, essential for a nation's life, might be regulated not with reference to the general principles of free enterprise or fairness of return, but by strategic elements not all of which can be fully explained." Since we expressed this view, the strategic aspect has become all too overriding in the light of the intensification of hostilities on our northern border. The nation will depend heavily on all the steel plants. In this hour of the gravest of crises since Independence no action of the community will place sectional interest before national interests, least of all entrepreneurs in the key steel industry. Sir Biren has come out with the avowed declaration that efforts will be intensified by the industry "to meet all the emergency requirements needed by the Ministry of Defence."

The need of the hour is to concentrate on increased output and eliminate all bottlenecks which have hitherto stood in the way of increased efficiency. Sir Biren has made pointed reference to some of the chief production difficulties such as the inferior quality of raw materials, the irregularity of transport and the wrong type of wagons provided to IISCO for transporting the raw materials. Coking coal among the raw materials has declined in quality considerably and the average ash content at 24 per cent — with wide fluctuations from consignment to consignment — has proved a great headache. Again, IISCO's efficiency has been affected by the unwise decision of the railway authorities to substitute the Box type wagons in place

(Continued on page 946)



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THE WEEK'S NOTES

Planning

STATE PLANNING BOARDS

THE SENSE of grave emergency imparted to every branch of the nation's life and every sector of the economy could not but make its impact felt keenly on the technique of planning, particularly at the State level. The one salutary effect of this will be that the luxury of leisurely and loose planning in which the State Governments showed a tendency to indulge will vanish. Already the decision has been made that the market loans will be floated by the Central Government alone and shares would be allocated to the State Governments out of the central pool and the States immediately agreed to surrender their right to raise the loans. Much of the adaptation that would be required to be made in the State plans arises from the fact that agricultural production, road transport, a wide range of industrial output and other activities will need an intensive effort for mobilization by the State Governments as they come under their purview. During the emergency decision-making without loss of time is a supreme necessity and delays cannot be brooked. It is for this reason that the Planning Commission has impressed upon the State Governments that their responsibility for making quick decisions will increase tremendously, and, therefore, they must gear their planning methods to this new demand.

In substance it means that the time-consuming process of consultation between the State Ministers and the Planning Commission cannot be continued. Priorities in the projects will have to be rearranged and reshuffled over again according to the requirements of the exigencies arising from time to time. Likewise, allocation of expenditure will have to be shifted from what is included in the development programmes in the Third Plan to non-plan programmes, the basic criterion being the orientation of development activities to the war effort. Before the emergency, the process of consultation was abused by the State Governments to bring pressure upon the Planning Commission to allow enlargement of their plans and to demand allocations of Central assistance for them. This will now have to go. In view of the active delegation of responsibility in a pronounced manner to the State Governments, the time has become opportune for these Governments to set up their own Planning Boards. For a long time this issue of the desirability of the State Governments establishing their own Planning Boards was hanging fire and except for a few States no State Government had shown any earnest desire to take up real and fuller responsibility of planning for itself. In the abnormal situation now created, however, the Planning Commission's recently repeated suggestion to the State Governments to set up their Planning Boards will be readily accepted.

Preventive Detention

CORRECT ACTION

THE EMERGENCY powers assumed by the Government under the Ordinance recently promulgated were certainly not meant to remain mere dead letters. They were in all earnestness intended to be used and enforced with a sense of urgency over a wide field. The Fundamental Rights, incorporated in the Constitution, have provided very powerful safeguards to the citizen, which are thoroughly justified in the normal times, but whose justification in the abnormal situation created by an emergency such as that of war is completely knocked out. It was, therefore, right on the part of the Govt. ernment to hold the Fundamental Rights in abeyance and to take away from the citizen the normal right to obtain various writs from the High Courts and the Supreme Court for redress against the infringement of the Fundamental Rights. It is important to note that this has an immediate bearing on the Preventive Detention Act. Simultaneously with the action on Fundamental Rights, a number of rights, vested in a person put under preventive detention, have been kept in cold storage, in spite of their inclusion in the Preventive Detention Act. The reasons for the detainee's detention need not be disclosed to him and he has no right to move the court as under normal conditions and furthermore the detention can enure for a long period and not restricted as under the Act.

The Maharashtra Government took prompt action in putting under preventive detention a large number of individuals propagating the most questionable views and who constituted a potential threat to the security of the State. The fact that an overwhelming majority of the persons so put under custody happens to belong to the extreme pro-China Ranadive Group in the CPI's Maharashtra Wing does not affect the stand taken and explanation given by the Maharashtra Government that the action has been taken on the individual basis and not on the basis of party affiliation. It is important to remember that Mr. Limaye who was put under preventive detention by arrest in New Delhi is an Independent member of the Rajya Sabha. The State Government has been guided by the sole consideration of safeguarding security during the emergency.

In the light of this situation the protest raised by Prof. Hiren Mukherjee, Deputy Leader of the Communist Group in the Lok Sabha, against these arrests is absolutely untenable. His explanation is that the Party's National Executive has adopted a resolution branding China as an aggressor and pledged its full support to the Government in the defence against this aggression and, therefore, all elements in the Party are now governed by the dictates of this resolution. At best this is only a plausible defence which can mislead no one. Differences of opinion inside the same party are permissible features during normal times. But in an abnormal situation it is preposterous to suggest that a section of the CPI, which has not abjured its pro-China views, should be presumed to abide by the discipline of the Party. This attitude of the section amounts to treason and no Party which has a genuine sense of the honesty about its policy can tolerate the existence of such a section inside it. The straightforward course for the CPI's National Executive to adopt was to amputate this obnoxious limb. It showed neither the courage nor the inclination to do it. Perhaps it is entertaining a feeling of inward glee that what it dared not do is being done for it in one State. The debate in the Lok Sabha on the nation's resolve to repel aggression has brought to light the activities of the pro-China lobby which is disseminating dangerous views holding up aggression as emancipation. It is high time the screw of the Preventive Detention Act was turned tightly against these elements.

U.S. Elections

DEMOCRATIC VICTORY

CHANGES IN the mid-stream in the position of the parties in both the Houses of Congress are a normal occurrence. They take place usually to the great embarrassment of the President who is confronted with an Opposition returning after the mid-term elections with an accretion of strength. President Kennedy was spared this fate. His Democratic Party has emerged with an improved strength in the House of Representatives and with a clear two-thirds majority in the Senate.

The Cuban crisis and President Kennedy's resolute handling of it were undoubtedly strong elements in the switch-over of that margin of floating votes to the Democrats. The outcome of the crisis in Cuba is not only a matter of national pride for America, but a great achievement in the cause of warding off the threat of communism in the two Americas. Usually the enthusiasm of the voter is at a low ebb at the mid-term elections.

But on this occasion the heavy polling can be ascribed to a genuine interest created in national and international issues.

From the view-point of India this victory for the Democratic Party is significant. The recent tide of opposition, or at least the cold attitude, to a vigorous programme of foreign aid had presented a somewhat anxious problem for the underdeveloped countries. In spite of her balance of payments difficulties, America stands out as the most liberal and the biggest supplier of economic aid to the developing countries. President Kennedy's hands will now be strengthened to pursue the bold policy of foreign aid which he launched with such earnestness. From the domestic angle, the change in the party position would bring undoubted gains in enabling the President to push up his programmes without much hindrance. But doubts are expressed, and perhaps with some force, in certain quarters how far the new majority would enable the President to go ahead with his liberal reform programme of the new frontier. The legislative schedule which he has chalked out ahead involves federal financial outlays on a number of social and welfare reforms. To push this legislation through with ease and smoothness, he required a return to Congress of liberal Democrats. But it would appear that this has not happened in a full measure. The possibility still remains that Republicans and Democrats from the South may make a common cause to put a brake on his policy of civil rights.

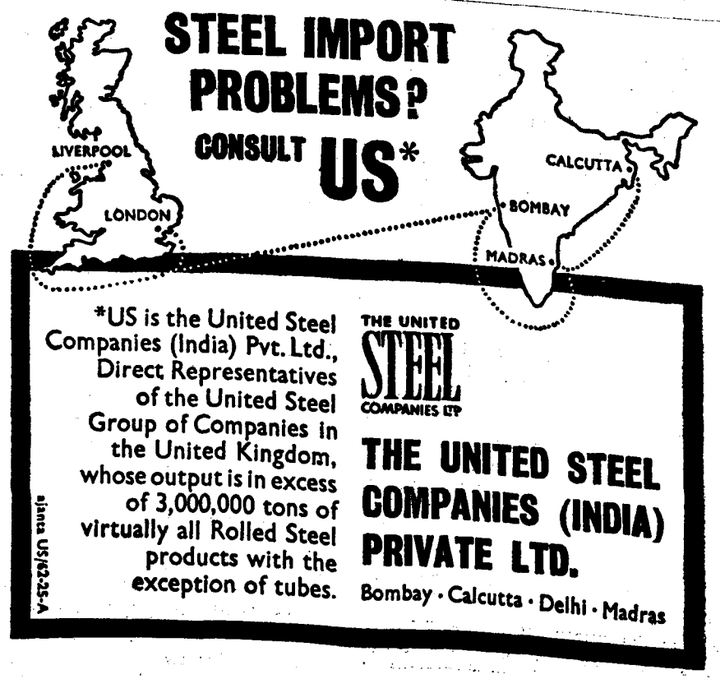
In the gubernatorial elections there was on the whole no change in the overall party position. But two results have attracted notice which they were bound to. Mr. Nixon's defeat in the election for the Governorship of California has a deep significance. The consensus is that after this defeat Mr. Nixon's political survival becomes an extremely rare possibility. In the New York State Mr. Nelson Rockefeller has been elected for the second term with a thumping majority. He now emerges as the Republican candidate for the Presidential election of 1964.

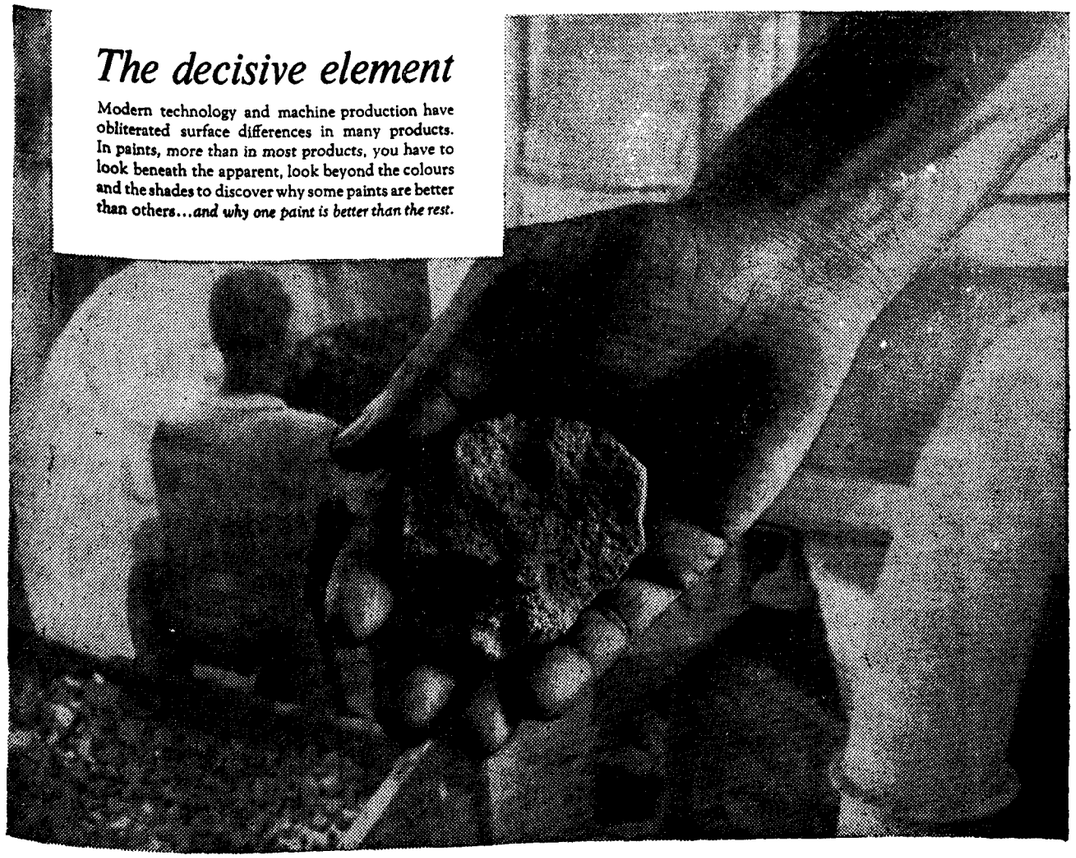
Nepal

A WELCOME APPEAL

IN ISSUING a passionate appeal to the followers of the Nepali Congress in that country to stop their agitation for the restoration of democratic rights, Mr. Subarna Shamshere, the Acting President of the Congress, has taken the most welcome move and also taken it at the most critical juncture. It is to be trusted that the followers of the Nepali Congress would respond to his appeal and desist from engaging in any activity which would create embarrassment and tensions for the Government of Nepal at this time.' It is a total mistake to suppose that the invasion of India by China is a matter with which Nepal is not concerned in any manner. At the present time the relations between China and Nepal are the closest to a point which history never witnessed before. But it is significant to recall that when the Communist dragon volunteered to extend the assurance of military help to Nepal against aggression from "any quarter" (unmistakably implying India), King Mahendra maintained a calculated silence and gave no response. Was it not because he is fully conscious of the danger that is posed to the security and sovereignty of Nepal once China's military assistance is accepted and the Chinese hordes are allowed to swamp Nepalese territory? This one vital development should convince Nepal of the real source of threat to her independent existence.

The Nepalese Government is harbouring a strong grievance against India ostensibly because India has given asylum to the leaders of the Nepali Congress who have chosen to go into exile. She believes that India is conniving at the surreptitious supply of arms from inside her borders by these leaders and their sympathisers to the followers of the Nepali Congress in their violent rebellious activities. The best way to arrive at the truth in this issue is joint investigations into specific allegations of such connivance and recording of joint reports along with notes of dissent. Nepal has not found its way to accepting this convincing course. And in the absence of any alternative solution to remove this suspicion and fear, King Mahendra's advisers, particularly the Foreign Minister, Dr. Tulsi Giri, are seizing the opportunity to poison the relations between India and Nepal in their eager desire to draw Nepal closer to China. The fact that China is not waging this war for some square kilometres of frontier soil, but she has definite, deep-laid and long-term designs of imposing international Communism by armed force, is now clear. This is the time when in their own interest Nepal and India should revive the traditional friendly relations. A rapprochement is now sorely needed.

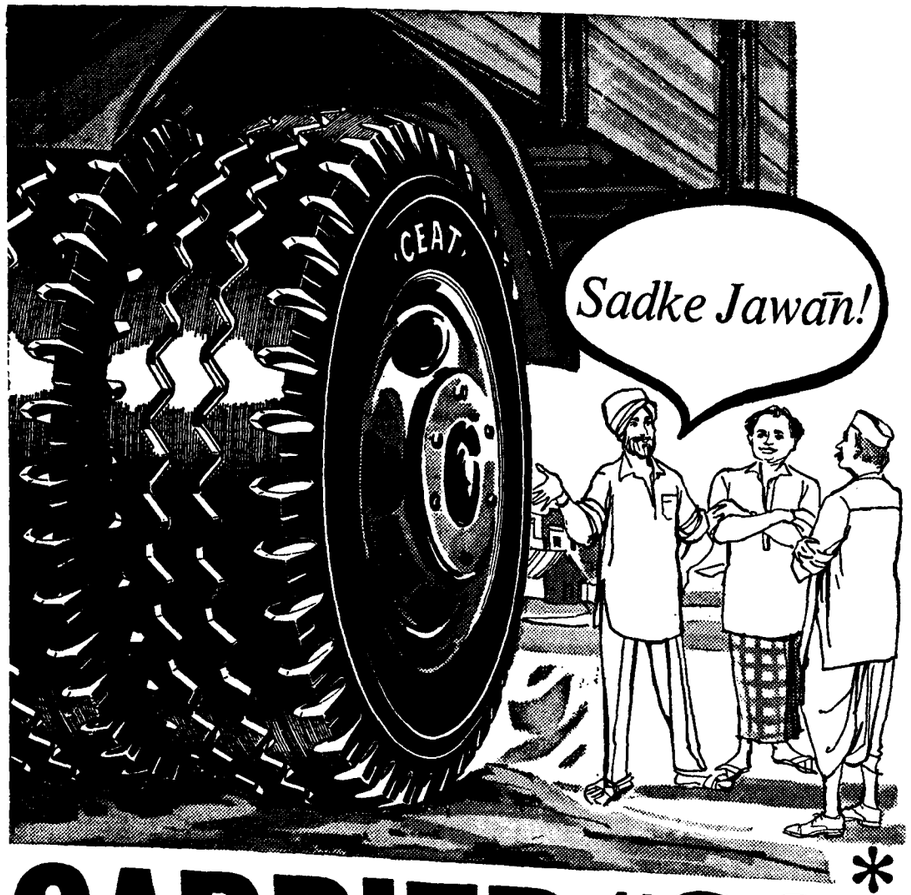




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The World Abroad

THE STATUS OF "PROFITEERS" IN INDIA

By ODYSSEUS

HOW DID IT COME ABOUT that the UK, first country to industrialise, did not keep her long lead but was increasingly overtaken in wealth by the USA in the 19th century, and still more in the 20th?

It was, of course, because the USA developed new techniques and technologies faster than the UK, for as I have often had occasion to insist here, economic advance springs less from capital formation than from employing existing resources in a different way, in doing new things with them, irrespective of whether those resources increase or not. But why did the UK not develop the new technologies, like electricity and the internal combustion engine, which were first exploited in the USA?

In his newly published "American and British Technology in the 19th Century (Camb. Univ. Press. London. 32 sh. 6d.), Professor H. J. Habukkuk, of Oxford, suggests several interesting answers.

The first is that of various factors of production in short supply, a shortage of labour is likely to provide a greater stimulus to change and growth than a scarcity of finance. It was the labour shortage in the UK that in the 18th century stimulated invention in the cotton textile industry. A shortage of labour reveals itself to an established industry by a rise in wages and a threatened decrease in the size of its labour force. If the industry does nothing to increase the productivity of its labour, it will have to contract. A shortage of capital, on the other hand, *does not* show itself in a decrease in capital already employed but in inability to expand, so that shortage of labour is a greater incentive to search for new methods than a shortage of capital. At the beginning of the 19th century the UK's labour shortage turned into labour abundance as population grew, the new poor relief stimulated births, the armies which had absorbed huge numbers in the Napoleonic wars were demobilised, thousands of Irish immigrants came in, and as technical changes in agriculture depressed rural wages and increased the supply of cheap labour to industry.

In the USA, on the other hand, industrial employers had, from the first, to pay high wages to attract workers from the land, which was abundant and cheap, while labour was scarce. Men of small means could set themselves up as independent farmers, whereas, in the UK, land was scarce in relation to labour and its supply restricted by the existence of large estates. To set up as a tenant farmer required considerable capital and a man could generally enter agriculture only as a labourer commanding low wages. A general shortage of labour is felt most in the unskilled grades, because workers in low paid activities are readier to seek better paid jobs when labour is scarce than when it is abundant.

All this forced US entrepreneurs to pay high wages to unskilled workers, and this stimulated them to adopt labour-saving, capital-intensive techniques. Scarce labour compelled the economical use of workers by "capital deepening", whereas, in the UK, abundant labour encouraged wasteful use of workers and "capital widening", i.e. the multiplication of machines of the existing type worked by additional hands, rather than the invention of new machines that would enable the same number of hands to produce a greater volume of goods.

ABUNDANT LABOUR

Abundant labour in the UK also slowed technological progress, because labour-saving was likely to replace by a machine, or by a better machine, labour that was already employed. In the USA, labour-saving devices made a *limited labour force more* effective without displacing workers. Consequently, there was far less opposition in the USA to new labour-saving practices, or machines, or administrative methods of *economising labour*. The fear of unemployment was less, and the chances greater of gaining in higher wages from increased productivity. It was no accident, that scientific systems of labour management originated in the USA. In turn, careful management of labour bred careful habits in the workers. In the UK, the manager's indifference to waste set the example for the workers.

With postwar overfull employment, British entrepreneurs have become infinitely more labour-saving and management-conscious but, with memories of labour surpluses in the 19th century and of massive unemployment between the wars, the unions resist innovations and waste of labour is widespread, particularly in the old established industries like the railways, which at present keep some 18,000 superfluous workers on the pay rolls of their workshops. The newer expanding industries are, however, for the most part as efficient as any in the world.

Another weakness, which slowed the UK's economic growth in the 19th century, was a phenomenon with which we are familiar in India: the persistence, along side factory industry, of handicraft workers producing the same goods. Between 1819 and 1829, the number of hand looms fell from 240,000 to 225,000, but the output per handloom rose between 25 and 30 percent and the prices of their products fell. This was not because of technical improvements in the hand looms but because of longer hours of work at each loom. The hand loom weavers struggled to compete with the power looms. This harmed both the factory and handicraft industries, because the increased handloom production caused *prices to fall and the profits of* the factories to be lower than they would have been, thus reducing the ability and the incentive of factory owners to instal more, or better, looms. If the handloom weavers had not been ready to produce more at lower prices, the entrepreneurs who bought their goods would have had incentives to withdraw their capital from handicraft and devote it to industrial enterprise. Thus the persistence of the handlooms slowed the mechanisation and advance of the whole economy. In the light of these facts, I suggest that India's declining cotton textile exports are connected with the strenuous and well-meaning, but as it seems to me, misguided efforts (from the viewpoint of India's economy as a whole) to keep the village weavers going.

THE STATUS SEEKERS

Another factor which set limits to the multiplication of wealth in 19th century England was the social ambition of the entrepreneur. Eighteenth century England was dominated by the landed aristocracy. Although there were many exceptions, broadly speaking this class were not the originators or leaders in the industrial revolution. Innovation came mostly from the commercial classes, particularly the Non-

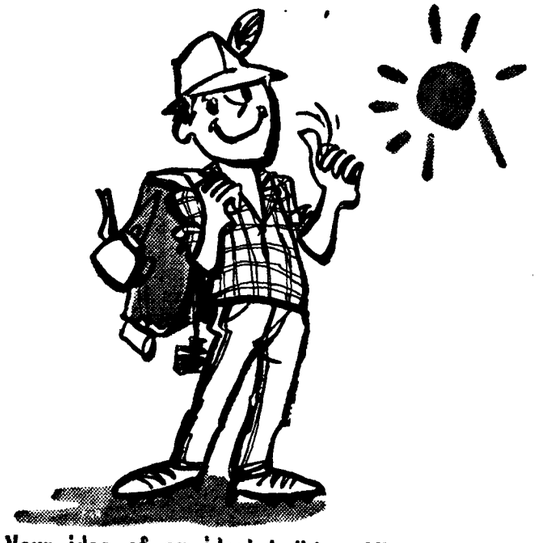
conformists, Quakers, and Presbyterian Scots, whose ambition was to accumulate enough money to buy an estate, to send their sons to one of the great public schools and to Oxford, to lead the lives of country gentlemen, and to be accepted socially into the elite. A manufacturer, whose aim was to cease to be a manufacturer would, for that reason, plough back his profits all the more vigorously until he had made enough, but, when he had achieved that, not even a high return on further investment would induce him to continue. Where he sold out, the buyer would have invested his funds in existing equipment and would have less inducement to scrap it in favour of new technologies. More commonly the manufacturer did not sell out, but became a part-time industrialist, dividing his energies between country life and industry, to the obvious detriment of industry. Recruitment of talent to industry was also diminished by the social prestige of service in the army and the civil service, into which the sons of successful manufacturers were increasingly drawn.

In the USA, there was no established heirarchy to impede social mobility. As a source of social prestige, business had few competitors. Horace Alger, the hero of the American success story, wanted to be a business man, not a general, a civil servant, or a landowner. Americans of ambition and ability turned to business, not only because of the gains to be made, but because successful business men had the highest and most respected status in the country. There was no haemorrage of capital and ability from industry and trade into landownership and politics. In the UK, Robert Peel and Gladstone both came of industrial families, but their abilities were devoted to politics.

These facts fully bear out Professor Hagen's interesting analysis in his "Theory of Social Change", outlined here on October 26. Professor Hagen pointed out that changes began in a static, traditional society when some group felt that it had lost the respect of other groups whose esteem it valued. Since everyone seeks the social approval of his fellows, a group which feels socially deprived becomes more and more critical of the traditional structure and seeks to change it. Professor Hagen insisted that it is not the mere possibility of ascent to social recognition that is important in securing changes devoted to economic growth, but that what counts is specifically the social recognition that is accorded to economic prowess. If the socially frustrated and ambitious can gain recognition in the traditionally esteemed occupations of a society—such as landownership, the army, the priesthood, or the humane arts—then they will strive for these. Whether they strive for success in industry depends partly on the difficulty of gaining traditional recognition, partly on the availability of technological skills, but, above all, on the degree of prestige accorded to success in industry, trade, or commerce.

Would you not agree, as a broad generalisation, that in India, over wide areas of society, the traditional high castes continue to enjoy the greatest prestige, that, next to them, comes the prestige of government service, and that industrialists, business men and traders come a long way down the list? As long as this is so, the multiplication of wealth in India will be impeded. Many and great are the qualities of Brahmins and government servants, but they are not specialists in the art of making money. They are apt to despise business men as "profiteers." Capital imports and new schools are, however, bought out of excess profits, not out of mediocre profits, still less out of losses.

I commend "American and British Technology in the 19th Century" to your attention for the lessons that it suggests to contemporary India.



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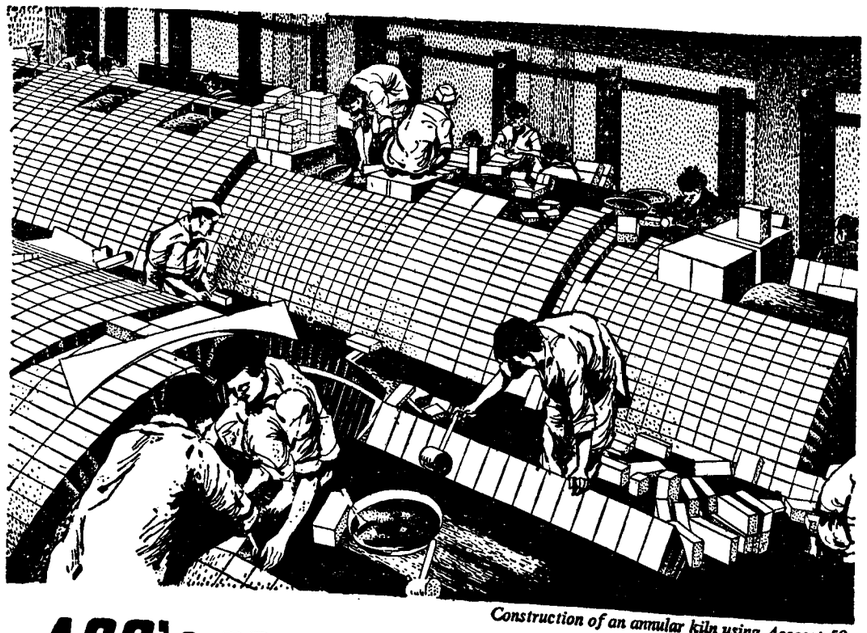
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The European Scene

O.E.C.D. MEETS THIS MONTH

From Our Special West European Correspondent

PARIS, November 11.

EXPERTS have been meeting in committee here this week to prepare the second annual conference of the Organisation for Economic Co-operation and Development in Paris on November 27 and 28. This second meeting of the 20 nations of the OECD (the 18 members of the old Organisation for European Economic Co-operation, plus the USA and Canada) promises to be just an important and considerably more practical than last November's initial gathering. Last year, it will be remembered, the 20 adopted a common programme requiring a 50 per cent increase in their total production in the decade 1960-1970. That impressive objective was proposed by the Americans, but nothing was said about how it was to be attained. Events since have shown that most Common Market countries (and perhaps the Six taken as a whole) were capable of keeping up the pace necessary to reach that target, but the North Americans and the British were very far from doing so. This month's meeting will get down to practical issues, by suggesting the sort of policy that all the 20 must follow if this rate of expansion is to be facilitated.

Moreover, it is learned at the last minute that another practical question, and one of direct interest to India and other developing countries, has unexpectedly been placed near the top of the agenda. This is the matter of international guarantees for foreign private investment. Whatever comes of the conference at the end of the month, it can be said that the OECD is at least trying to live up to its name: it is not limiting itself to co-operation between rich countries (which was the task of the old OEEC) but is seeking to promote development, both by ensuring rapid growth in the West and by stimulating development aid to the industrialising regions. The dynamism is supplied by the Kennedy administration in Washington, whose delegation here is pushing the others to adopt progressive positions. Some of the Europeans, and notably the West Germans, are less anxious to follow them, and one hears the opinion expressed in the wings of the preparatory meetings that Washington is not so much concerned to activate the OECD as to get the approval of the Europeans for the expansionary policy it wishes to pursue at home. That is to say, the Kennedy administration is meeting opposition in the USA, for its "reflationary" programme, from orthodox bankers and financiers who consider that inflation is still the main menace to the US economy; by getting the Europeans to endorse its expansionary stand, it can hope to disarm some of this domestic criticism.

The question of guarantees for foreign private investment has been brought up by certain Europeans, and has been included among the main subjects of this month's meeting by the OECD's secretary, Mr. Kristinsen. The idea is to work out a multilateral code for the treatment of private capital imports, so that when an investor places funds in a developing country he is not relying solely on the promises of the local regime but has the security of an agreed international procedure in case of dispute. The European Payments Union began working on such a code back in 1957, and a detailed project was later drawn up by Herman Abs, the leading West German banker, by Lord Shawcross and by Dr. Rheinhardt, an eminent Swiss banker. This year the Economic and Industrial Consultative Committee of the OECD (which groups private Western interests that advise and "lobby" the international organisation) modified this plan and put it up officially to the OECD. It suggests that a formal code of good behaviour in treatment of foreign private investments be written and submitted to ratification by all the members of the OECD as well as by all developing countries that import, or want to import, private capital. Secondly, that some sort of international organism, grouping both lending and borrowing countries, be set up to see that this code is implemented, so that there would be a multilateral, formal guarantee for all investments. The main practical provisions of the code would be those stipulating that all engagements freely contracted must be executed; that there can be no unilateral confiscation without just and effective compensation, fixed by due process of law; and that profits from private investments can be freely transferred.

One is entitled to be skeptical about the beneficial effects of such an international convention. The date at which it began to be discussed — 1957 — is to be noted, for it came as a reaction to the blow that Western investors' confidence suffered in the demagogic and arbitrary way that Colonel Nasser nationalised the Suez Canal. This does not mean that the suggested code is a sinister attempt to prevent developing countries from exercising their economic sovereignty. It would not come into force until they had consented to sign it, and presumably they would not bind themselves to a convention that limited their freedom. Even when they had signed it, a mere scrap of paper would not make impossible acts of confisation by dictators. But if the existence of an international convention encourages private investors, who now shrink from political risks, to place funds in ways helpful to developing countries, the idea has no harm in it. If the OECD backs the proposal later this month, the scheme will be submitted to Delhi and similar capitals for their consideration.

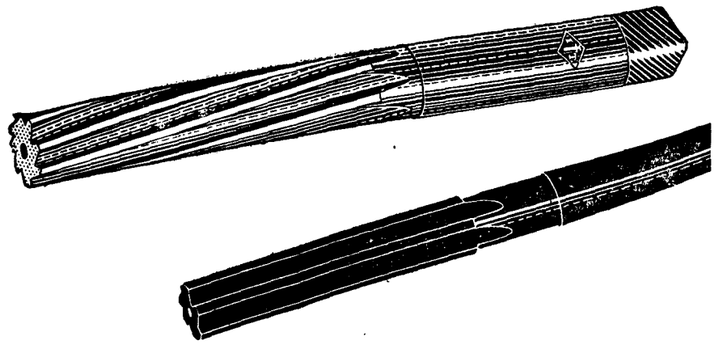
Of more immediate concern to OECD members is the resolution being discussed here this week by the experts, which will invite all Western Governments to abstain from practising restrictive monetary, fiscal or economic policies when seeking to rectify their balance of payments. Or, to put it positively: in the event of an international threat of recession, all the members bind themselves to practise a joint policy of systematic expansion. This proposal comes from the American and British delegations, but they are anxious to have it put before the OECD ministers at the end of this month as the proposal of the whole Economic Policy Committee. In other words, the Anglo-Saxons want the OECD to adopt an anti-recession programme, without seeming to have inspired it to do so. The point is that Washington and London believe that there exists, at this present moment, a world deflationary danger; in this they are supported by the IMF chief, Per Jacobsson. The Continentals, and singularly the West Germans, are not convinced of any such thing, and regard it as inopportune to publish a reflationary programme at a time when their economies are fully employed, prices rising and inflationary pressures evident.

As I write, the phrasing of the resolution has not been agreed upon by the experts, though they have

heard a statement from Dr. Heller, the White House's chief economic counsellor, who argued the urgency of taking combined action against the supposed recessionary danger. It appears that West German opposition to any aggressively reflationary doctrine is so strong that the motion will have to be framed in very general terms, but it might well include unanimous European support for the Kennedy programme of tax reductions in the USA as a means to combat stagnation in that country. The American delegation might have to be content to return to Washington with this European backing for an expansionary domestic policy, but without having persuaded the Six that there is any menace of generalised recession.

The reasons for the different attitudes of the Anglo-Saxons and the Continentals are not hard to find. They are not simply in the fact that business is brisker on this side of the water than on the other, it is not all that brisk in West Germany, and the pace of expansion has slowed down somewhat in Italy and maybe in France, but in all these cases for the reason that physical capacity is fully employed. The main fact is that Washington and London have to worry about their threatened currencies. If they take the measures they would like to take in order to stimulate economic activity at home, while the Continentals take restrictive measures to contain the inflationary pressures implicit in full employment of their human resources, then the dollar and sterling will weaken further. The Anglo-Saxon capitals can defend their currencies and stimulate expansion only if the Common Market countries agree to participate in a world reflationary programme. As some Continental experts are saying here this week, the Americans are not worried about world-wide deflation really; they are concerned about discrepancies in rates of inflation between the Common Market and the USA. Washington wants to gamble on inflation, but cannot do so without damaging the dollar further unless the Six promise to inflate at least as fast, or, at the very minimum, give an undertaking not to use restrictive measures to contain current pressure on prices in West Europe.

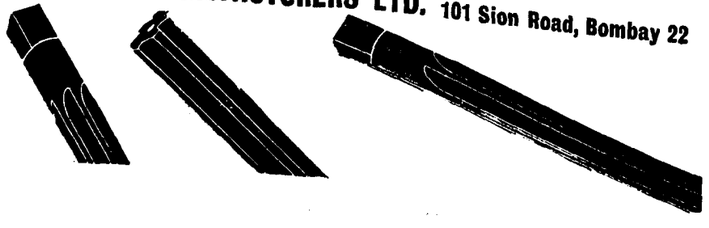
Actually, there is no danger of the French and Italians resorting to restrictive measures in the foreseeable future. They are mildly disturbed by recent price rises but are confident that the gradual increase in their labour force (in Italy by drawing on the large pool of uninstructed unemployed; in France by drafting returned settlers and demobilised soldiers into industry) will enable them to maintain a very respectable pace of expansion without real inflationary danger. It is the West Germans that the Americans and British are anxious about. If Bonn were to apply sound-money remedies to its present situation (leaving aside the question whether that would be the wise course from the Germans' own point of view), the flight of capital away from the dollar and from sterling toward the Common Market would be embarrassingly accelerated. That is why the main subject at this month's OECD gathering will be to persuade the Germans that, local appearances to the contrary, there exists a generalised danger of recession which the 20 Western nations must meet by adopting right away an aggressively reflationary programme.



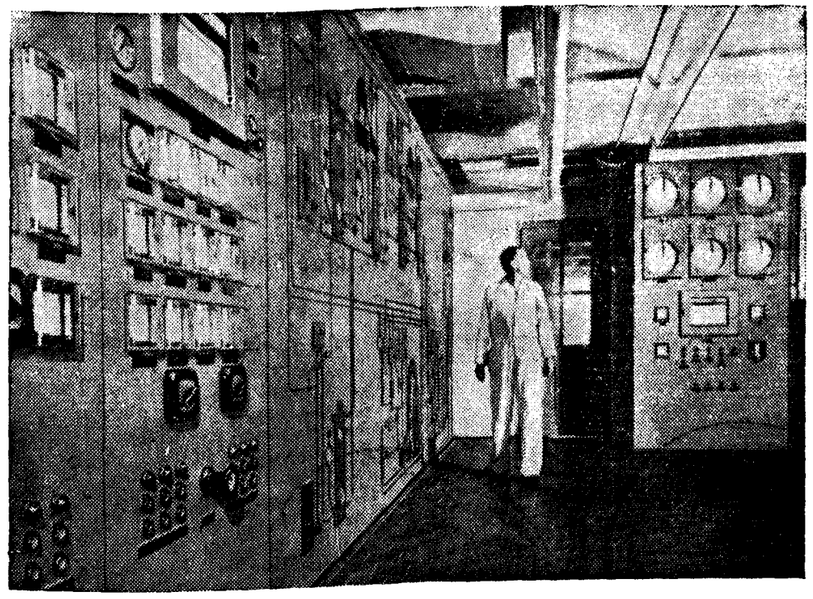
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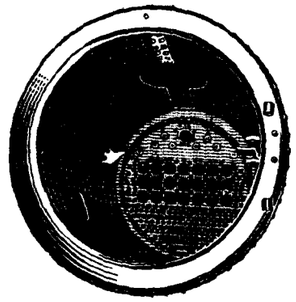
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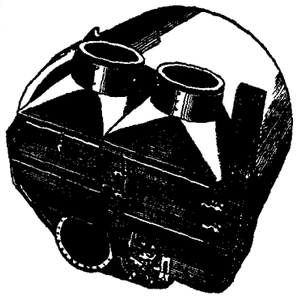
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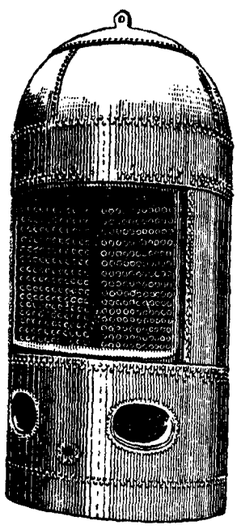
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Economic Report from the U.S.

BETTER EMPLOYMENT SITUATION

By GUY SIMS FITCH

WASHINGTON, November 6.

TWO significant developments give added substance to the sustained strength of U.S. economic activity. One is the notable improvement in the employment situation. The number of job holders last month rose seasonally by 225,000 to an October record of nearly 68.9 million. Non-farm employment, in fact, rose by 315,000 to more than offset the usual drop in agricultural employment at this time of the year. Unemployment during October declined by 218,000 to a three-year low of just under 3.3 million. A drop of only 50,000 normally is expected at this time of the year. This means that the jobless rate, after adjustment for seasonal variations, dropped from 5.8 per cent to 5.5 per cent of the labour force.

The other development is October's record rate of automobile sales and production. At an estimated total of 726,000 new car sales were the highest for any month in the industry's history, well above the previous record of 704,000 cars sold in April during the boom year of 1955. Automobile production, meanwhile, totalled some 744,000 units. One must go all the way back to 1950 to find the previous October high of 659,000. On the basis of present industry schedules, a new quarterly production record of about 2,196,000 cars appears in the making for the last three months of 1962, compared with the previous record of 1,949,000 in the final quarter of 1955. The highly encouraging results in these two important sectors do not in themselves indicate that the economy is now posed for another new upsurge, on the other hand, they do appear to contradict predictions of an imminent downturn.

The economy has been moving ahead at a rather slow pace, according to most broad measurements, since early summer. But the scattered forecasts of a general slump always have proved premature. If there is to be a recession, the belief now is that it will not begin until the first half of next year, and will prove to be both very brief and very moderate. There still are more than a few experts, however, who are not reconciled to the inevitability of even a short or shallow dip. In addition to the recent results in the key employment and automobile sectors, they find support for their views in two other significant barometers of business health. They point out that previous post-war business dips have come after corporate profits began to deteriorate and inventories reached higher levels in relation to sales. Neither of these elements is evident today. Corporate profits, while not rising with any great momentum, still seem to be following an upward trend. Inventories are now at the lowest level in relation to final purchase in seven years. None of the recent favourable developments, moreover, shows any abnormal influence from the current Cuban situation. There has been a noticeable absence of panic buying on the part of American consumers.

The October rise in car sales came on the heels of an automobile market that has been strong throughout the year. If any special influence was felt, it probably was the introduction of new 1963 models at the end of September and the beginning of October. As for employment, the totals for October were assembled on the basis of samplings taken at mid-month, before President Kennedy's historic address to the nation on October 22. On the basis of these and other trends, 'Fortune' Magazine — one of the most respected of American economic journals — sees the possibility of $10,000 million advance for the U.S. economy during the current, final quarter of 1962. This would then be the sharpest quarterly gain of the year. It would bring the total output of goods and services, or gross national product, to an annual rate of $565,000 million, up some five per cent from the fourth quarter of 1962 and some 13 per cent from the pre-recession low in the first quarter of 1961. Even if this projection is realised, the economy still would be operating at a level deemed far from satisfactory, in terms of its potential to both government and business economists, nor would it necessarily assure that the rise would continue in 1963. In many respects, the early months of next year could emerge as a new testing period for the U.S. economy. But those who are looking for a significant downturn should bear in mind that the economy has been demonstrating a far greater strength and resiliency than many an expert has thought likely only a few months ago.

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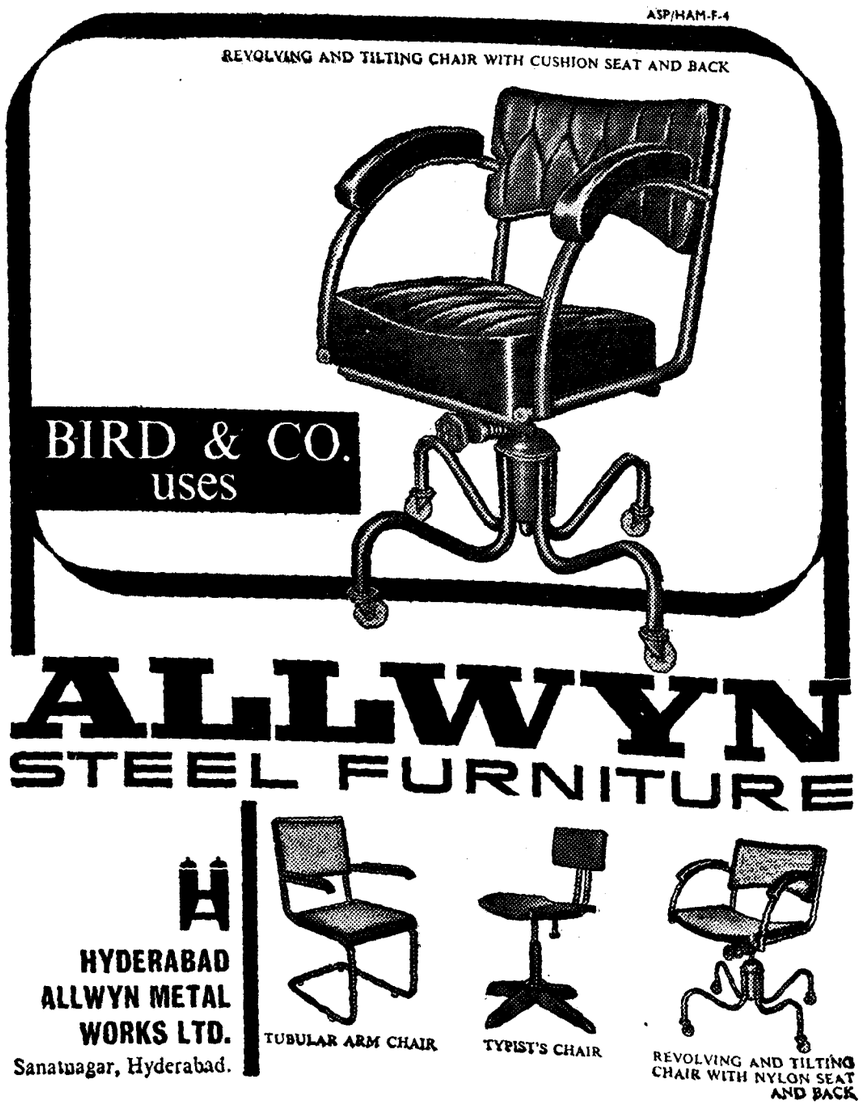


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Special Article

THE STOCK EXCHANGES: AN ANATOMY OF THE CRISIS

THE week ended November 10, 1962, has rightly been described as the "crisis week" in the history of the stock exchanges in this country. The panic which gripped the trading centres emerged from a variety of reasons, the most dominant one being India's entry into what looks like a prolonged war with China on the question of the demarcation of the border. The avalanche in the Bombay Stock Exchange was hastened because, unlike the other Stock Exchanges, it had fixed no minimum prices and, hence, the operators from other centres attempted to unload their holdings in Bombay. It is amazing that at a time when the nation was rallying round the leaders in an effort to contribute liberally to the National Defence Fund, investors should lose confidence and bring about a state of affairs which necessitated the closure of the stock exchanges because no regular trading could continue when the investors had virtually lost their nerve.

It is now apprehended that the ambitious targets of voluntary effort for the National Defence Fund estimated earlier in these columns may not materialise. The business community has lost heavily not only in the stock exchanges, but also in the bullion and other commodity markets because of the landslide in prices. It has indirectly helped the country in pegging down the price line for which the Government had been planning some bold measures. The market reports from the major cities indicate that the pronouncements of the leaders asking for more sacrifices (which, later, may take the shape of increased taxation) indicated that the prospect for the return on investment was not alluring as it had seemed before. The debacle in the American Stock Exchanges in May this year produced some ripples in India's stock exchanges, but it was believed that no serious decline could be expected because of the boom through which the industry had been passing. The manner in which the investors greeted every new issue showed that the confidence in the soundness of the Indian economy and, in particular, the industrial structure, was of a very high order, and, therefore, there was little prospect of the markets easing in line with the international trend.

The institutional investors have attempted during the last week to provide a boost to the market. The Government of India in the Ministry of Finance has come out with a special statement saying that there was no real cause for the widespread loss of confidence. This has been interpreted to mean that the Government would give all possible support for the revival of the market. So far as the production pattern, sales, profits, and dividends of the industry were concerned, there was likely to be no change; on the other hand, there was every possibility of the industry working double and triple shifts so as to increase production. In view of all these considerations, the economic indicators show that the recovery of the stock exchange may not be far off. Even if the Government is forced to impose additional taxes, it will do so judiciously since the corporate sector of industry provides the sinews of war. The response to the borrowing programme now launched will be another vital factor. It is reasonable to presume that before the end of the current fiscal year, the Government of India may not have to come in for fresh doses of taxation. The State plans are being pruned: The Plan is also being rephased by the Planning Commission so as to reallocate the available resources to raise the tempo of industrial production. In the short period, therefore, there is no reason for the stock exchanges to behave in the manner in which they have done during the past few days.

A measure of the decline in the stock exchanges is provided by the index numbers of the variable dividend industrial securities. With 1952-53 = 100, the index had an all-time peak in the third week of May, 1962, at 195.6 (see Table I below). Since then, it has been gradually slipping and is estimated to be around 160,

TABLE I

INDEX NUMBERS OF VARIABLE DIVIDEND INDUSTRIAL SECURITIES

(Base: 1952-53 = 100)

Last Week of		General Index
1957-58	..	126.6
1958-59	..	146.8
1959-60	..	161.7
1960-61	..	182.6
1961-62	..	192.7
1962 April	..	192.9
May	..	194.8 (195.6*)
June	..	188.3
July	..	183.3
August	..	187.2
September	..	180.4
October	..	174.4
November 3	..	171.8
November 10	..	160.0**

* Week ended May 19, 1962.

** Estimated.

for the week ended November 10, 1962. In other words, the fall is of the order of 20 per cent all round, though certain specific shares have declined in value from 30 to 40 per cent. It is now obvious that without the support of the institutional investors and the measures proposed by the Ministry of Finance to give a boost to the stock exchanges, the markets will not revive. It by no means assumes, however, that the same upward curve will reappear. It only means that the market has already touched the rock bottom on the current yield basis and cannot but recover both to maintain the healthy growth of the economy and keep up the war effort.

Even before the onslaught of the current crisis, the market had shown a slow declining tendency. This fact is brought out in Table II below which compares the index for variable dividend industrial securities between the third week of May 1962, and November 3, 1962. The third week in May represents an all-time peak recorded in the recent history of the stock prices. November 3 prices represent the level before the present fall. It will be seen that transport equipment, iron and steel and the basic industrial chemicals were at the top of the list with maximum drops in share prices. In almost all the industries the drop was by more than 10 per cent, the exceptions being sugar at 7.1 per cent and jute textiles at 9.5 per cent. In the case of electricity undertakings, however, there was a marginal depreciation of 0.9 per cent, indicating that in this particular sector the market sentiment had virtually no effect at all.

TABLE II

VARIABLE DIVIDEND INDUSTRIAL SECURITIES

(Industry-wise)

(Base: 1952-53 = 100)

Industry	May 19 1962 (1)	Nov. 3 1962 (2)	Percentage change of (2) over (1)
1. Sugar	141.8	131.7	— 7.1
2. Cotton Textiles	196.0	172.8	—11.8
3. Jute Textiles	106.5	96.4	— 9.5
4. Cement	169.3	147.1	—13.1
5. Paper	233.2	206.9	—11.3
6. Basic Industrial Chemicals	206.1	177.3	—14.0
7. Iron and Steel	167.1	143.2	—14.3
8. Transport Equipment	404.2	338.6	—16.2
9. Electrical Machinery	183.6	161.0	—12.3
10. Electricity Generation and Supply	86.6	85.8	— 0.9

The fact that most of the blue chips were high priced is apparent from the low anticipated yield computed on the basis of the appreciated value of the shares in May, 1962. This may be illustrated with reference to certain specific stocks. In the case of TELCO, for example, which has depreciated in value by 31.0 per cent since the peak of May 1962, the market value at Rs. 370.50 fetched a yield of 3.9 per cent, implying that TELCO ranked higher than even the Government securities in terms of yield. This also applied to Tata Chemicals whose yield was still lower at 3.7 per cent. The extreme example is that of Indian Dyestuff: with the face value of the share at Rs. 100, quoting at Rs. 557.50 in May 1962 and with the dividend prospect of Rs. 7, it indicated a yield of 1.3 per cent only. Premier Automobiles at 5.2 per cent and Larsen and Toubro at 4.2 per cent also ranked very near the yields of Government of India securities. Table III below illustrates this fact clearly. Thus, at these prices the shares were very much inflated in value, and they were just waiting for a technical correction which came so abruptly during the last week.

TABLE III

Scrip	Market Quotation as on May 17, 1962 (Rs.)	Paid-up per share (Rs.)	Dividend Per cent	Yield Per cent
1. Telco	370.50	100	14.50	3.9
2. Tata Chemicals	17.36	10	6.50	3.7
3. Indian Dyestuff	557.50	100	7.00	1.3
4. Gwalior Rayon	58.80	10	25.00	4.3
5. Premier Automobiles	135.25	100	7.00	5.2
6. Larsen and Toubro	33.35	10	14.00	4.2

Table IV shows the experience of some of the major scrips, indicating the erosion which has occurred in the case of the leading counters. Here again, the impact of the crisis has been to take away nearly one-fourth to a half of the value of these shares. This depreciation in the share prices has caused two far-reaching effects. In the first place, the banks have been put in a very tight position. If they force the holders of these scrips to make payments for the losses already incurred — a situation which the holders are not in a position to honour — the logical conclusion will be to let these shares be unloaded on the stock exchanges, thus further accentuating the already weak position of the market. In the second place, there is currently a stringency in the money market because large liquid sums have been utilised in covering up the losses. Both these factors will act as deterrents against any further appreciation in the stock prices. Unless support is provided by the Government and other institutional investors, the stock exchanges may not come back to normal operations. The Reserve Bank can assist in resolving the crisis by advising the banks not to force the situation on the holders of the securities. Positive action would be to

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recommend to the Provident Fund societies, life insurance corporation, the banks and other financial institutions to give a prop to the market at this juncture so that the much-needed confidence is restored. Unless that is done, the wheels of industry may not function in the manner in which the whole nation expects in view of the extreme urgency caused by the Sino-Indian hostilities.

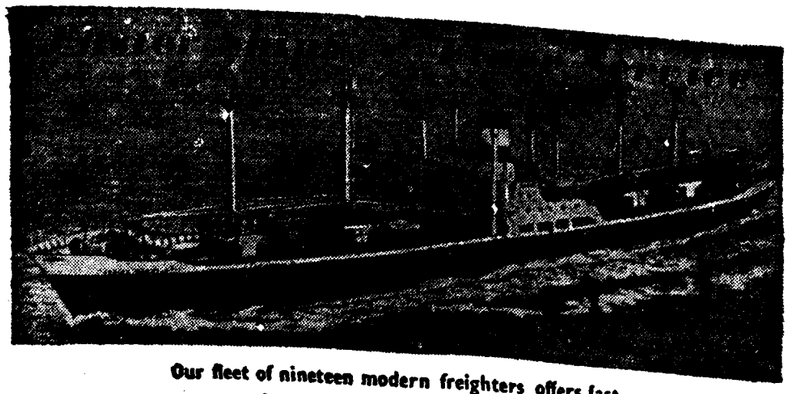
TABLE IV

THE SLUMP IN SHARE PRICES
(Bombay Stock Exchange)

(Rupees)

Scrip	Highest in 1962 (1)	Closing Prices as on Nov. 9, 1962 (2)	Closing Prices as on Nov. 12, 1962 (3)	Percentage change of (3) over (1)
Steel:				
1. Indian Iron	27.35	21.72 cd	22.96	—16.1
2. Tata (ordinary)	153.25	117.50	121.00	—21.1
Engineering:				
3. Telco	382.50	250.00	264.00	—31.0
4. Texmaco	26.00	19.76	19.76*	—24.0
5. Voltas	315.00	223.00	237.00	—24.8
6. Larsen and Toubro	44.90	20.00	22.24	—50.5
Automobiles:				
7. Hindustan Motors	21.48	14.72	16.08	—25.1
8. Premier Automobiles	160.00	92.00	98.00	—38.7
Dyes and Chemicals:				
9. Tata Chemicals	20.36	11.80 cd	12.44	—38.9
10. Indian Dyestuff	578.75	320.00	367.50	—36.5
Textiles:				
11. Century	682.50	545.00	562.50	—17.6
12. Bombay Dyeing	72.20	57.50	59.10	—18.1
13. Mafatlal	1,130.00	675.00	717.50	—36.5
14. Gwalior Rayon	63.00	40.50	44.00*	—30.2
15. Raymond	150.00	127.00	127.00*	—15.3
Electricals:				
16. Tata Power	1,170.00	1,100.00	1,106.25	— 5.4
17. Tata Hydro	114.00	104.00	104.00*	— 8.8
18. Bombay Suburban	107.50	104.00	104.00*	— 3.3
19. Ahmedabad	96.80	89.50	90.50	— 6.5
20. Andhra Valley	1,050.00	1,005.00	1,005.00	— 4.3

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Company Meetings

THE INDIAN IRON & STEEL COMPANY LIMITED

STATEMENT OF THE CHAIRMAN, SIR BIREN MOOKERJEE, DEALING WITH THE YEAR ENDED 31ST MARCH, 1962.

The following statement by Sir Biren Mookerjee, Chairman of the Indian Iron and Steel Company Ltd., dealing with Company's working for the year ended 31st March, 1962, has been issued to shareholders. The Annual General Meeting of the Company will be held on Tuesday, the 11th December, 1962, at 3 p.m. at the Royal Exchange Hall of the Bengal Chamber of Commerce and Industry, 6, Netaji Subhas Road, Calcutta-1.

The production of iron for the year at 1,187,397 tonnes and of steel ingots at 934,498 tonnes shows a small increase over the previous year. Yet in fact the rate of production remained more or less the same in the two years.

This apparent anomaly is due to the fact that there was a railway strike last year during which period there was a stoppage of all raw material coming into the works. As stocks of coal had run down to only four days' requirements, it left no alternative other than to carefully damp down all the four blast furnaces one by one as well as to reduce the input of coal into the coke ovens just to maintain sufficient heat to prevent damage to those plants. This calculated shut down last year, carried out under careful scientific observations by Works' executive experts, resulted in a computed total loss in production of some 27,000 tonnes of ingot steel. It will be seen, therefore, that while this year's production shows an increase over last year of 20,339 tonnes, it is in fact on the basis of actual rate of production less by some 6,000 tonnes.

In this connection I would like to emphasise, that ever since the new blast furnace and melting shop expansions were completed some time round about the middle of 1959, every effort has been made to go all out to reach the rated capacity of iron and steel production. But we failed each year to achieve this owing to the poor quality of raw material and particularly in the case of coal, a quality almost unusable. Added to these difficulties there was the ever persistent irregularity of transport. How then in the face of these insurmountable difficulties can Government insist that 100 per cent production is to be maintained? They have merely to look at the production of their own steel plants, where in the case of one plant the quality of raw material can be termed excellent compared to ours, with little or no transport difficulties. In the case of the other two Government plants, raw material and transport problems do arise, but it is nothing compared to that of your Company. Steel qua steel may be made at the cost of quality. Is that then what the Government desire, a sacrifice in quality and a mass rolling of unrequired sections of steel for the sake of production records? I shall refer to this and many other points later on in my statement.

ACCOUNTS:

In my statement last year I made reference to the Tariff Commission's enquiry in connection with the fixation of the retention price of steel effective from 1st of April, 1960. After conducting the usual careful investigations, visits to the works and discussions with the representatives of the Steel Companies, the Tariff Commission submitted its report to the Government in April 1962, having made such deductions and adjustments in costs as it thought fit. It was not until the 7th September, 1962, that Government's decision on this important matter was announced in Parliament according to which steel retention prices were increased by Rs. 10.50 per tonne on an assumed product mix basis commencing from the 1st of April, 1960, as against the Tariff Commission's recommendations of an increase of Rs. 38 per tonne over the provisional increase announced by Government in February 1961, a reference to which was made in my statement to you last year.

Curiously enough Government apparently did not consider the retention prices of individual categories of steel as important, as these details were only made available on the 12th October, 1962. This delay in announcement on Government's part of the category-wise retention prices of steel prevented the Company from closing its annual accounts and presenting them to you along with the auditors' report within the prescribed period; hence two appeals had to be made to the Company Law authorities to extend the permissible date of the annual general meeting to the maximum limit of 3 months, namely, the 31st December, 1962.

The most surprising part of Government's decision was the drastic and unconventional manner in which the Tariff Commission's carefully considered recommendations and mature judgment were turned down flatly in respect of the normal retention prices for the past two years, ending on 31st March, 1962, as well as a special element that should have been allowed in the retention price in addition, for payment by the Tata Iron and Steel Company and your Company, of interest on and towards repayment of special advance of Rs. 10 Crores each made to these Companies by Government. I will deal with this in greater detail later on.

The salient points of the accounts for the year have been fully dealt with in the report of the Board of Directors, but there is one point, a very important point indeed, on which I would like to make some observations.

On the recommendations of the Tariff Commission in 1959, the Government of India in terms of their Resolution No. PS45(112)|57 dated the 25th November,

1959, decided that the Interest on the Special Advance should be charged to the Company as from 1st July, 1958 at 5 per cent per annum and the calculation of a special element in the normal retention price for steel for meeting this interest charge was postponed until after 31st March, 1960, when it was necessary to work out the fair retention price of steel produced by the main producers. As the interest accrued from the 1st of July, 1958, your Company had to, under the Indian Companies Act, make provision for this accrued liability in the past years' accounts and as in terms of an Agreement with the Government of India dated the 15th July, 1953, it was expected that in fixing the retention prices of steel for the two years ended 31st March, 1962, a special element should be included in such prices to fully cover interest upto the end of this period, a corresponding amount was included in Sales Retention Prices in those years as the anticipated earnings from such special element. This expectation has, however, been belied. Although a special element to cover Interest and Repayment of Special Advance was recommended by the Tariff Commission, the Government of India has, in reversal of their earlier decision, rejected this recommendation. This has put your Company in a very awkward situation. The Interest of Special Advance charged in the previous two years' Accounts has to remain as such but the anticipated compensatory element in steel retention prices amounting to Rs. 1,40,01,141 included in the Accounts of those two years had to be written back from the current year's "Sales"; besides, whether Interest is actually paid in cash or not, your Company has to go on charging such accrued Interest from year to year without a corresponding compensating element in "Sales". Repeated representations have been made to the Government, but it does not seem to realise this difficulty of your Company; it appears to be under the impression that so long as the Company has not to make actual cash payment to Government, it is immaterial whether any special element is included in the prices or not. Government just cannot realise that your Company does not keep its Accounts, as Government departments do, on a Cash basis but on the normal Commercial basis where any liability accrued, whether paid or not has to be duly provided in the Accounts.

TARIFF COMMISSION'S RECOMMENDATIONS AND GOVERNMENT'S DECISION:

At long last, that is, after two and a half years, Retention Prices of steel were announced by Government on the 7th of September, 1962 on an estimated product mix basis on which, as I have already stated, your Company's accounts could not be closed. Apart from the fact of Government's rejection of the Tariff Commission's deliberations and conclusions it has come to an ad hoc decision totally divorced from the conditions specially laid down in 1953 for the calculation of retention prices of steel, after taking into consideration repayment of loans to Government and the World Bank (International Bank for Reconstruction and Development), maintenance of regular dividend and putting into reserve statutorily or otherwise sufficient sums in order to enable the Company to remain healthy and to continue to increase production and achieve expansion out of its own resources as and when the country needed extra steel. It now appears from Government's latest announcement in the papers that the Tariff Commission's sins are that it arrived at its conclusions according to these formulae and conditions laid down by Government earlier and according to which your Board of Directors agreed to accept loans on your behalf for the expansion schemes. If now these conditions and formulae for calculating retention prices are changed for the worse, as has been announced recently, there is little or no hope of further expansions to your plant.

Government's decision regarding cutting down the retention prices recommended by the Tariff Commission has, as announced on 7th September, 1962, been arrived at by:

(a) Reducing the value of the block considered fair, after careful study by the Tariff Commission, from Rs. 1,300 to Rs. 1,176 per tonne.

(b) Reducing the working capital provision to 4 months' cost of production as against 8 months' claimed by us in our representation and 6 months allowed by the Tariff Commission.

(c) Disallowing the inclusion of Rs. 8 per tonne as recommended by the Tariff Commission towards interest on Special Advance and its repayment.

The reasons stated for making a reduction in block are:

(1) The operational efficiency of the plant should be taken at 100 per cent as against 90 per cent optimum considered by the Tariff Commission.

(2) The capital block of Rs. 10 crores received as Special Advance from the Government should be excluded.

Apart from reduction of Rs. 8 per tonne on account of the Special Element towards payment of interest and repayment of Special Advance, the total reduction effected by Government per tonne of steel from what was recommended by the Tariff Commission comes to Rs. 19.50 per tonne as shown below:

(1)	Reduction in capital block due to deduction of special advance	Rs. 10.30 per tonne
(2)	Reduction of block by taking operational efficiency at 100 per cent	Rs. 6.20 „
(3)	Reduction in working capital	Rs. 3.00 „
	TOTAL	Rs. 19.50 per tonne

As a result of this, your Company has been deprived of approximately Rs. 2:8 Crores on despatches of 1.4 million tonnes of saleable steel during the 2 years and will also suffer in future as, we fear, this will also apply to the provisional price to be fixed from 1st April, 1962 onwards.

But the story is actually different. The new prices fixed by Government for individual categories of steel will only enable the Company to earn an increase of Rs. 8.53 per tonne as against Rs. 10.50 per tonne announced by Government on the despatch of steel made during the last two years.

The target of operational efficiency as contemplated by Government recently should have been based on an approach inspired by lessons of realism and past experience rather than dogmas. Nowhere in the world have steel plants been rated to operate at 100 per cent of their rated capacities. It can only be expected over short spells. The Tariff Commission very rightly adopted 90 per cent efficiency as a factor of normal operation. I quote below some interesting figures of capacity utilisation as published by the U.K. Iron and Steel Board (vide para 65 — Annual Report — 1961):

Year	% capacity utilisation assumed by the Board	Actual Operation
1954	90	98.0
1955	90	98.0
1956	90	97.0
1957	90	96.4
1958	90	87.1
1959	90	78.9
1960	90	93.9
1961	90	88.5
	Average over 8 years	92.2

Although the average of actual operation works out to 92.2 per cent the Board for calculation purposes maintains 90 per cent as the target of capacity utilisation.

It may not be difficult to attain 100 per cent efficiency occasionally, but provision must be made for bad weather and unfavourable circumstances which do arise more often than not and over which no management control can be exercised; in our case the transport and raw material difficulties are well-known. The fixation of block value at 100 per cent utilisation of capacity in the steel industry is unrealistic and I am afraid, will be of no help to the industry. It is my sincere suggestion that the matter should be reconsidered and given a second thought by Government. It must also be remembered that when vital issues of this nature are referred by Government to an independent semi-judicial and expert body like the Tariff Commission, its recommendations should not be flouted in the manner in which it has been done in this case, as it is bound to undermine confidence in the private sector and definitely make foreign aid participation very doubtful.

As regards the disallowance of the Special Advance of Rs. 10 crores from the block a great deal has been said, both in Parliament and outside it, about this interest-free loan to your Company by the Government. I have so far refrained from answering queries from stock holders, financial journals and papers, as I thought it to be Government's duty to explain the reasons and motive behind such a loan first to Parliament. Since 1958 Government's ideas on the repayment of the interest-free loan have been undergoing many changes, some even contradictory. It is only fair to stock-holders that I should now take them into confidence and explain how this interest-free loan of Rs. 10 crores came into being.

At the request of the Government of India, Mr. Eugene R. Black, the World Bank President, paid a visit to India in February 1952 to acquaint himself of the broad aspects of the country's development programme in the light of the Five-Year Plan. On the 17th February he, accompanied by Mrs. Black, Messrs. Joseph Rucinski, Chief Economist of the Loan Department, Leonard B. Rist, Director of Economic Department and Harold N. Graves, Director of Public Relations, arrived at Burnpur on a two-day visit to have a first-hand study of your Company's expansion programme.

Being satisfied with the merit of your expansion scheme, he was kind enough to send to India in June 1952, a Fact Finding and Feasibility Probing Mission of four members headed by Mr. George D. Woods, one of India's best friends outside the World Bank and the President of the First Boston Corporation of New York. The Commission consisted of Mr. Woods, Mr. Maccurda, his personal adviser, Mr. Joseph Rucinski of the World Bank and Mr. Carl Fiesher, Technical Consultant to the Bank. They visited your Works and went into the details of the First Expansion Scheme with the Company's Consulting Engineers and the Works' senior executives. On being satisfied with our scheme generally in every respect, discussions with Government were started in Delhi directly afterwards. At these discussions, the then Finance and Commerce and Industries Ministers were present along with their respective secretaries and advisers. You were represented by my colleague, Mr. F. G. Liversedge and myself. At the conclusion of these discussions, the World Bank's representatives agreed to put the matter up to the World Bank Directors subject to a detailed scheme of the plant proposed, its costs broken up into foreign exchange and local currency, the legal aspects of mortgage of all lands and property of the Company etc., considered. The foreign exchange requirement to be met by the World Bank was approximately estimated to be Rs. 15 Crores or 31½ million dollars. Government's loan to the Company on the same terms and conditions, but ranking second to the World Bank and the then debenture holders, was set up approximately to be Rs. 7.9 Crores. The Company was to find an equal amount, namely, Rs. 7.9 crores from its own resources. It was then found, a further Rs. 10 crores was needed for financing the entire scheme, as well as to meet the working expenses. The question then arose how to bridge this gulf. The Woods Commission came to the conclusion that the then Tariff Board's function as directed by Government in the case of the steel industry, was not so much as to find ways and means of protecting the indigenous industry from foreign invasion, but to prevent it from claiming a higher world price for its commodities, obviously for Government's own benefit; Government, therefore, in all fairness could hardly refuse to find for the industry the needed amount, and they said, if I remember correctly, "Whose money are you giving away and to whom; in the case of jute, tea, sugar, copper and other such commodities, the industries are allowed to claim or sell at the highest prices the World market was willing to pay, but in the case of steel, the industry was beaten down by the Tariff Board on a framed up formula fixed by Government. All Government has to do is to remove it and the steel industry would no longer need financial aid from Government, other than a guarantee of the repayment of foreign exchange loan". After a couple of days' thinking Government agreed to find the money as a loan which the World Bank's representatives thought should be "rent free", meaning interest free. The Ministers agreed to the loan to be termed as a Special Advance and interest free, but thought in order to avoid questions being asked in Parliament, the whole or part of the corpus should be repaid sometime, i.e., when the Company was opulent enough to do so and no further expansions were contemplated. The World Bank representatives were of the opinion that so long as it was agreed that the amount would only be paid, both interest, if any, and the corpus out of a special element to be included over and above the normal retention price, they would have no objection. The Government agreed to it, but later thought they should also include the clause wherein they would reserve the right to ask the Company to raise additional share capital for the repayment of whole or part of the corpus as and when the Company was in a position to do so. The World Bank's representatives were of the opinion that this should only be done subject to mutual agreement between the Government and the Company.

The World Bank's representatives then went on to explain that the primary function of the I.B.R.D., whose

capital was subscribed by a number of nations, was to rehabilitate and/or expand industry in the private sector only and in doing so to enable such industry to remain in a healthy financial position in order that it could expand on its own, and further, the Tariff Board must be instructed by Government that it must not, as in the past, take away incentives from the Company in the way of any operational efficiency or savings in the cost of production or by increased production, and a normal depreciation and a reasonable return on capital etc., should be maintained. Both Government and your Company agreed to these principles and Government issued new directions to the Tariff Board which later on was converted into the Tariff Commission with statutory powers. It appears Government now wishes to resile from its previous commitments and undertakings it had then made.

The recommendation by the Tariff Commission of Rs. 8 per tonne relating to the repayment of Special Advance and interest thereon has not been accepted by Government. The reason, in their own words, being "Finally, in revision of their earlier decision taken in 1959, Government now consider that it is not necessary to provide an element in the retention price for the payment of interest on and repayment of special advance. The agreement with the Companies provided for an alternative method of repayment of a part of the Special Advance with interest, namely, issue of share capital by the Companies at such time or times as the Government of India may, in agreement with the Companies, decide."

For the benefit of the stock-holders I give below the relevant extract from the agreement between the President of India and your Company dated the 15th of July, 1953:

Clause 1 (iv) (c):

"The Government of India shall decide, on the advice of the Tariff Commission, whether after the 30th June, 1958 (or such later date as aforesaid), the Company should be charged any interest on the said advance and at what rate the Company should repay the advance. PROVIDED that the interest and repayment of the advance shall to the extent to which the same is not paid out of the share capital to be raised by the Company in accordance with Clause 3(c) be payable by the Company out of its earnings arising from a special element in the prices of iron and/or steel over and above the normal retention prices, after deducting from earnings all taxes payable by the Company to the Government of India on such earnings at the rate or rates applicable to the Company's total income during the period ending the 31st March, 1969."

It is further amplified later in Clause 3(c) which reads as follows:

"Notwithstanding the provisions in paragraphs (c) and (d) of Sub-clause (iv) of Clause 1 laying down the manner of payment of special advance to make an issue of share capital at such time or times as the Government of India may call upon the Company to do and to repay out of the proceeds of such issue a portion of the special advance. The proposals for any such issue (including the timing, the amount of the share capital to be so raised and the portion of the special advance to be repaid out of the proceeds of the issue of shares and other particulars relating thereto) shall be as may be agreed between the Government and the Company."

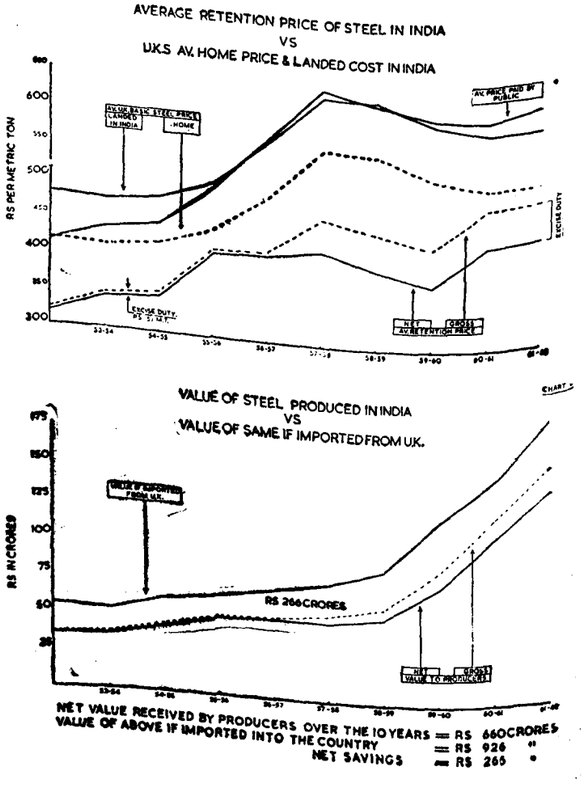
It will be seen, therefore, the intention of Government in 1953 in regard to expansion of the steel industry in the Private Sector has undergone a very great change, for if your Company has to raise capital to repay the advance of Rs. 10 crores, and this contention is upheld by Government, it virtually means saying goodbye to any future expansion, even if it be for merely balancing of your plant and thereby effecting a fully economic unit.

Apart from all that I have said in this connection I utterly fail to see any logic or justification in the Government's action in deducting the corpus of the Special Advance of Rs. 10 crores to arrive at the standard block on which overheads are to be allowed. If Government has now changed its mind and treats this money as a free gift, i.e. neither interest nor repayment of the corpus being required, then there may be something in the Government's contention. But in its recent statement made on the 19th September, Government has reiterated its stand regarding the repayment of the advance and indicated that it could ask the Company to repay this Special advance out of an issue of fresh capital. Therefore, it is not a gift and if that be so, then on what ground can Government take this totally unreasonable and unrealistic stand?

It can be safely vouched and nobody will deny the special position and importance of the steel industry in our country, particularly in an era of expanding economy based on rapid industrialisation. Contribution made by this Industry in the past, specially in the field of saving foreign exchange is very considerable, and this is explained clearly in the appended two charts (A and B) showing:

A. The net price per tonne of steel given to the producers, the price paid by the public and what it would have cost the country if imported from overseas.

B. Saving of foreign exchange effected due to indigenous production over the past ten years, in other words, the cost of a new one million ton capacity integrated steel plant.



That then has virtually been the contribution of the two steel plants in the Private Sector. Does it therefore behove Government to accord to this industry the perfunctory and niggardly manner of treatment it has been subjected to? Is it not a matter of elementary economics that the benefit of maximum possible incentive should be extended to the industry to allow it not only to exist, but to function and produce on as high and efficient a level as is possible? Why then this ire as if the industry has done something terrible, and deny it a healthy climate all round to earn a reasonable return on the capital employed, which is largely being ploughed back from profits and maintain an increasing output, thereby enhancing the growth of national wealth?

When Government's decision on the retention price of steel was released there was widespread criticism and Government made a statement on the 19th of September, 1962 in an attempt to justify its official action for reducing substantially the prices recommended by the Tariff Commission. I will now deal with the arguments advanced by Government item by item and prove to you how futile these are.

It was stated that Government had accepted the Works costs as calculated by the Tariff Commission and this constituted 70 per cent of the total retention prices. This statement seems to imply that a great favour has been done to the steel industry by Government, by its acceptance of this major element of the retention price. This is no favour at all. Government could not help but accept as correct, calculations of Works costs by the Tariff Commission, as these were not estimates of future Works cost, but facts based on historical costs on the actual performances of the producers during the period of price fixation, namely from 1st of April, 1960 to 31st of March, 1962.

In regard to reduction by Government of the working capital of your Company to 4 months' cost of production as against 8 months' claimed by the Company in its representation and 6 months' allowed by the Tariff Commission, the reasons given by Government to justify its stand are based on two grounds:

(a) That every indentor of steel has to pay in advance 25 per cent of the total value of his order in cash to the steel producer before it can be booked, and therefore, the Companies invariably had a fairly large sum of money at their disposal.

(b) That at any given time the Companies had large sums of money belonging to the Government in their possession and these were not actually paid into Government account.

In regard to (a) the statement made by Government that every indentor had to pay 25 per cent security deposit against order is absolutely baseless. This could easily have been verified from any Government Accounts Officer and it would have been found that no Government department gives any security deposit whatsoever, whereas on the other hand Government takes months to pay your bills. It is a fact that producers dare not ask for any security deposit from Government, including the Railways, and large well-established customers which constitute more than 80 per cent of their sales. It is only in the case of small bazaar parties that the producers take a security deposit and this too with the Iron and Steel Controller's acquiescence, as no order can be booked without his approval. Some years ago it was found that some of these small bazaar parties having booked orders (for reasons best known to them) were found to be non-existent, or refused to accept bills when the railway wagons arrived at the destination. What then could your Sales Organisation do other than to run to the Iron and Steel Controller for his approval to divert the railway wagons to some other party — in the meantime demurrage accrued as well as the extra freight for diverting the wagons. Who then was responsible for the extra cost of freight and demurrage as your sales organisation was in no way responsible for the order? The then Iron and Steel Controller thereupon decided that for these unknown and unreliable parties the producers were entitled to demand 25 per cent with the order, in order to reimburse them in such cases of default. These advances are mostly in G. P. Notes and fixed deposits in banks. The interest accruing is payable to the customers and the Company has no access whatsoever to these funds. To make my point clear, I append below a statement for the 3 years, 1959-60, 1960-61 and 1961-62 showing the gross steel sales from Burnpur and the security deposits and advance payments in cash received by your Company:

	1959-60 Rs.	1960-61 Rs.	1961-62 Rs.
Gross Steel Sales	30 crores	46 crores	50 crores
Security deposit and advance payments in cash	26 lakhs	30 lakhs	29 lakhs
Percentage	0.67	0.65	0.58

In view of these actual figures from the Company's audited accounts the statement made by Government seems to be most irresponsible, as during the three years under reference the maximum amount lying with the Company was between 0.67% to 0.58% which is nowhere near 25% stated by Government.

In regard to (b) the statement that at any time the producers owe large sums of money to Government is again just a myth. Both Mr. Bhoothalingam and Mr. N. N. Wanchoo, Secretaries to the Ministry of Iron & Steel have written to me complaining about the large outstandings from the Company to Government and every time we have written back in reply to prove that Government's statements were incorrect. Moreover, Government seems conveniently to forget that it is your Company that do it a favour by collecting surcharge moneys on its behalf and further all collection expenses including cash discount allowed by us on the amount of the surcharge are being borne by the Company. Besides, whether the Company receives payment of a bill or not, it is required to pay the surcharge portion of the bill immediately to the Iron & Steel Controller. How can Government then quibble over a few lakhs of rupees worth of surcharge money that necessarily must remain outstanding at any time with the Company as claims cannot be finalised within the period.

On the other side of the picture, apart from outstanding bills for materials supplied by the Company, it has to wait years to get reimbursement from the Equalisation Fund in respect of any increases in the retention prices. These increases are due to the Company as costs and overheads have gone up in the meantime and which are beyond the control of the Com-

pany. Although it has already been out of pocket to these extents it cannot claim any reimbursement from Government unless Government so deigns, at its leisurely pace to decide on the revised retention price. As an example, in the case of the recent increase in steel prices which are really due from the 1st of April, 1960, the notification by Government of such increase in the retention prices is dated 7th of September 1962, and the category-wise retention prices were made available to the Company only on the 12th of October 1962, i.e., a time lag of about two and half years. This, in other words, means that crores of rupees due to your Company has been lying with the Equalisation Fund for this period, whilst your Company had to borrow money from banks and pay interest on it to meet its day to day obligations.

For the reduction in the return on capital it has been stated by Government that your Company, like Tata Iron & Steel Company, had no more than one-fourth of the total capital of the Company in the form of equity capital and that this ratio may have still fallen further. The Government's contention is that the rest of the capital has been borrowed and therefore should be treated differently as it was not the stock-holders' money. For your information I append below a statement showing that during the 10 years, i.e. from the date of the Expansion Scheme until 31st of March this year your Company has contributed out of its own resources—and which really is your money—to the extent of Rs. 34.69 crores, a sum which cannot be sneered at on any account:—

CAPITAL EXPENDITURE AND SOURCES OF FUNDS DURING THE TEN YEARS 1952-53 to 1961-62.

	Rs. Crores	Rs. Crores	Rs. Crores
Expenditure on Extensions:			
Burnpur—			
1950 Extensions	4.97		
1953 „	37.64		
1955 „	18.46		
General	5.97	67.04	
Kulti ..		3.76	70.80
Less: Outside Sources of Funds for Extensions:			
World Bank Loans		21.28	
Government of India Loans		7.35	
Special Advance		10.00	
New Shares Issued		7.00	45.63
Extensions financed out of own Resources			25.17
Capital Expenditure financed out of own Resources upto 31-3-62			
For Extension as above		Rs.	25.17 Crores
World Bank Loans Repayment ..		„	5.80 „
Govt. of India Loan Repayment ..		„	2.13 „
Sterling Debenture Repayment ..		„	1.59 „
		Rs.	34.69 Crores

This, in other words, means that in addition to a sum of Rs. 7 Crores contributed by you as a rights issue in July 1957 a sum of Rs. 34.69 Crores has already been ploughed back from your profits during these years, making a total contribution from you of Rs. 41.69 Crores, and this process will continue until all loans, past and future, are repaid.

In my previous statements to you as well as in the Annual General Meetings in the past, I have made it known that these large sums of money, which you are investing in the Company from year to year will one day be partly converted into equities. But your Board of Directors were precluded even from thinking about it owing to the penal tax of 30 per cent, now reduced to 12½ per cent levied by Government on bonus issue. From these figures it will be seen that your Company has made contributions towards the expansion scheme in no mean measure. No integrated modern steel plant, no matter what part of the free world it is situated in, can be expanded or modernised with stock-holders' money only. It has to take recourse to borrowing funds from banks and the most enterprising and sensible Governments come forward to give them such help as needed in order to reap the benefit of extra production of iron and steel, thereby creating extra expansion in the country's heavy industries etc., as well as finding an outlet for foreign exchange by exporting goods.

Government also seems to argue that if a part of the gross block is financed by loan capital the structure of the Company's finance should be different and the return on such capital should accordingly be calculated on different lines. To say the least, this is a strange way of thinking on the principles of economics, as it is both unorthodox and unheard of. If Government had these ideas in mind it should have, in all fairness and to all concerned, declared them in unequivocal terms when these very loans were being negotiated. It would then have been for the Board of Directors and the stockholders either to accept or reject the terms and conditions at the time and not to have a surprise suddenly sprung on them as at present.

As already stated, Government's latest contention has been that on account of the special capital structure of the Company and on account of not achieving 100 per cent production, the return on capital should be correspondingly reduced, and for this purpose Government has decided to cut a slice into the block which is standing up proudly at your Works. But as depreciation is calculated on block, this has also resulted in a reduction in the total quantum of depreciation allowed by the Tariff Commission. Are we not justified in enquiring, why this unwarrantable reduction in depreciation? I can only term this action as adding insult to injury.

It has also been openly said in Parliament the other day that your Company has earned huge profits during the year under review. I do not know, in the case of a Company like yours, what the yard-stick for this "hugeness" is. All I can say is that your Company has earned only a reasonable profit, commensurate with its requirements and obligations. Besides, uniform retention prices were fixed for all Producers, and if any one Company has earned a little extra due to efficient working, that I should have said, would have been a matter for congratulation and not resentment. I am sure it is not Government's desire to discard all cardinal principles of economic aid to penalise efficiency.

PRODUCTION DIFFICULTIES

The quality of raw material, if anything, has deteriorated from what it was last year, and added to this, irregularity of transport as well as wrong type of wagons for transporting the materials do not help to make the Works Executive's life a happy one.

I append a few charts (No. 1 to No. 6) which will show the difficulties that have to be surmounted in order to utilise the raw materials. The object is to bring out some of the obstacles which prevent the Company from achieving a production rating of 100% of its installed capacity. Apart from these obstacles, there is also the question of the quality of the raw materials, particularly Coking Coal. The average ash content of our Coke has now reached 24% but the average figure does not indicate the true picture, as the quality of the Coal fluctuates widely, and the manner in which the Railway authorities deliver the Coal prohibits blending which would neutralise to some extent the wide fluctuations.

It will be observed that against the normal daily requirements of 107 BOBS Wagons, the number fell very much below this figure on most days. The Railway authorities substituted BOX type wagons in place of BOBS wagons in spite of the fact that the Works are unable to off-load BOX wagons except by manual means.

Here it will be observed that apart from ore handling in our normal mechanical stock handling Ore Gantry, we had to handle in and out of stock as much as 5,775 tonnes in one day.

This Chart brings out clearly that whereas Durgapur Steel plant was never intended to be supplied with BOBS wagons but rather BOX wagons, it is, in fact, now being given BOBS wagons at the expense of your Works and that your Works are being forced to accept a greater and greater number of BOX wagons in consequence. It will also be observed from this Chart that Bhilai remains unaffected as far as BOBS wagons are concerned.

The Company has always objected to being forced to accept BOX wagons in lieu of BOBS wagons as with the full knowledge and approval of the Railway Board our mechanical off-loading equipment was de-

CHART No. 1

DAILY RECEIPT OF BOBS WAGONS (QUICK SIDE DISCHARGE TYPE WAGONS) DURING AUGUST '62

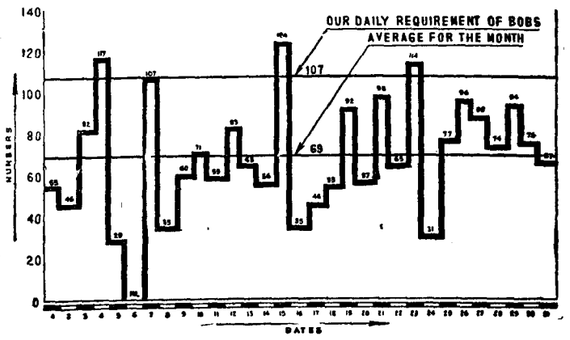


CHART NO. 1 showing daily receipts of BOBS Wagons (Specially designed side discharge for handling ore and limestone) during August 1962

CHART No. 2

MANUAL HANDLING
IRON ORE IN AND OUT STOCKING PER DAY.

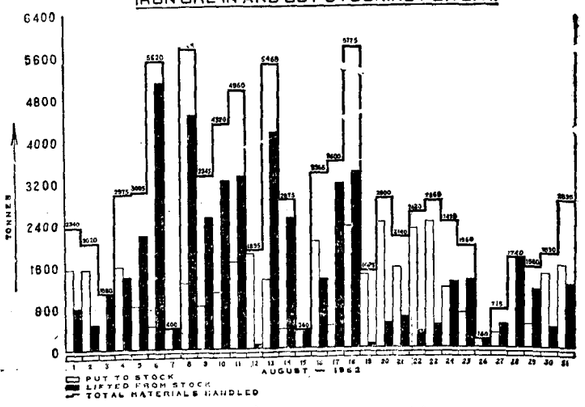


CHART NO. 2 showing Manual Handling of Iron Ore—In and Out Stocking per day during August 1962

CHART - 3

STATEMENT SHOWING THE IRON ORE PROGRAMME & RECEIPT POSITION AGAINST THE PRODUCTION OF IRON OF VARIOUS STEEL PLANTS.

Month	BURNPUR					BHILAI				DURGAPUR				ROURKELA			
	Iron Production	Programme by Steel Controller Average/day		Receipts Average/day		Iron Production	Programme by Steel Controller Average/day		Receipts Average/day	Iron Production	Programme by Steel Controller Average/day		Receipts Average/day	Iron Production	Programme by Steel Controller Average/day		Receipts Average/day
		BOBS	BOX*	BOBS	BOX		BOBS	BOX	BOBS P/X		BOBS	BOX	BOBS	BOX	BOBS	BOX	BOBS	BOX
	M.T.	Nos.	Nos.	Nos.	Nos.	M.T.	Nos.	Nos.	Nos.	M.T.	Nos.	Nos.	Nos.	Nos.	M.T.	Nos.	Nos.	Nos.	Nos.
JAN'62	86,700	104	24	80	8	92,000	120	Nil	97	Nil	63,000	38	Nil	33	8	44,000	69	Nil	36	20
FEB'62	79,500	104	24	81	15	84,000	120	Nil	98	Nil	59,600	38	Nil	24	9	36,000	69	Nil	42	19
MAR'62	113,800	104	24	80	8	94,000	120	Nil	97	Nil	66,000	38	Nil	40	16	42,000	69	Nil	41	13
APR'62	109,700	114	27	88	1	94,500	120	Nil	96	Nil	69,000	35	40	41	18	20,000	65	20	32	4
MAY'62	112,300	114	27	80	9	100,000	120	Nil	93	Nil	67,000	35	40	53	17	46,000	65	20	36	8
JUN'62	87,600	114	27	97	12	95,000	120	Nil	96	Nil	63,000	35	40	38	17	30,000	65	20	35	8
JUL'62	96,100	81	61	89	8	101,000	120	Nil	107	Nil	78,000	35	40	46	20	47,000	46	20	47	6
AUG'62	105,300	81	61	69	20	102,000	120	Nil	108	Nil	90,000	35	40	39	18	56,000	46	20	50	18

* The Company has always objected to being forced to accept B.O.X. wagons in lieu of B.O.Bs. wagons as with the full knowledge and approval of the Railway Board our mechanical off-loading equipment was designed and installed to handle only B.O.Bs. wagons.

CHART NO. 3 showing the Iron Ore Programme & Receipt Position against the production of Iron of various Steel Plants

signed and installed to handle only BOBS wagons.

Burnpur Works require an average of 40 BFRs per day but, as can be seen from the Chart, this figure is rarely supplied.

Charts Nos. 5 and 6 have been prepared to show that practically every day the Railway authorities impose restrictions on the despatch of finished materials on numerous routes and to numerous destinations. The practical result of this is that wagons already loaded with materials are not accepted by the Railway authorities at the last moment, thus causing detention and demurrage liabilities, and also in many cases, your Works are unable to load wagons because they have no material available for the destinations which are free of restrictions. Again, there is wagons detention and demurrage liability.

In effect, the Railway authorities supply wagons for despatch of finished material and at the same time dictate to us where these materials shall be sent and in many cases against the Iron & Steel Controller's orders. This is an absurd situation and would require a considerable tonnage of finished goods to be held in stock to cover such a wide field of variation of free destinations.

COLLIERY EXPANSION SCHEME:

The object of our Colliery Expansion Scheme is to provide the bulk, if not the entire needs of our Coking Coal, approximately 85% of which will be crushed, washed and blended to produce a consistent grade of Coking Coal of approximately 17.5% Ash.

The major development will take place at your Chasnalla Colliery where the Coal will be extracted:—

(1) from Open Cast Quarries, and

(2) Underground Mines.

The run-of-mine Coal will be crushed and washed in a Coal Preparation Plant and the resultant blend product transported to the Burnpur Works by two Aerial Ropeways costing approximately Rs. 4.5 Crores over a distance of approximately 32 miles. This

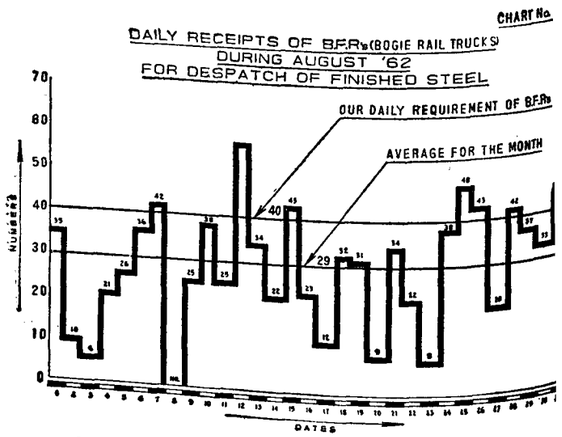


CHART NO. 4 showing Daily Receipts of BFRs (Bogie Flat Rail Trucks) during August 1962

development will take place over a period of approximately five years, the production progressively increasing to the target of 4,200 tonnes of washed Coal per working day.

The Coal reserves in your Jitpur Colliery at the present working levels are almost exhausted making

it necessary to sink the existing shafts to proven lower levels and also to make provision for Sand Stowing to permit maximum extraction. The production will thus be raised from the present 800 tonnes per day to 1,500 tonnes per working day over a period of five years. This Coal will be conveyed by Aerial Ropeway about six miles to the Chasnalla Coal Preparation Plant for blending and washing, yielding approximately 1,200 tonnes of washed Coal per working day.

The Company's Ramnagore Colliery is being modernised to increase the production of Coal from the present 400 tonnes per day to 1,000 tonnes per working day. The modernising includes the new Sand Gathering Plant and a Sand Transportation System. A new Ventilation Shaft and a ventilating fan have already been installed. Ramnagore Coal will be transported by Rail Car to Burnpur via the Company's own Kulti-Burnpur track. This Coal does not need to be washed as it will readily blend with the Chasnalla-Jitpur blend.

Experiments carried out at your Works over a period have shown that if we are to achieve greater productivity from our blast furnaces, our Iron Ore must be subjected to treatment to obtain a smaller and more uniform size and to remove the deleterious gangue. The smaller fractions of our Ores cannot be used without further processing. This problem is being closely studied and practical tests made in order to obtain sufficient basic information to enable us to select the most suitable process of agglomeration. In the meantime, it is proposed to instal the appropriate plant at your Gua Ore Mines to enable us to wash the Ore and screen to the desired size fractions.

INCREASE OF STEEL PRODUCTION UNDER THE FOURTH FIVE-YEAR PLAN:

The assessment of the future demand for steel in India is a futile exercise of mind and brain as the quantum is so large as to outstrip the ability to achieve it by any specified period of time.

The maximum achievement can only be accomplished by first concentrating on making available predetermined and realistic quantities of the necessary raw materials, its transport and the power required by predetermined dates and planning the simultaneous completion of matching Steel capacity.

To erect Iron & Steel Plants first, with the pious hope that the raw materials, power and transport will 'turn-up' is the mistake of the past and would be a criminal waste of money and energy if blindly followed in future.

Although the type of product required in the future has to be estimated, the estimate must be subjected to continual review as the pattern of product will inevitably change as time goes on. In adopting long-term planning for the development of new capacity, the development potential of the existing capacity must not be lost sight of as it is cheaper and quicker to achieve this than putting down a new plant of the same capacity. Development of capacity should be a continual process and to obtain maximum production with utmost efficiency from existing units, it is imperative that they be kept up-to-date technologically. In these days of advancement in new steel-making, long before the building of a new Steel Plant is complete, it is more often than not out of date, making it necessary to adopt newer techniques and equipment to maintain an efficient economic and technological balance.

The location of new Steel Plants is of vital importance, the principal influencing factors in the past have been the proximity of rew materials, power,

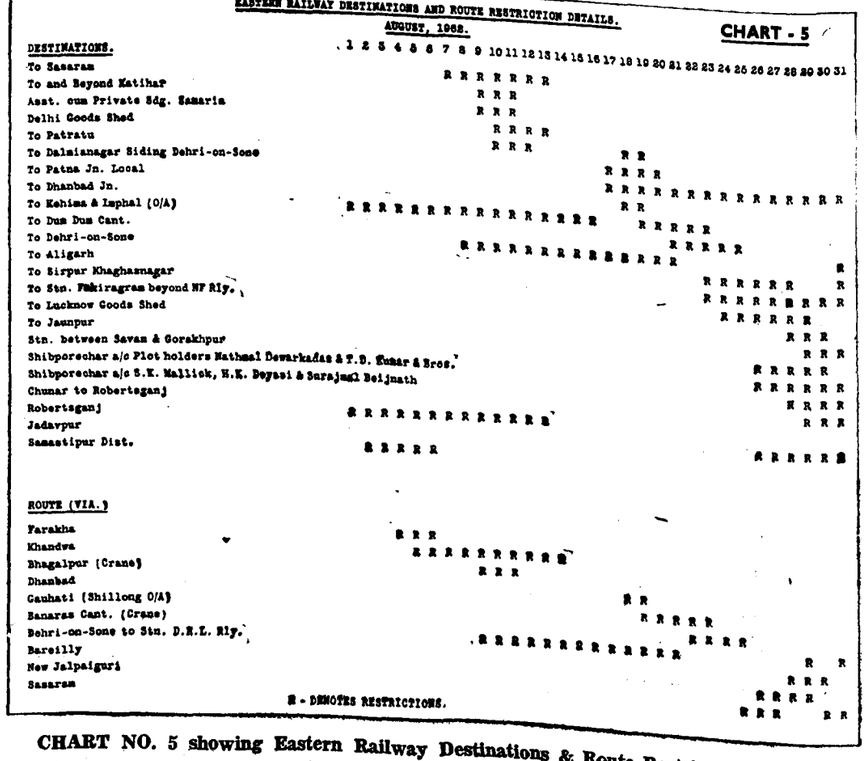


CHART NO. 5 showing Eastern Railway Destinations & Route Restriction Details

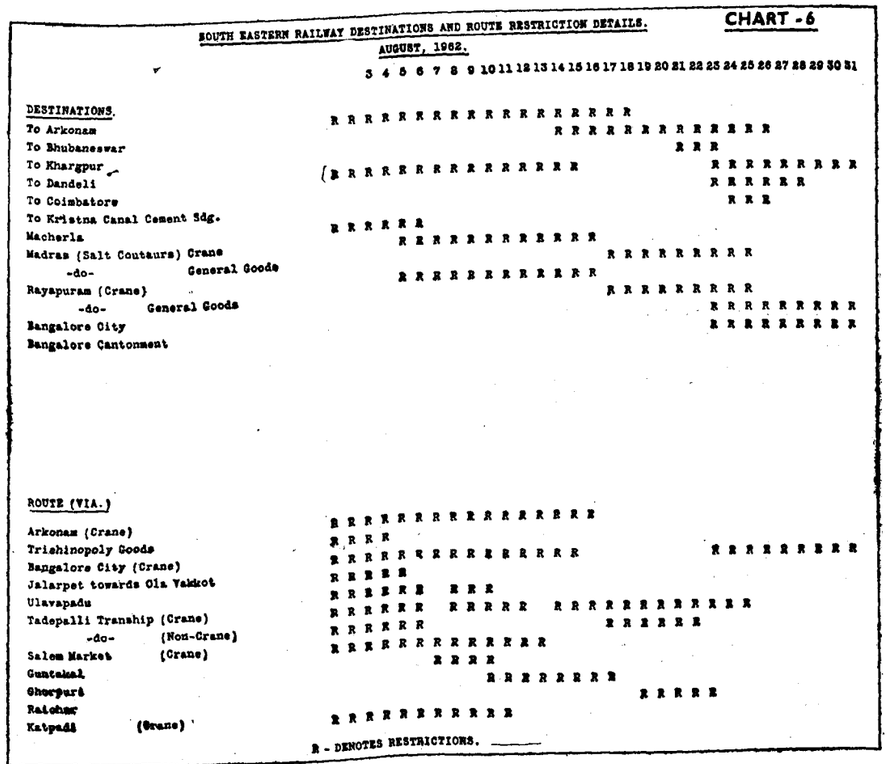


CHART NO. 6 showing South Eastern Railway Destinations & Route Restriction Details

water and adequate rail transport. It is thus very tempting to proceed to locate new Steel Plants along the traditional Iron Ore|Coal rail route. Unfortunately, in our country this route is grossly overloaded now, and in the absence of large scale railroad development and modern techniques of handling it, the addition of one or more Steel Plants is bound to have a detrimental effect on the units already in existance. Throughout the world the trend is for bigger and bigger Steel Plant capacity until new plants of 3|5 million tonnes are not uncommon. Therefore, any designing of plants should take into account the probable ultimate size. If the intention is to develop larger plants for export purpose, then the ideal place for them is on a navigable river or sea-board.

The reserves of the basic Iron & Steelmaking raw materials in India have been variously quoted, some of the figures are such that if accepted, would discourage longterm planning of Steelmaking capacity. One such item is lime-stone, but it is difficult to believe that a country the size of India is relatively short of good quality limestone. To establish the truth of the matter large-scale prospecting must be carried out, uninhibited by thoughts of distance from the consumer. Transport facilities must be developed to match the sources of supply and this would be a much better proposition than spending large sums of money beneficiating local inferior limestones and run into the vexed transport problem.

It has to be accepted that the quality of Coking Coal in India has never been and never will be 'good' that it is worse today than ever before. Here again the calculated reserves are based on inadequate knowledge of the possible existence of coal lying below the normal working depth of Indian Coal Mines. It has not been conclusively proved that Coking Coal does not exist as valuable reserves below a depth of 2,000 ft. In the meantime, the existing Coking Coal quality must be improved by washing to produce a product of consistent ash level even if the ash is still not as low as desirable. Conservation of the existing reserves is imperative even to the extent of prohibiting the use of any Grade of Metallurgical Coal for purposes other than Metallurgical. Every effort has to be made to reduce the consumption of Coke per tonne of Pig Iron by resorting to modern Technology in regard to preparation of Blast Furnace Raw Materials and the use of fuel injection coupled with refractory materials to withstand the maximum blast heat attainable.

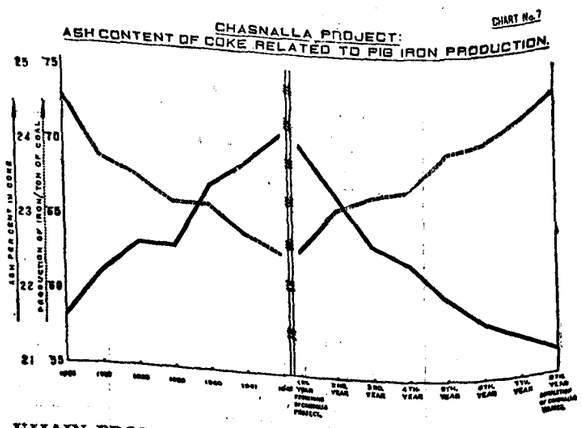
Of all the raw materials, Iron Ore is the most plentiful in India and is of high Fe content. Unfortunately, most, if not all, of the ores also contain a high Al2O3 content, a factor which contributes to a greater Coke consumption (an expensive item) than would otherwise be the case, particularly where Pig Iron is manufactured specifically for Steelmaking.

The beneficiation of ore in the form of uniform and smaller sizing together with washing should greatly improve Blast Furnace operation and the quality of Pig Iron obtained.

The measures taken to obtain a smaller and regular Ore size will result in a substantial quantity of under-size Ore at the Mines. Many processes have been developed to agglomerate under-size ore for use in Blast Furnaces, each of them having their own merit for a particular set of conditions. None of them has universal application which makes the selection of one or the other a matter of the greatest importance. It is suggested that in view of the vast Iron Ore reserves in this country compared with the reserves of the other raw materials there is plenty of time to study all methods of agglomeration in an effort to find the best possible solution to India's particular problem; which may or may not be the popular method of Sintering.

The washing of Coking Coal will simultaneously produce a discard fraction of middlings, the disposal of which will not be a problem if used for the generation of electrical power. Here is opportunity to alleviate the chronic shortage of electric power. Such Power Generating Stations should be erected in conjunction with or adjacent to several Coal Preparation Plants.

Due to the rapid industrial development of India there is a great dearth of experienced technicians. Training programmes have been organised to create an army of trained personnel required to man the new Steel Plants. This is a gigantic task in itself, unfortunately it cannot be said to have been wisely handled. Far too many trainees without previous Works experience have been sent abroad for a training of doubtful value when instead they should have been employed in the construction of the plant they would eventually have to operate. Thus a valuable opportunity was lost in which a large number of selected men destined to be Supervisors or Managers would have matured with the experience of working with their own hands. It is suggested that in future, training programmes should be designed in such a manner that all trainees, irrespective of their ultimate destiny, are required to 'work on the job' for an extended period of time before final selection. Training abroad should be limited to those who are already mature to some extent and who can profit most from specialised training. General overseas training is useless. Until such time, and in my humble opinion of some thirtytwo years' experience, the country has to bring out highly experienced overseas staff to train our men to man our plants—a matter of ten to twelve years.



UJJAIN PROJECT:

At the last Annual General Meeting I mentioned to members present that your Company in conjunction with our old friends, Stanton & Stavely Ltd. were contemplating on starting a new Works as a subsidiary of this Company at some suitable place in Madhya Pradesh which would be convenient from its transport point of view to cover Kashmir, Punjab, Rajasthan,

Delhi, Himachal Pradesh, parts of Uttar Pradesh, Gujrat and Maharashtra, etc., in other words areas where freight costs made sale of your Spun Iron Pipe products from your Kulti Works unremunerative. I am happy to report to you that an Agreement has been concluded with Stanton & Stavely Ltd. of U.K. whereby they will contribute towards all plant and spares which cannot be made in India, this being about 1|3rd of the actual cost of the project, the other 2|3rds of the cost to be met by your Company; this agreement has had Government's blessing and the necessary licences etc. have already been issued. The position of the new Works will be situated about 5 miles west of Ujjain, a city famous from the time of the epic of the Ramayana and of Meghaduta, where all necessary requirements such as land, power, water and transport, both broad and metre gauge railway, plus roads are available. All work in this connection is proceeding satisfactorily except that of the railway siding into the Works, which, although it is almost alongside the main track, is taking a little time — a matter that must be expedited without delay as otherwise nothing can be installed at the site. The range of products will be Spun Iron Pipes — the same as that produced at your Kulti Works No. 1 Pipe Foundry since 1942, viz. from 3" to 12" dia. and 18 ft. in length and for the necessary specials and bends, etc. for which there will be a Specials Foundry. The approximate total cost of the completed plant will be about Rs. 3 crores. In view of the tremendous demands for these pipes to complete some of the Second and all of the Third Five-Year Plans set up by Government and the Private Sector, one would have thought the Railways would have made a special attempt to put in hand and make available these sidings, a matter of a few hundred yards only.

The total production of pipes and specials will be in the neighbourhood of some 65,000 tonnes per annum and the plant is capable of being doubled without much trouble, should demand for its products remain. The quantities of special grade iron and coke will be met from your Burnpur Works. Stockholders would be invited to subscribe towards building of this plant in the way of a Rights Issue, and the nomenclature and time will be notified in due course after consulting the Capital Issue Department of the Government.

FUTURE EXPANSION:

Another matter, which I am sure, will be of great interest to you is the balancing of the Burnpur plant and its future expansion to make it an economic unit. This came up for discussion at Washington while my advisers and I were engaged in concluding our loan arrangement of $19.5 millions with the World Bank for the Colliery Expansion scheme. A day before we left for Washington, Mr. E. De'alba of the World Bank requested us to make a chart on the historical performances of the blast furnaces as from the time the quality of coal started deteriorating upto the present, and projecting the same to show the effective improvement in iron production as a result of the use of increased quantities of washed coal from the Colliery Expansion Scheme. When this chart arrived at Washington it was found from historical past records of your Blast Furnace practice that performance and production once we reverted back to the 1955 quality of coal, when free purchase of coal in regard to quality and price was permitted, your Blast Furnaces would produce more iron than they are doing at present, and what is more, the right quality of iron suitable for steel making. It will be seen from Chart No. 7 that as we proceed with the Colliery Expansion Schemes, the quality of coal after washing will improve yearly till work is completed, when it will be better than what we had in 1955. It was then confirmed by our Consulting Engineers that with the right quality of steel making iron being available, the present steel melting capacity could, with inclusion of a few ancillary plants of the latest technique, be almost doubled. This was indeed an intriguing situation! What then were the missing links? Your Consulting Engineers were of the opinion that with the help of oil injection in Blast Furnaces and oxygen injection in the Steel Furnaces coupled with continuous casting, electric furnaces, a rolling mill and an additional Blast Furnace to take care of the Foundry, requirements of your Kulti and Ujjain plants could be installed at a figure not exceeding 1|5th or 1|4th of the cost of a new integrated steel plant of a million ton capacity installed in a new place. All these figures were, of course, approximate and needed further careful looking into. The World Bank authorities were, however, appreciative of these findings and expressed a genuine desire to help the Company with the necessary foreign exchange requirements (for the fourth time) subject to Government's blessings and agreement to guarantee the repayment of the foreign exchange. On the 17th of January this year the matter was discussed with Government when it was explained to them that apart from the increased production, the beauty of the scheme was not only the low cost and the quickness with which the plant could be installed, but also that no further coal would be required other than what we shall mine ourselves and transport by our own ropeway system, thereby relieving the Railways of their responsibility of transporting some 6,400 tonnes of coal a day, a not too insignificant problem and headache, effecting at the same time a considerable financial saving to Government.

Government at first was not responsive, but later suggested that the scheme be phased out into two parts, the first phase merely to embrace the balancing of the existing plant due to improvement of coal and the second to cover the full scheme. The Company submitted to Government the two phases of the Scheme on 9th June this year and stated that Phase I would cost the Company Rs. 12.2 crores, increasing the ingot production by approximately 3,10,000 tonnes and finished steel by 2,48,000 tonnes, and further suggested that final details regarding Phase II would be submitted at a later date about the time when Phase I would be nearing completion, depending on the then market demand of the type and quality of steel to be made, as well as incorporating the latest improvement in plant design. In this connection your Board of Directors have invariably accepted your Managing Agents' advice on the principle of consolidation and experience gained thereby first before further expansions are undertaken, ever since 1950, 1953, 1955 and the present 1961 colliery expansions were taken on hand as well as this latest one now under consideration of Government.

Phase I would increase steel production in terms of ingots or its equivalent by about 3,10,000 tonnes and finished steel by about 2,48,000 tonnes.

Phase II may bring the total production of your Company to anything up to a total of 2 million tonnes of ingot equivalent and 1.6 million tonnes of finished steel. My personal views are, however, that we must not rush where the angels fear to tread. By that I mean, whilst the transport and raw material situation is as it is, it would be foolhardy on our part to even think of a larger expansion at Burnpur than 2 million

or thereabout tonnes of equivalent ingot steel. I have been dealing with your Company's affairs in one way or another for 32 years as Managing Agents' representative, *Director and Chairman*. I can assure you that our conservative views have so far paid you well. Your new plants have been brought into commission well ahead of the scheduled time and as for results, you are the best judge.

APPEARANCE OF WAR CLOUDS:

The Steel Corporation of Bengal tapped its first cast of steel ingot on the 10th November, 1939 when the World War II had just started. I distinctly remember, that at the request of the then Munitions Board and the Roger Mission, which had come out to investigate the possibilities of manufacturing in India the latest types of ballistic missiles and other requirements, as well as augmenting the production of the existing Ordnance Factories, this infant was called upon from that early stage to produce special quality steel. As the War proceeded, more and more such steel was produced and at times almost at a moment's notice.

The Steel Corporation of Bengal was amalgamated with your Company by an Ordinance promulgated by the Government of India on the 29th October, 1952 to make it effective from the 1st January, 1953. Since then your Company has been making both, different qualities as well as categories of steel to suit the country's requirements, and I am sure, the country can rely on your Company to bring forth its best efforts to meet all emergency requirements needed by the Defence Ministry and thereby help to enable them to throw out this naked aggression committed on a peace-loving nation like ours by the barbarous communist-minded Chinese.

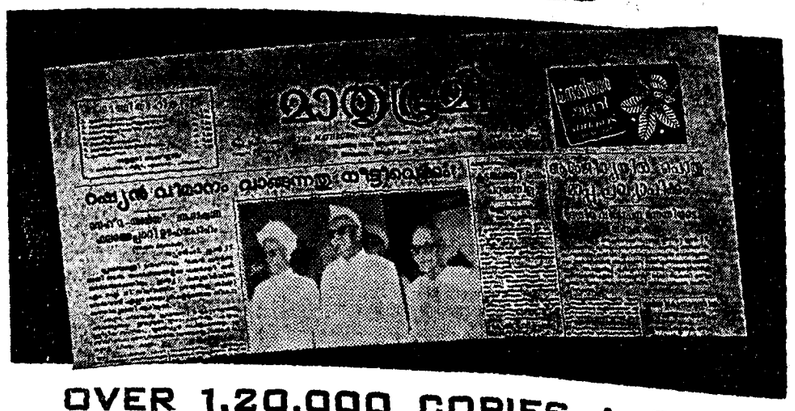
ACKNOWLEDGEMENTS:

I would again this year express on behalf of your Directors our appreciation of the services rendered by your General Manager, Mr. J. McCracken, and his able team of executives at the Burnpur and Kulti Works, as well as at the Ore Mines & Collieries. Production has been achieved in the face of constant operational difficulties and I would like to make special mention of the Blast Furnace and the Steel Melting Shop Supervisory staff who have so ably faced up to the ever changing problems with which they have been, and continue to be, confronted in the maintenance of production under existing conditions. I should also mention about the Supervisory staff at your Kulti Works, due to whose untiring efforts the Kulti Foundries have once again created a record by achieving a production of 2,30,423 tonnes.

In concluding my statement to you I would add that I have not had any difficulty in endeavouring to state facts and include figures and charts as they stand, as I have not indulged in the luxury of painting a picture by letting my imagination run riot, nor in one of the modern trends of impressionism, thereby obscuring matters. I have given a photostat of facts and figures as they exist so that you may view them in their true perspective with the vision God has given you. May He bless us all!

Note: The above statement is not a document purporting to be a report of the proceedings of the Annual General Meeting.

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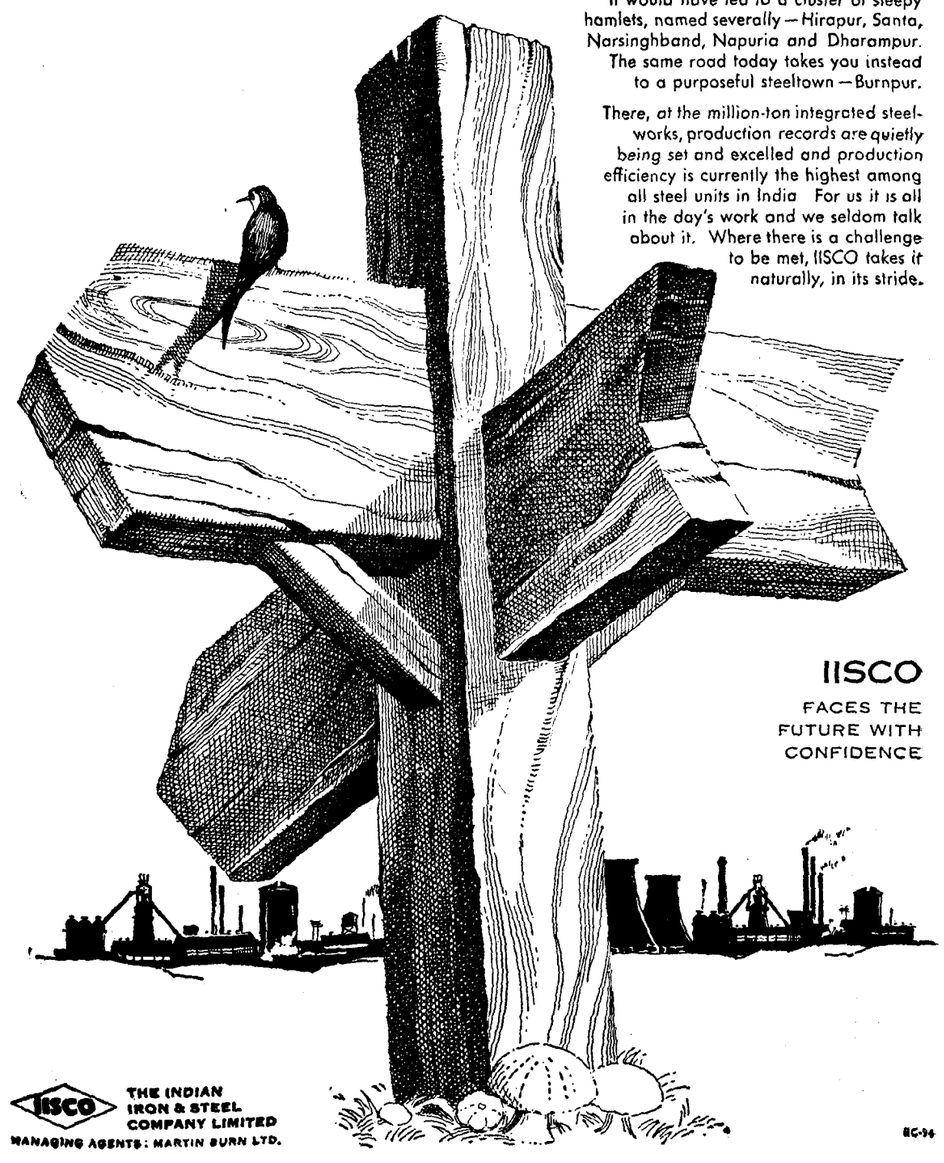
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Chief Editor: K. P. KESAVA MENON :: Managing Editor: V. M. NAIR

THE ROAD TO BURNPUR

A detour at 200 km. on the trunk route from Calcutta. Less than forty years ago it would have led to a cluster of sleepy hamlets, named severally—Hirapur, Santa, Narsinghband, Napuria and Dharampur. The same road today takes you instead to a purposeful steeltown—Burnpur.

There, at the million-ton integrated steelworks, production records are quietly being set and excelled and production efficiency is currently the highest among all steel units in India For us it is all in the day's work and we seldom talk about it. Where there is a challenge to be met, IISCO takes it naturally, in its stride.



IISCO FACES THE FUTURE WITH CONFIDENCE

IISCO THE INDIAN IRON & STEEL COMPANY LIMITED

MANAGING AGENTS: MARTIN BURN LTD.

EC-96

DELHI CLOTH AND GENERAL MILLS COMPANY, LIMITED

LALA BHARAT RAM'S REVIEW

Speech delivered by Lala Bharat Ram, Chairman Delhi Cloth & General Mills Co., Ltd., Delhi, at the Annual General Meeting of Shareholders held on November 9, 1962, in the office of the Company at Bara Hindu Rao, Delhi.

Ladies & Gentlemen,

I welcome you to this 74th Meeting of the General Body of the Shareholders of the Delhi Cloth & General Mills Co., Ltd.

We are meeting today under the deep shadows of a national crisis. I do not think that in our living memory anyone of us can recall that the country has ever had to face such a grave peril inflicted upon us, without the slightest provocation, by a neighbouring country which professed friendship, but has paid goodness by evil. We now face a situation which has taken us almost by surprise, and to face which every fibre of the Nation will have to be flexed and no sacrifice will be too great to render at the altar of the freedom, integrity and honour of the country. It is necessary, therefore, that wherever we are and in whichever station of life, we reflect on the responsibilities and duties which have fallen upon all of us. It is gratifying to note that already a great deal of spontaneous enthusiasm has been generated in the people. In fact, there is an upsurge of purposive emotion and indignation, the like of which never took place in recent history. This enthusiasm and emotional outburst has to be channelled and harnessed to the best advantage of the country and not to be frittered away in petty directions. What is more, this has to be maintained because the war is bound to be a long drawn out affair, and it will be fatal if we allow ourselves to be lulled as a result of some gains here and there into a sense of complacency. The misfortune of the country has been that we had become complacent, and, may I say, even soft? The present crisis has shaken us off this complacency. It is now for the leaders of the country and Government to let the people know clearly and in concrete terms as to what is expected of them, in what manner austerity, if necessary, has to be observed, what the industry and workers have to produce, and how exactly the energy of the scores of voluntary organisations has to be channelised to meet the one objective that we have before us. It is also up to our leaders to inculcate a sense of pride in austere living, which can only be done by example and precept rather than by preaching.

DONATION TO DEFENCE FUND

Industrialists and business men have a great responsibility towards the country today. I am glad that responsible organisations of Industry and Trade from all the nooks and corners of the country are sending their messages of support to our Prime Minister and Government. However, much more has to be done, and on various fronts. Many leading Business Houses have donated large sums of money to the National Defence Fund. Your Company will also make, for the time being, a donation of rupees ten lakhs. It is a matter of great pride that the workers of the Delhi Cloth Mills and Swatantra Bharat Mills took a lead in working on a Diwali holiday on the 29th October voluntarily and donated the wages for that day. All the staff of D.C.M., S.B.M., H.O. and C.M.O. have also donated a day's salary. The Company also donated the profits of that day. The Managing Agents have also given their commission for that day. The total of these amounted to Rs. 1,18,789. In fact, the workers are keen to work on other holidays and donate the wages to the National Defence Fund, and it is expected that the Delhi Cloth Mills will work on the 11th of this month which was to be a holiday.

While it is good that business people and others are donating large amounts to the National Defence Fund, we must not lose sight of the increasing need for earning more foreign exchange by exports. This need is even greater today than before as the country would have to import large quantities of defence equipment and various types of raw materials in larger quantities to increase production in the country. I would, therefore, urge the industrial and business community that they make every effort to increase the exports even at a sacrifice and consider this sacrifice as their additional contribution to the defence effort.

In this hour of National crisis, the business community, as in fact the entire Nation, will be on trial, and it would be judged by the manner in which it meets the essential civilian and Defence requirements at reasonable prices. We have therefore to see that no hoarding or profiteering takes place. This can be done by the producers making arrangements to distribute the products in such a way that they reach the ultimate consumer at prices which they are expected to pay. The wholesalers have similarly to play their part. Such of the commodities which can be price-marked should be stamped with retail prices as is being done in the case of cloth. In respect of other items, large-scale advertisement of price should be resorted to. The retailers, especially in large towns, should display prices in prominent place in their shops so that the consumer knows, even before he buys, as to what he is expected to pay. All these measures will not only help in creating confidence in the minds of the people, but also to put a curb on those who may be tempted to make easy money in the difficult times that lie ahead.

FULL SUPPORT

On behalf of the Delhi Cloth & General Mills, I assure the Prime Minister and the Government that we are fully behind them and we will spare no effort to contribute our mite to the cause in every possible direction.

To the consumers also I would like to say a word. Although there is no shortage of cloth at the moment and I am sure that its production will be maintained at levels which will meet the full requirements of the people, even so it is necessary for them to exercise some self-restraint on consumption. In respect of some other items also, it is imperative to apply restraint; for example, all leather goods, particularly shoes and woollen materials. Apart from other Defence requirements these are the two commodities which by consuming less the consumer can directly contribute to the war effort. Even from the point of view of making our contribution to creating the proper psychological atmosphere in the country, some self-restraint on consumption of several commodities has to be imposed.

One more word, and I would have done as far as this subject is concerned. Our industries will have to produce more. They will also have to turn out equipment which is required by the army. In order that we do not place an undue strain on our foreign exchange resources, all of us should be prepared to use whatever substitutes are indigenously available and try to make good with these. Although quality should be our end, in times of emergency it behoves us that we make good with whatever we have, provided that it can be used without detriment to the overall effort.

Coming back now to the Company's affairs, the Balance Sheet, Profit & Loss Account and the Report of the Board of Directors for 1961-62 have been in your hands and with your permission I will take them as read.

YEAR'S PROFITS

The net profits of the Company have been marginally lower than last year. These have been due to higher provisions for depreciation and taxation.

We have been continuously renovating and modernising our textile mills. The old Waste Plant in the D.C.M. will be replaced by a modern Waste Plant during the next few months. The spinning capacity at Hissar is being expanded by the addition of another 23,000 spindles. It is expected that the installation of these additional spindles will start soon. Your Company has been a pioneer in the distribution of cloth directly to consumers. This policy has resulted in supplies to consumers at controlled prices by the Mills. This service has been appreciated in ample measure by the public at large at all times of shortages. Today the Company has over 300 retail shops scattered all over the country and the Company will continue to increase its retail shops as and when necessary.

Your Company has not only been maintaining its exports of textiles but expects to increase its exports in the current calendar year. This is in spite of the fact that until June this year the exports of textiles have been declining. In the face of this declining trend of textiles, the textile industry undertook to export 12½% of each Mill's production voluntarily and it is gratifying to note that in the past few months the exports of textiles from India have increased.

Our plan for the expansion of crushing capacity at Mawana is in progress, and we hope that in 1963-64 we will have increased our crushing capacity from 1,500 tons per day to 3,000 tons per day. During the last season, the quality of cane in our area was extremely poor and the recoveries consequently suffered. The new system of linking the cane prices to sugar content, for which the industry has been pressing for many years, was at long last finalized by the Government and will take effect this year. This will not only help the industry but it will gradually persuade the cultivator to concentrate on high sugar yielding varieties of cane.

CHEMICAL PLANTS

A recent activity that your Company has undertaken is the designing, construction and erection of Chemical Plants. We have already designed, manufactured, supplied and erected two Sulphuric Acid Plants. Two more Sulphuric Acid Plants and two Superphosphate Plants ordered by various parties are nearing completion. Gradually, we hope to extend the activities of this Section to cover other types of Chemical Plants also.

In my speech last year, I had made a reference to two new Projects which we had taken in hand. You will be glad to learn that these Projects have made good progress. Most of the machinery for the P.V.C. project has been received at site and erection work is in progress. The Caustic Soda Plant, which is part of the project, will soon be in production. The final product, namely P.V.C., would be on the market some time in the latter part of 1963.

Our negotiations with the USA Agency for International Development for a dollar loan to meet the foreign exchange requirements of the Rayon Tyre-Cord Project have been successful. The agreements have been signed and orders will be placed soon. It is expected that this factory will be in production by the end of 1963 or early 1964.

Before concluding, I would like to place on record our sincere appreciation of the good work of all our workers and staff whose efforts have enabled us to achieve satisfactory results during the year.

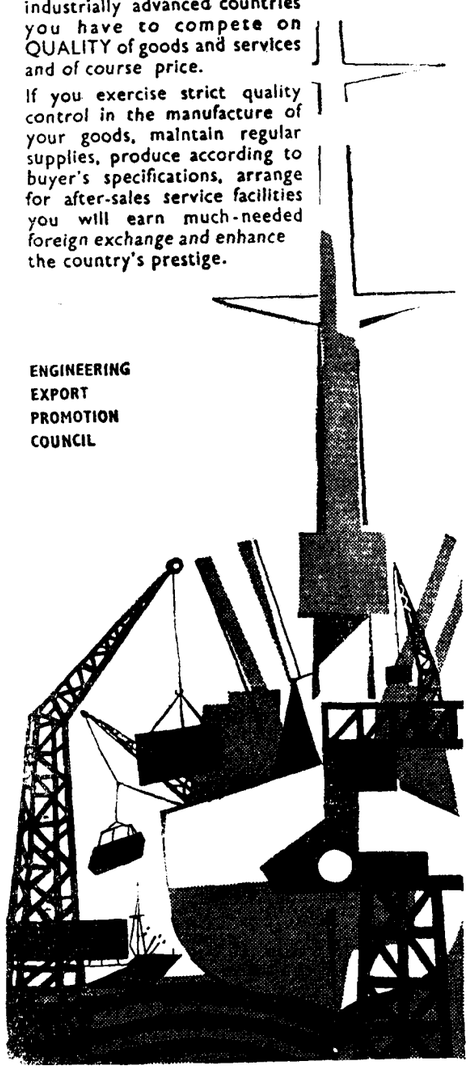
Earlier, Lala Bharat Ram recalled gratefully the devoted services of Mr Ahmed Islam Khan, the Managing Agent's working member in Pakistan, who passed away in October.

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

Your market outside is discerning

As an exporter of engineering goods you must be aware that in the export markets, for the buyer to select your goods in preference to those of other industrially advanced countries you have to compete on QUALITY of goods and services and of course price.

If you exercise strict quality control in the manufacture of your goods, maintain regular supplies, produce according to buyer's specifications, arrange for after-sales service facilities you will earn much-needed foreign exchange and enhance the country's prestige.



ENGINEERING EXPORT PROMOTION COUNCIL

INDIA EXCHANGE (7th FLOOR) CALCUTTA-1.

ASP/EEPC-1/62

THE BUSINESS WORLD

Mr. Maudling's Autumn Budget

By PAUL BAREAU, Editor, The Statist

THE fickle British climate has this year vouchsafed a magnificent autumn. Nowhere has its magnificence outmatched that of the autumn budget. This is almost a contradiction in terms. An autumn budget is, by all precedents, a horrible affair. In the past such a budget has only been introduced at times of crisis when the fiscal screw had to be turned because of a deterioration in the position since the major budget had been introduced in the previous April.

Nothing of the kind has happened this time. The new Chancellor of the Exchequer, Mr. Reginald Maudling, has just given us two major concessions. The first is a cut from 45 to 25 per cent in the purchase tax on motor cars. The second is a group of concessions in the tax treatment of depreciation and investment allowances. Together they will involve a loss of revenue by the Exchequer amounting in a full year to £165 million.

We have been assured on the highest authority that this is not to be regarded as a budget, supplementary or otherwise. This, however, would appear to be a technical evasion of terms. The two concessions could be brought into effect without the presentation of a supplementary Finance Bill and to that extent the "budget" terminology could be avoided. But the amounts involved are surely such as to make this a major fiscal initiative.

The need for a Finance Bill was avoided in the first place because the Government has the power, by executive action, to shift items from one of the existing ranges of purchase tax to another. This is what has been done in the case of motor cars. The means by which new legislation was avoided in the case of the investment and depreciation allowances were more stubtle. The Chancellor announced that the necessary changes in taxation would be included in the next Finance Bill in April 1963, but that they would be made retrospective.

This, incidentally, gives the Chancellor a much more flexible fiscal instrument than he or his predecessors have ever controlled in the past. If, by making fiscal legislation retrospective, changes in taxation can be made virtually in any week of the financial year, most of the criticism of the regidity of the budget as one of the instruments for control of the economy, will have been dismissed.

The initiative of the Chancellor of the Exchequer came not a week too early. The general economic position has unquestionably been deteriorating. Unemployment has recently topped the half million mark, which is the highest figure for this time of the year since the end of the war. There is every prospect of the total rising to over 600,000 during the winter months. There is also mounting evidence of a large margin of unused capacity in the British economy.

It has been argued by eminent economists that a margin of 5 per cent is needed in order to maintain the economy in balance, to avoid overful employment and the inflationary repercussions which this causes. On any sober calculation, however, it is probable that the margin of unused capacity at the moment lies between 10 and 15 per cent for industry as a whole. It is, of course, well above that figure for certain industries which are now particularly hardpressed. The iron and steel industry is working at less than 70 per cent of its capacity and the ship-building industry at rather less than one half of what it can produce.

The motor car trade was chosen for special favour for three main and adequate reasons. It occupies a key position in the whole engineering complex in Britain. What is good for motor cars will be good for steel and many other parts of the British economy. Secondly, the motor car industry had been particularly successful in its export drive and will no doubt continue its performance in this respect. Finally, it has been particularly co-operative in the readiness with which it set up some of its newer plants in areas where the Government for political and economic reasons wanted to see them rise, namely, where unemployment is heavy.

The concessions on capital allowances are highly complex as such matters usually are; but it can be said of them that they have put British industry in a more favourable position than exists in any other highly developed country in the world. In future there will be no justification for the British industrialist pleading the burden of taxation to explain why he has failed to re-equip and renovate his plant in a manner commensurate with the practice of his foreign competitors.

The question now arises whether these measures will succeed in boosting the British economy and causing it to regain the dynamism which it had so clearly lost. By themselves these concession are still too small to achieve that objective. And yet, to have done more, particularly in the stimulation of consumer demand, would have been to invite real danger of running into a balance of payments crisis.

The fact is that the industrial countries are all beginning to feel the effects of economic stagnation and over-production. What is needed is a collective attempt to restimulate demand. The Managing Director of the International Monetary Fund, Mr. Per Jacobsson, made that point very clearly in a speech delivered in New York a few days ago. His was the first voice which announced the end of the post-war inflation. This he did in 1958. Now he has warned the world of a vicious circle of deflation unless effective but collective counter measures are taken.

The forum within which such joint action can be discussed is the Organisation for Economic Co-operation and Development in Paris which is the successor of O.E.E.C. but supplemented by the full membership of the United States and Canada. The Ministers of O.E.C.D. countries will be meeting in Paris on the 27th November. There Mr. Maudling will be able to plead the need for re-expansionist action, including cheaper money, more expenditure on public works, and, it is to be hoped, more aid for under-developed countries. He will also be able to reinforce his argument with convincing proof that Britain has already done something to implement the logic of his proposals. It is true that at the Washington meeting of the I.M.F. Mr. Maudling had little luck with his first initiative, that designed to improve the international payments arrangements. Let us trust that he will fare better on this next occasion.

Safety for Share-Holders in the States

By CROESUS

THERE was something to learn for share-holders, stock-brokers and company managements alike in what Mr. Louis Loss, Professor of Law at the Harvard Law School, had to say in the several brief talks that he gave to a number of institutions during his all-too-brief a stay in Bombay, last week. Among others, he addressed the Company Law Association of India, the Bombay Share-holders' Association, the Maharashtra Unit of the Indian Law Society, and the Institute of Chartered Accountants.

Taking it for granted,—which is, broadly speaking, also correct—that the Indian Company Law is based on the British Law, Mr. Loss compared the law as it affects share-holders, directors and stock exchanges in the U.K. and the U.S.A. The British approach was one of compulsory disclosure, he said, but, though not the same, the U.S. approach was more stringent, in that it provided for a detailed and minute examination of the prospectus by a team of experts before its acceptance by the Registrar. In other words, a lay investor in America need not bother to verify the correctness of all the statements and claims usually made by the promoters of a new company in the published prospectus. Once a prospectus is given a clearance by the Registrar, it can be taken as genuine and reliable.

"The aim of the U.S. legislation is to protect the genuine interests of investors", declared Mr. Loss, and, in support of this statement, he gave a number of illustrations. "A proxy notice," he said, for example, "has to disclose all relevant information and a share-holder may demand that his proposal should be included in it". Again, it would appear, share-holders, when they find themselves in a minority, do not have to muster over 10 per cent. of the total number of votes, as they have to do in our country, to take it to the company law authority; even one share-holder, if he feels genuinely aggrieved, can sue the management, and no share-holder, however meagre his resources, fights shy of doing so, it is stated, because he can always fix up with his lawyers to pay an agreed percentage of his gain, if the case is won, or not pay anything at all in the event of the case being lost. (This is not permitted in India). That this has not led to too much of litigation speaks for the discipline and restraint of both the company managements and the share-holders in the States.

In all his talks, Mr. Loss laid great stress on the moral responsibility of company managements consciously to do nothing that would harm the interests of share-holders. For instance, he said, a director of a company listed on a stock exchange having a 10 per cent interest in that company cannot deal in the company's shares. Similarly, a broker or a lawyer may not deal in the shares of a company of which he is a director, taking advantage of the inside information he may come to have. In this connection, the U.S. Law Professor narrated an interesting case of a stock-broker firm with two partners, one of whom was also a director in a company. This director-partner attended his company meeting in which it was decided to skip the dividend for that year. The practice in the U.S. is that, in respect of listed companies, all such news are immediately reported to the stock exchange authorities who have them creeded on the tape straightaway. Allowing for the time reasonably required for all this, the director-partner of the stock-broker firm went from the Directors' room to the telephone and asked his other partner as to how the market had reacted to the news of the dividend of the company having been skipped. As ill-luck would have it, there was some slip-up somewhere and the ticker had not carried the news on the tape, so that this partner was the first to have the news and also to act on that news by a sizeable unloading of the shares of that company. When the authorities came to know about this, an investigation was ordered and the director was found to have taken undue advantage of the inside knowledge he had come by in his capacity as a director!

After recounting this, Mr. Loss stated that there was nothing to prevent a broker or a lawyer from becoming a director in a company, so long as he undertook not to cash in on any inside information that he might come to possess, by virtue of his being a director, for his personal benefit. This is a great moral responsibility, but, with rare exceptions, we are told, this fiduciary position of a director has been abused in the States.

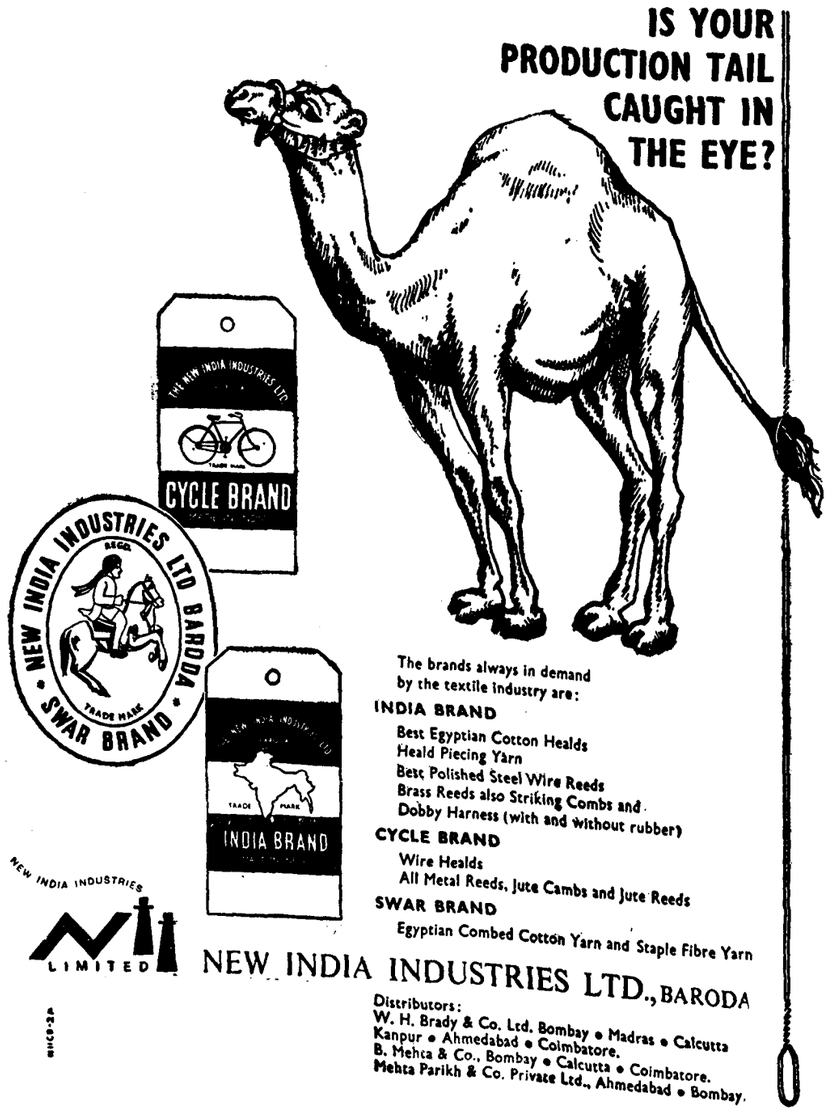
The control over stock exchanges in the U.S. is more of co-operation as between these exchanges and the Government. To quote Mr. Loss, "Dealing in shares takes place in the U.S. under a system of regulations based on co-operation between the Government and the Stock Exchanges." Only the shares of listed companies are subject to these regulations, and there are a number of companies whose shares are not listed, although more and more, depending upon the size of the company, are being listed these days. A close watch is kept on the trends of trading and if there should be any undue rise or fall in values for no ostensible reason, it is immediately notified to Washington and the Securities Commission starts looking into the business of buying and selling brokers. If no proper and satisfactory explanation is forthcoming from the concerned brokers, an investigation is ordered. As regards speculative transactions, the U.S. Professor's notion of "speculation" seemed to be quite different from what one understands by that term in this country. He disclosed that, although there was no ban on short sales, it was unlawful for a broker to sell a share in a foreign market. It would be interesting to know whether the recent sales of shares in Bombay by some operators of other markets where margins had been fixed would fall within the mischief of this American provision.

Business Notes

Development

NEGLECT OF RURAL ECONOMY NOT WARRANTED

DESPITE the strenuous efforts being made by the under-developed countries for the last fifteen years or so, the conditions in these countries hardly present an alluring picture. This is intriguing, because there has neither been an absence of natural resources in these countries, nor has aid from other countries been non-available to them. What then is the explanation for this obstinancy to develop, as it were? A plausible answer was provided to this intriguing question, the other day, by Mr. E. F. Schumacher, the well-known Britsh Economist, when he addressed the Madras branch of the Society for International Development. Mr. Schumacher attributed this obstinacy to develop to "a sort of dual economy, a phenomenon of mutual poison-



ing of the metropolitan and rural economies prevailing in these countries." And this has come about, he said, due to these countries adopting an unsuitable technology of development beyond the reaches of rural economies.

Mr. Schumacher also made the observation that the extremely disturbing picture obtaining today in most of the countries in South-East Asia, such as the Philippines, Burma, Iraq and Iran, as also India, was due to splitting the country into two parts economically and thereby inexorably driving the country into a metropolitan culture, wherein more and more amenities tended to be concentrated, while neglecting the rural economy and leaving it to rot in abject poverty. For this reason, it would seem, these countries have not been able materially to promote their general well-being. To this British Economist, the present situation in these countries is more or less the same as what was witnessed there some 20 to 30 years ago. What has changed since, according to him, is that the population has increased very much and the metropolitan areas have become slightly bigger and slightly more assimilated in the modern way whereas the rural areas have been left behind in the race. This type of dual economy (metropolitan and rural), Mr. Schumacher cautioned, should not be viewed as a passing phase and ignored. It has already destroyed the possibilities of better, understanding between the metropolitan and the rural areas in other countries, and the outcome of such a trend, to quote him, is that "activity congregates in the metropolitan areas and sucks in energy from the rest of the country, leaving large areas derelict". This process, he recalled, had been witnessed in France and England, as also Germany. The ultimate consequence of all this, in this view is that the metropolitan areas would submerge all non-industrial areas, a position which could possibly exist only in an affluent economy like America. If this trend were not stemmed, he went on, the rural areas, in their turn, would poison the metropolitan areas and send its unemployed population to the urban areas.

Mr. Schumacher wholly disapproved of the theory that, in a poor country, unemployment cannot be avoided and that the only way to deal with it is to tighten belts and consume less. If there was a tightening of belts, he made the provocative point, there would actually be more unemployment. Arguing to the contrary, he held that "because there are more people with larger needs and more hands will be needed to produce things in a country with poor resources, there will be greater employment in under-developed countries."

Theoretically, all this may sound fine, but how will it work out in practice? Long before Mr. Schumacher made his discovery, some great Indian leaders like Gandhiji had put forward a more or less similar thesis. Even today several programmes, such as community projects, package deals, agro-industries and industrial estates, have been conceived of with such or similar ends as Mr. Schumacher has in view. A key industry for each district was the untiring slogan of that late Dr. Visvesvaraya for the best part of his life. Unfortunately, these have not all been as effectively implemented as they should have been, evidently because the people in charge have lacked the emotional conviction. At best, what Mr. Schumacher has put forward is another version of the "back-to-the village" slogan. What is needed in reality is not merely a return to the village, but a return to the closely-knit mutually helpful village economy of old, leavened with a fair sprinkling of such essential modern amenities as electric light, flush-type latrine, medical aid, educational facilities, etc. These we find even today in quite a few places where agro-industries have been successfully established, such as, for example, in Walchandnagar in Maharashtra State. But one wonders whether, with the systematic dismantling of the large-scale entrepreneur economy in the rural areas which has contributed towards this consummation by such legislation as the land ceiling law, one can ever hope for the establishment of another Walchandnagar, and, therefore, for the ideal type of rural economy that Mr. Schumacher has in view.

Labour

MORE LEAVE FOR WORKER.

THE IMPERATIVE need to step up the country's production all round in order to bring down production costs so as to make available much more than now for export purposes, as also fully to meet the growing internal demand, has been emphasised by one and all. While it is true that lack of sufficient raw materials, power shortage, and transport bottlenecks have all been taking their toll, it is no less true that the comparatively greater number of holidays or annual vacation with pay also has made its own not immaterial contribution. As though this were not bad enough, some sections of labour have lately begun to demand a month's privilege leave with full pay and ten days' casual leave to boot. Whatever merit such a demand may have or response it may evoke in normal times, even to talk of putting forward such a demand today in the midst of a national crisis is, to say the least, unpatriotic.

Be that as it may, what is the position prevailing in the other countries in this behalf? A comprehensive study on 'Annual Vacation with Pay' appeared recently in the "International Labour Review", which it would amply repay our managements and labour leaders to read.

The article in question gives information in respect of 77 countries, out of which as many as 47 countries have the practice of granting annual vacation only up to two weeks, either by legislation or by collective agreements. Sixteen of these 47 countries have also specific provisions which require the length of annual vacation to be increased after years of service. For example, a vacation of four weeks may be earned, in eight countries, only after putting in 15 years of service. In the other countries, annual vacation of only less than two weeks is permitted. As the article points out, while the coverage of the annual vacation benefit varies from country to country, the general pattern seems to indicate a minimum basic annual vacation for workers who have worked for at least the prescribed minimum number of days during a reference period, usually one year.

As regards the conditions of workers' entitlement to annual vacation also, the practice varies widely not only from country to country, but even within the same country and from one industry to another as well. The article has grouped these under the following four main categories to indicate the broad differences in the conditions of entitlement:

(1) The minimum period of service which a worker has to put in;
(2) The provision or non-provision for proportionate leave for workers who do not qualify for the full period;
(3) Whether continuity of service refers to one employer or to more than one employer; and
(4) What types of absence from work due to causes beyond the control of the worker are recognised as not amounting to a break in continuity of service.

But, as stated already, this is not the time to go into all these controversial issues. They must wait at least until the present emergency is over.

Trade

CODE OF CONDUCT

THE REPORT of the Committee on Fair Trading Practices, appointed by the Board of Trade in June last under the chairmanship of Mr. Shriyans Prasad Jain,

has recommended that a code of conduct should form an integral part of the bye-laws or rules and regulations of all the commerce bodies, manufacturers' organisations and export promotion councils. The gist of it is that the business community must make an earnest effort to bring about a self-imposed discipline to serve the best interests of consumers in India and abroad. Although unethical business practices have been resorted to by only a minority of business men, yet it has always been felt that a code of conduct in business must be adopted so that the consumer may have a better confidence in trade practices and a congenial atmosphere is created in the interests of the economy. A recommendation of this nature could not have come at a more appropriate time than the present juncture when a state of national emergency has been created in the country by the unprovoked aggression by Communist China on our northern border.

The complaints are mostly against quality, delays in delivery, non-fulfilment of contractual obligations, short delivery in terms of weights and measures, non-payment of commission agreed to be paid, incorrect invoicing and delay in settlement of claims. The code of fair trading practices should aim at the elimination of all these. All trade contracts, particularly those relating to international trade, the Committee has suggested, should have a suitable arbitration clause. To the extent these complaints are obviated, our exports should look up.

For holding the priceline in the domestic market, the Committee has recommended that greater resort should be taken to price tagging, price stamping and display of price lists in respect of all the essential commodities that enter common man's consumption. In view of some practical difficulties, the scheme has been recommended for implementation in 107 cities with a population of more than one lakh each, and in regard to 25 necessities of life. Price display forms an essential feature of trading practices in all the advanced countries and it is just proper that we should have a scheme of this nature well enforced, so that the consumer knows before hand what price he is expected to pay for an item of his purchase. The constituent units of the Associated Chambers of Commerce and the Federation of Indian Chambers of Commerce and Industry have obviously to play an important role in making this programme a success.

Textiles

EXPORTS LOOK UP

A NEW hope has emerged as a result of the concerted efforts of the cotton textile mills to raise their exports. Hitherto the picture had been very gloomy. But the voluntary scheme of exports initiated about four months ago has now brought forth rich dividends. During the quarter July-September, 1962, the exports of cotton textile goods increased by about 5 million yards as compared to the same quarter in 1961. The industry needs to be congratulated for its heroic attempts to turn the tide of decline in exports which looked like getting out of control. In 1960, the exports of cotton piecegoods were 694.83 million yards which dropped to 574.30 million yards in 1961. The downward trend got further accentuated in the first two quarters of the current year. The fact that the third quarter recorded an increase over the corresponding quarter of the preceding year shows that, after a long interval, the industry has successfully faced the challenge.

How has the declining trend been reversed? The international factors remain unchanged e.g., there is no diminution in the competition of the competing countries and the traditional markets of the Indian Union have not given up their plans to set up cotton textile mills. Mr. Manubhai Shah broke this happy news to the Informal Consultative Committee of Parliament for the Ministry of Commerce and Industry last week and gave credit to the industry for its achievement without providing any details of the specific steps taken by the industry. It seems, it is the sheer determination of the industry to sell its products abroad in the teeth of competitive opposition that has borne fruit. It will be necessary, however, to analyse carefully how the industry has been successful in achieving its goal during the third quarter and due publicity needs to be given to the facts which emerge so as to enlighten those exporters who have not been successful in their mission of increasing their exports so far.

In order to raise India's exports of cotton textiles — and this is as important during the present emergency as it was earlier because of the need of earning foreign exchange — the plan for accelerating the installation of automatic looms has assumed a great importance. Against the Third Plan target of 25,000 automatic looms, the Ministry of Commerce and Industry has already sanctioned the establishment of 7,500 looms. Three-fourths of the output of these looms will be exported and to that extent it will help in earning increased foreign exchange.

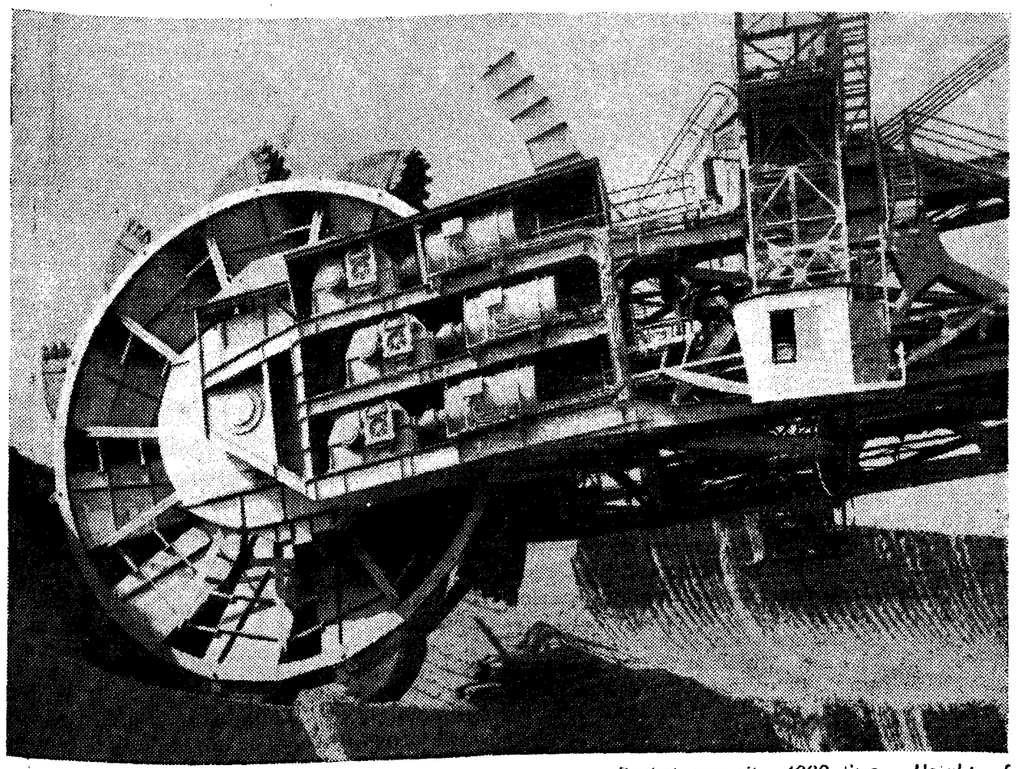
DCM PREPARES FOR EMERGENCY

MR. BHARAT RAM, Chairman of the Delhi Cloth and General Mills Ltd., devoted a major part of his speech at the annual general meeting of the company, held recently, to the responsibility that the industrialists have to bear on account of the emergency created as a result of the Chinese aggression. The company, it was revealed, apart from donating Rs. 10 lakhs to the National Defence Fund, associated the workers too, who decided to forgo their Diwali holiday voluntarily and donated the wages for that day along with the company's profits for the day for war effort. In this manner a sum of Rs. 1.19 lakhs was donated to the National Defence Fund. This indeed is an instance which should inspire other similar institutions; it has doubly good effect: firstly, the output is increased and, secondly, the returns of this increased output can go to the National Defence Fund. It may be observed that the DCM has already been serving the consumers directly through its over three hundred retail shops scattered all over the country. The Chairman indicated that the number of such retail shops would continue to increase. This aspect of the company's service has assumed special significance because in the coming period of emergency there may be a shortage of textiles and it will be such retail shops that will help in eliminating the danger of rising prices.

The DCM, revealed the Chairman, has been continuously renovating and modernising its textile mills. For instance, the old waste plant in Delhi will be replaced by a modern waste plant within a few months. The spinning capacity at Hissar is also being expanded by the addition of another 23,000 spindles. Till now the company was trying its best to increase its exports of textiles and during the current calendar year it expects to increase them further.

The company is going through expansion programmes in other fields too. It is planning expansion of the crushing capacity of its sugar factory at Mowana in the near future and it is hoped that in 1963-64 season they will have increased their crushing capacity from 1,500 tons per day to 3,000 tons per day. The Chairman added that during the last season the quality of cane in their area was extremely poor and the recoveries consequently suffered. The new system of linking the cane price to sugar content would definitely help the industry as well as would persuade the cultivators to concentrate on high sugar yielding varieties of cane. The company has also undertaken the designing and construction of chemicals plants. The company has already designed, manufactured, supplied and erected two sulphuric acid plants. Two more

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sulphuric acid plants and two super-phosphate plants ordered by various parties are also nearing completion. The Company hopes to extend the activities of this section to cover other types of chemical plants too. Another important fact of their expansion programme, Mr. Bharat Ram stated, was that their negotiations with the Agency for International Development in the United States for a dollar loan to meet the foreign exchange requirements of the Rayon Tyre-Cord Project had been successful. The agreement would be signed soon. Expectations are that this factory would be in operation by the end of 1963 or early in 1964. The expansion programme of the company should indeed be a welcome step in the context of the present emergency.

Shellac

SURPLUS STOCKS POSE PROBLEM

THE SHELLAC TRADE has been caught in the grip of a depression caused by accumulation of surplus stocks in the market. The position may be further aggravated when this year's crop, which is reported to be good, begins to flow into the market.

The anxiety is greater in the export field because the shellac trade is mainly dependent on exports for its very existence. This being so, it is indeed alarming to note that exports of lac over the past few years have been steadily losing ground. In 1960-61 exports were 3.45 lakh packages, valued at Rs. 6.32 crores, while in 1961-62 they declined to 2.69 lakh packages, valued at Rs. 4.62 crores, against the target of Rs. 6.50 crores. The exports in 1962-63 are expected to be even lower at about 2.5 lakh packages, valued at about Rs. 4 crores.

In retrospect, the minimum export prices, introduced by the Government of India on October 5, 1961, for all varieties of seedlac and shellac appear to have failed to rejuvenate the trade. The trade, in fact, has moved down the hill a little faster than before. The already low prices of seedlac IB and IIB at Rs. 123 and Rs. 106 per package in October 1961 declined to the rock bottom level of Rs. 80 and Rs. 64, respectively, in October this year. International prices have slumped all around.

In order to arrest this fast downward trend, the State Trading Corporation started buffer stock operations in December, 1961, in Calcutta. Subsequently, purchases were made in the other growing centres as well. The operations got off to a good start, though not without lapses, and by the end of August, 1962, about 60,000 bags of shellac had been purchased.

It had the desired effect of checking the decline and indeed prices began to look up. But just when operations were beginning to yield results, the STC discontinued purchases with the result that prices again began to fall. Sporadic buying indulged in by the STC later did more harm than good to the traders, the manufacturers as well as the growers.

The factors responsible for the dwindling volume of overseas demand are the growing popularity of synthetic resins and the emergence of Siam as a serious competitor in the world market, particularly in the U.S. The current export price of Siamese seedlac is only 9 cents against 20.25 cents of Indian origin. A bumper crop is expected in Thailand this year. This would mean a far stiffer competition from that country. The extent thereof can be gauged from the fact that India, which was supplying 60 per cent of U.S.A.'s requirements some time ago, could supply only 40 per cent in the recent past. The loss is to some extent offset by increased Russian purchases. That minimum prices should either be reduced further or completely abolished to enable the industry to compete in the world market it is needless to suggest. Efforts should be made simultaneously to expand domestic consumption so as to provide a cushion against any occasional slumps in the overseas trade.

Economy

A REASSESSMENT

A REASSESSMENT of the economy has to take place in view of the present emergency before steps can be taken to maximise production. This reassessment of the basis of planning is very essential to gear the wheels of war effort. A note in this direction was struck realistically by Mr. S. T. Sadasivan in his Presidential address at the second quarterly general meeting of the Indian Chambers of Commerce. He not only appealed to the business community to maximise production in every possible way, with a view not only to maintain the defence supplies but also to meet the civilian requirements. At the same time he pointed out that effective control must be exercised on distribution so that there may not arise any need to impose physical controls.

To the Government his plea was that decisions be taken expeditiously and effective co-ordination be brought about between the different Ministeries. The Government has no doubt risen to the situation and is gearing up its administrative machinery in all possible fields. While all this is to the good, what is needed is that economic policy as a whole should become less ideological and more realistic. This in fact is the only way in which an effective co-operation can be brought about between the private sector and the public sector.

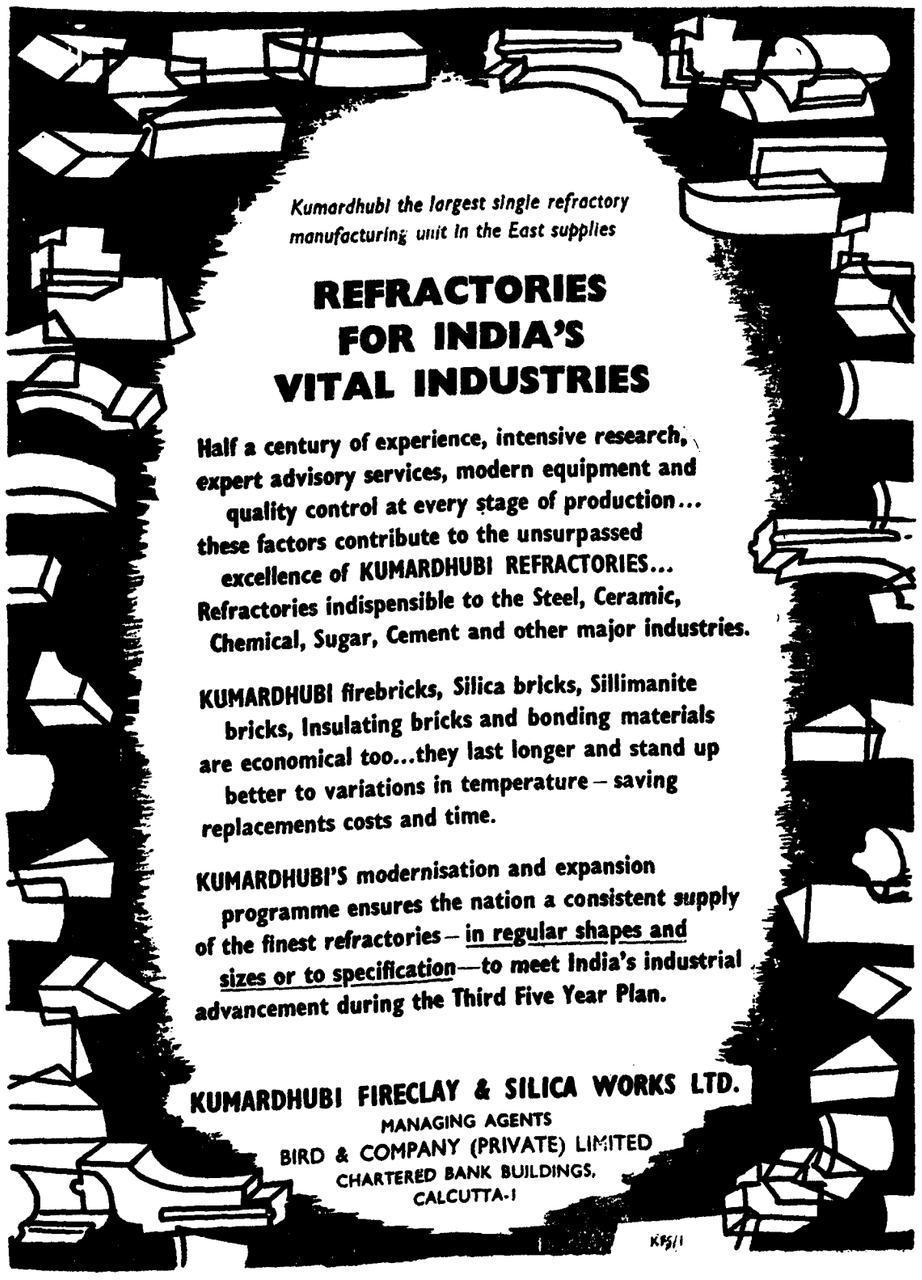
It is heartening that every one in this country has awakened at the time of emergency and the business community in particular is doing its best to contribute its mite in the best possible manner. Mr. Sadasivan emphatically appealed that we should generously contribute to defence funds and subscribe to the defence bonds and gold bonds that are being issued by the Government. Regarding exports, Mr. Sadasivan's suggestion was that even if we have to tighten our belts we must do so particularly when we need foreign exchange at this critical juncture to buy various types of goods.

While taking these steps attention will have to be paid to prevent any increase in prices which may result due to shortage of goods. The Government no doubt is taking specific measures to check the rise in prices, but these steps can only be successful if there is more production. Time now is to act as in increased production only lies the solution to our problems.

(Continued from page 905)

of BOBS wagons, despite the fact that the works at IISCO were not in a position to unload the Box wagons without employing arduous and lengthy manual means. In fact, the railways have been dictating the IISCO in regard to the despatch of their finished material to specific centres in the country which conflict with the allocations made by the Iron and Steel Controller. This is indeed an intolerable situation and involves considerable delay and loss in distribution.

Another interesting point which Sir Biren has made is that long-term planning of steel production in the country should not neglect the development potential which already exists in the present plants. While the temptation to set up new plants in the traditonal "iron-ore-and-coal belt" is very great, there are definite advantages in raising the size of the industry vertically instead of horizontally. The trend in the world also has been in favour of bigger plants of three to five million tons. This implies that the Government should not rule out possibilities of expanding the existing plants to make room for new ones.





FROM THE CAPITAL'S CORRIDORS

HOLDING THE PRICELINE

THE Union Minister for Planning, Labour and Employment, Mr. G. L. Nanda, outlined in the Lok Sabha last week the first phase of the measures which the Government proposed to take for maintaining the prices of essential commodities at reasonable levels. This phase relates to foodgrains, cotton textiles, drugs and medicines.

"In the present emergency," Mr. Nanda stated, "the problem of maintaining the prices of essential commodities at reasonable levels has assumed even greater urgency. The Government will maintain a close watch on the situation and will take whatever further measures may be called for".

The following are the highlights of the statement Mr. Nanda laid on the table of the House on the price policy of the Government.

(a) **Committee on Price Stabilisation:** With a view to keeping under close scrutiny the current price trends, especially retail prices, securing of regular and systematic flow of information concerning ex-factory costs and wholesale and retail margins, and arranging for special inquiries, the Government is constituting a high level committee on price stabilisation within the Department of Economic Affairs, Ministry of Finance. In the light of its studies, which will be undertaken on a continuing basis, the Committee will be required to recommend action by the Ministries concerned, and to formulate proposals for consideration by the Planning Commission and approval by the Cabinet. The Committee will function in close co-operation with the economic sections of the Ministries concerned and the Reserve Bank of India, and will serve as an important common agency on behalf of the Government as a whole in relation to the problems of price stabilisation.

(b) The existing agencies and the Central Statistical Organisation are being strengthened with a view to bring together all the available information on retail prices and for identifying the spreads between wholesale and retail prices at regular intervals.

(c) **Consumer Stores:** The Government has sanctioned a programme for building up a large network of co-operative and other consumer stores, specially for supply of essential commodities. It is proposed to set up about 200 wholesale and central stores with about 4,000 branch and primary stores. These will cover all metropolitan cities, State capitals, industrial centres, cities with a population of 1 lakh or more and a number of other towns. Departments and agencies of Government are also being asked to set up stores, specially for the benefit of their employees, which may be open to others in the locality. The Ministry of Home Affairs is establishing a Central Consumers' Co-operative Society in Delhi with 15 to 20 branches to begin with. Similar stores will be established by the Ministry of Home Affairs in Bombay, Calcutta and Madras. The Ministry of Labour and Employment is implementing a scheme for the organisation of consumers' co-operatives for industrial workers, under which employers will participate in providing fixed capital, working capital and managerial grants. In the established industrial centres, which have a large trade union membership, trade unions are being asked to take a leading part in the organisation of consumer stores and will be given such assistance as may be needed. Voluntary organisations will also be encouraged in promoting and organising consumer stores. The appropriate Government authorities, both Central and State, are being asked to ensure that the co-operative and other consumer stores which are set up receive the necessary supplies and that intermediary charges are eliminated to the greatest extent possible. The necessary funds for the programme of consumer stores are being allotted to the Department of Co-operation, in the Ministry of Community Development and Co-operation, which will implement the programme in collaboration with State Governments and the Ministries concerned. (In other words, socialisation of retail trade has been ushered in. How will this affect the employment in regular trade is not yet known).

(d) **Foodgrains:** The following are the principal decisions which have been taken for giving effect to the policy for foodgrains:

1. Substantial quantities of wheat are being made available for consumption at a concessional price in millet-consuming areas.

2. Releases of wheat from stocks are being made, in particular, in those States in which there had been a shortfall in the production of millets last year and in which food prices have been high this year.

3. Steps will be taken to popularise the consumption of wheat in rice-consuming areas and to discourage the consumption of rice in wheat-consuming areas.

4. In addition to large imports of rice, specially under PL 480, the Ministry of Food and Agriculture proposes to build up adequate stocks from the coming harvest.

5. For effecting purchases on behalf of the Central Government from wholesale traders and from rice mills, procurement prices for rice and paddy for the coming season are being fixed in consultation with State Governments. Based on these procurement prices, State Governments will also be asked to announce purchase prices at which they will be prepared to buy from farmers directly. These purchase prices will have the effect of assuring farmers of the necessary support and, at the same time, of enabling State Governments to obtain larger stocks. With a view to stimulating increased production, it is envisaged that these prices will continue beyond the current year. State Governments are being asked to take necessary measures to strengthen their machinery for making purchases on behalf of the Central Government. Financial accommodation will be made available to State Governments to the extent necessary for facilitating their purchase operations.

6. Arrangements will be made by the Ministry of Food and Agriculture to regulate inter-State movements of wheat by rail and road.

7. Wholesale traders and rice mills are already licensed and the system will be further strengthened and extended. State Governments are being asked to adopt broadly uniform conditions for licensing throughout the country. The conditions of licence will be enforced strictly and arrangements will be made for proper inspection of and supervision over the operations of the licensees, including checking of accounts and use of stocks.

8. Under the Essential Commodities Act, licensees are required to comply with such orders as may be

issued from time to time by the Government. One of the main conditions of the licence will be to enable the Government to impose a levy on wholesale traders and on rice mills, that is, to obtain such proportion of the quantity purchased by them as may be necessary in the public interest. Arrangements have been made with the Governments of Punjab and Uttar Pradesh to make a levy of 66-2|3 per cent and 50 per cent, respectively, and to make stipulated quantities of foodgrains available to the Central Government. Similar arrangements will be made in other surplus States. In deficit States, the method of procurement and other details will be worked out by the Ministry of Food and Agriculture in consultation with the State Governments concerned.

9. The working of the system of fair price shops will be improved and strengthened in a number of directions. Distribution through fair price shops will be directed towards meeting the needs of specified sections of the community, and adequate arrangements will be made for administrative vigilence, including inspection and supervision of stocks, returns and operations.

10. Through close liaison between the Reserve Bank of India and the Ministries of Finance and Food and Agriculture, advances against foodgrains by scheduled banks will be suitably regulated.

11. The programme for the construction of 3 million tons of additional food storage, which was to be completed by the end of the Third Plan, will be accelerated, so that the target can be reached as far as possible by the end of 1964-65. This will bring the total storage available to the Government to about 5 million tons. It is also proposed that in addition to the setting up of large godowns, a number of small storage units should be located at suitable places.

(e) **Cotton Textiles:** In respect of cotton textiles, the following are the main decisions which have been taken:

1. A scheme for supervised marketing of cotton has been introduced by the Textile Commissioner. Cotton can be purchased by mills only through approved supervisors who survey the cotton and determine appropriate prices. No mill will be permitted to maintain stocks in excess of requirements for a prescribed period.

2. The relative production of cloth in the lower ranges and of the more popular varieties will be increased. The medium category, now classified into lower medium and higher medium, is proposed to be divided into three parts—lower medium, middle medium and higher medium. It is hoped to raise production in the coarse and lower and middle medium range to the extent of about 250 to 300 million yards a year.

3. With the approval of the Textile Commissioner, the Indian Cotton Mills Federation, through its Regional Associations, will appoint 'nominees' for wholesale distribution. The 'nominees' will hold stocks of common varieties of cloth and arrange for distribution according to the Textile Commissioner's instructions. Mills whose cloth is in popular demand are being asked to open retail shops on a more extensive scale and also bring considerably larger numbers of retail dealers on their approved lists.

4. Prices to be stamped on cloth will be specifically approved by the Textile Commissioner, who would also indicate selling margins at the wholesale and retail levels.

5. To ensure supplies to consumer stores, fair price shops, etc., a prescribed proportion of the output of textile mills will be distributed under the specific instructions of the Textile Commissioner. This proportion may ordinarily be up to 10 per cent but, if necessary, it may be raised.

6. The Textile Commissioner will take steps to impose restrictions to the extent necessary on stocks held by mills and on movement of cloth, both by rail and road.

7. State Governments are being requested to take urgent steps to strengthen the co-operative sector in handloom industry and to bring as many handlooms as possible into co-operatives. They are being asked to establish the necessary arrangements for placing orders, providing specifications and technical guidance, supplying raw materials and other facilities, financing production and for organising marketing. To facilitate development along these lines, sales of yarn to handlooms will be regulated and free market sales will be progressively reduced. State Governments will, thus, be in a position to exercise greater direction and control over production and marketing in the handloom industry and to take whatever steps may be necessary for ensuring that prices of handloom products are maintained at reasonable levels.

(f) **Drugs and Medicines:** Arrangements are being made by the Ministry of Commerce and Industry to ensure that prices of many essential drugs and of the more common and important household remedies are fixed with Government's approval and widely publicised and displayed.

(g) **Subsidiary Foods:** Proposals for the intensification of production programmes for fruits, vegetables, fish, meat, eggs and milk are being drawn up and will be shortly communicated to State Governments.

(h) **Other Commodities:** Other commodities at present under examination include oilseeds and oils, sugar, woollen goods, kerosene oil, soap and paper.

Mr. Nanda called for active support and participation of trade, industry and labour, all consumer associations and voluntary organisations throughout the country and also the press for securing the objective of the price policy.

WOOLLENS FOR DEFENCE

The woollen industry in the country is to be switched over to defence production. Important decisions in this regard were taken at a meeting of the representatives of the woollen industry held here last week.

Control over the distribution and prices of woollen yarn and fabrics is to be tightened. All stocks of specified varieties of woollen cloth and fabrics in the possession of mills, producers or manufacturers are to be sold only against the indents of the Director-General of Supplies and Disposals. All yarn produced by the spinning mills will be distributed to hosiery and small-scale sectors through the Director-General of Supplies and Disposals.

To help the defence effort, knitting yarn will be made available at such places and quantities as may



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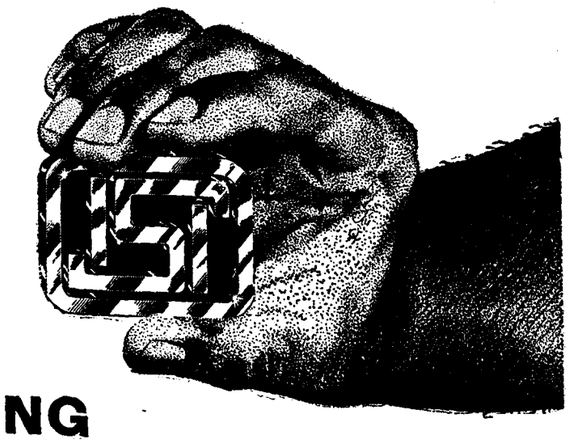
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be required by the voluntary organisations engaged in knitting garments for the defence forces.

The Government of India has appointed a Woollen Controller to implement and supervise the various measures decided upon.

It has also been decided that early steps should be taken to modernise the existing woollen industry. The wool combing capacity is to be increased to make the country self-sufficient in combing.

All future imports of raw wool and wool tops, except to the extent already covered by irrevocable comitments, will be in those varieties a list of which will be drawn up by the Woollen Controller in consultation with the Textile Commissioner. To cope with the shortage of imported wool, the maximum utilisation of Indian wool for the production of fabrics and knitting yarn for which it is suitable is to be arranged by the Woollen Controller.

MACHINE TOOLS AND EMERGENCY

While addressing a group of Machine Tool Manufacturers last week, Mr. C. Subramaniam, the Union Minister for Steel and Heavy Industries, dwelt on the significance of the Third Five-Year Plan aims of evolving a base for self-sustaining growth. "For this purpose", he said, "there is no industry more important than the machine tool industry". The estimate of requirements of machine tools at the end of the Third Plan, he added, was valued at Rs. 60 crores per year. A minimum internal production of machine tools valued at Rs. 30 crores was given in the Plan. Progress, however, has not been satisfactory. Possibly, only some 20 to 25 crores of rupees worth of machine tools per year would be produced at the end of 1965-66.

In the context of the present emergency, the Minister stated that the demand for borers, drilling machines, milling machines, grinders, lathes, presses and special-purpose machines would greatly expand. He, therefore, suggested that (1) every machine tool factory should, wherever possible, work round the clock; (2) the machine tool manufacturers who had succeeded in achieving their maximum production should expand capacity and take on new urgent lines of manufacture; (3) a certain amount of co-operative effort, at least for the duration of the emergency, would be most welcome. (This could include the sharing of designs and drawings in regard to the more urgently needed machine tools and the sharing of know-how); (4) machine tool makers who had good foundries as adjuncts or as part of their productive units, should expand output by every possible means. They should also take on jobbing work for others who need quality castings. This would apply also to the machine shops.

The Minister also stressed the role of standardisation and indicated that for the duration of the emergency at least, an attempt should be made to reduce the number of types and specifications. This would help in regard to the sharing of designs and of know-how and using one another's capacity in many ways. This would as well assist in developing component and ancillary production outside the major production units, thus spreading the effort and freeing their capacity for major specialised operations. Further, he desired that each sizable manufacturer of machine tools should, within a very few days, give the Development Wing an estimate of requirements of raw materials like pig iron, coke, alloy steels etc., so that the planning of production and procurement of raw materials could be immediately taken in hand.

AID-INDIA CLUB

Indications are available here that the next meeting of the Aid-India Club may be convened much earlier than originally envisaged in view of the precarious situation that India faces today on the foreign exchange front with the outbreak of hostilities on her northern frontier. Opinion appears to be growing in the friendly countries that they should contribute maximum untied assistance to enable India to finance her maintenance imports.

Possibilities of Australia and New Zealand joining this Club are also hinted at in the knowledgeable circles.

ASSISTANCE FROM FRANCE

The French Ambassador in India, M. Jean Paul Garnier, announced here last week that his country had decided to speed up the supply of equipment for the Indian Army in response to an urgent indent by India. He said the French Ministry of Defence had decided to send some of the equipment from its own stocks. Orders had also been placed for a few helicopters, which, he added, were primarily intended for evacuating seriously wounded personnel. The French Red Cross had flown for the Jawans 150 bottles of blood.

On the economic side, too, the Ambassador said, France was committed to give economic aid (as a member of the Aid-India Club) to the extent of $50 million. The French Government had also authorised the Bank of France to give a loan of $ 10 million to the Industrial Finance Corporation of India.

The Ambassador also indicated that $8 million had been set apart for helping India in oil exploration. General survey and prospecting had already begun.

MINING ON THE FRENCH MODEL

An Indian team of mining engineers which recently visited France has submitted its recommendations to the Union Government regarding the suitability of the French mining methods to Indian conditions, it is learnt here.

The Chief Inspector of Mines and a senior mining engineer of the National Coal Development Corporation visited France recently to study the French mining methods, especially that of sub-level caving which had been recommended by French experts for adoption in India, This French method employs a system of false roofing which, after collapsing, eliminates the need for subsequent stowing.

The Indian team has favoured extraction of coal in slices, followed by pneumatic stowing as peculiarly suited to the Karanpura area. The suggestion is based primarily on considerations of safety. However, the French experts consider that this method would prove very expensive as compared to the sub-level caving method employing false roofing as adopted in France.

The report of the Indian team as also the views of the French experts are presently under the consideration of the Government of India.

IN BRIEF....

The Union Government is considering at present the feasibility of locating a machine tools factory in Kerala. The unit will be in the public sector.

*

After the completion of third stage expansion scheme, the FACT factory at Alwaye will have a capacity to produce 70,000 tons of nitrogen and 27,000 tons

of P2O5 per annum. The end-products will be ammonium sulphate, ammonium phosphate, ammonium chloride and single superphosphate.

*

The Government of Gujarat has been informed by the Central Government that the latter has no objection to the State Government undertaking specific schemes of prospecting by drilling coal and lignite in its area. Investigations relating to bauxite deposits in the Kutch area have already been started by the Geological Survey of India. Estimates of probable reserves of bauxite here are placed around 6 million tons, out of which nearly 4 million tons are envisaged to be of high grade.

*

Granulated slag for sale to the cement companies for the manufacture of slag cement is to be produced at all the three public sector steel plants. Measures have already been taken to set up a plant for granulation of slag at Bhilai. A project for installing a similar plant at Durgapur is under preparation.

*

The Union Minister for Steel and Heavy Industries is at present engaged in examining the list of industrial units which need to be geared for defence effort. The automobile industry has already been advised to slow down its production of passanger cars and to divert the capacity thus released for the manufacture of one-ton trucks.

*

Discussions are in progress in New Delhi for setting up an organisation for mobilising production and supplies to suit the current emergency in the country.

*

Orders have already been placed for the import of spares and equipment etc., of the value of about DM 20.7 million for the Rourkela Steel Plant out of about DM 41 million (Rs. 48.75 million) estimated by the Solveen Committee. Orders for the balance are likely to be placed shortly. Arrangements have also been made for the recruitment of additional foreign technical staff. The Rourkela Steel Works has in the recent past shown quite a good deal of improvement in its working.

*

The decision of the Government that Bhilai Steel Plant is liable to pay royalty on minerals worked out in the State Government lands but not in respect of minerals in the private lands acquired under the Land Acquisition Act, 1894, has recently been communicated to the Hindustan Steel Limited which will be informing the State Government accordingly.

*

The Textile Commissioner by an order dated November 11, 1962, has banned the movement of cotton from the godowns and jaithas situated in the city of Bombay belonging to the Bombay Port Trust at cotton deport area with effect from November 12, 1962, except in accordance with a special permission issued by the Textile Commissioner or any officer authorised by him on this behalf.

*

The Government of India has decided to ban forward trading in gold throughout the country. All outstanding contracts have been ordered to be closed at the rates prevailing at the close of business on November 13, 1962.

*

The Government has accepted the Tariff Commission's recommendation that protection to the stearic acid and oleic acid industry should not be continued beyond December 31, 1962.

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SUBSCRIPTIONS for 6½ per cent Gold Bonds, 1977 are being received from the 12th of November 1962, in the form of gold, gold coins and/or gold ornaments.

The value of the gold will, after assaying, be calculated at the rate of Rs. 53.58 nP. per 10 grammes of .995 fineness equivalent to Rs. 62.50 nP. per tola of the same fineness.

Interest on the Bonds will accrue from the date of issue and will be payable half-yearly on the 12th of May and the 12th of November. Interest will be liable to tax but no tax will be deducted at the time of payment of interest on the Bonds held by individuals if the holder gives a declaration that the total nominal value of the Bonds held by him, or on his behalf, does not exceed Rs. 10,000.

The Bonds will be exempt from Wealth Tax and any capital gains from their sale will not be subject to Capital Gains Tax.

Subscription lists opened on 12th of November, 1962 and will close on the 11th of February, 1963 or earlier without notice.

Applications for the Bonds will be received at:—

(a) Offices of the Reserve Bank of India at Bangalore, Bombay, Calcutta, Madras, Nagpur and New Delhi;

(b) Branches of the subsidiary banks of the State Bank of India conducting Government treasury business; and

(c) Branches of the State Bank of India at other places in India.

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EXPORT?



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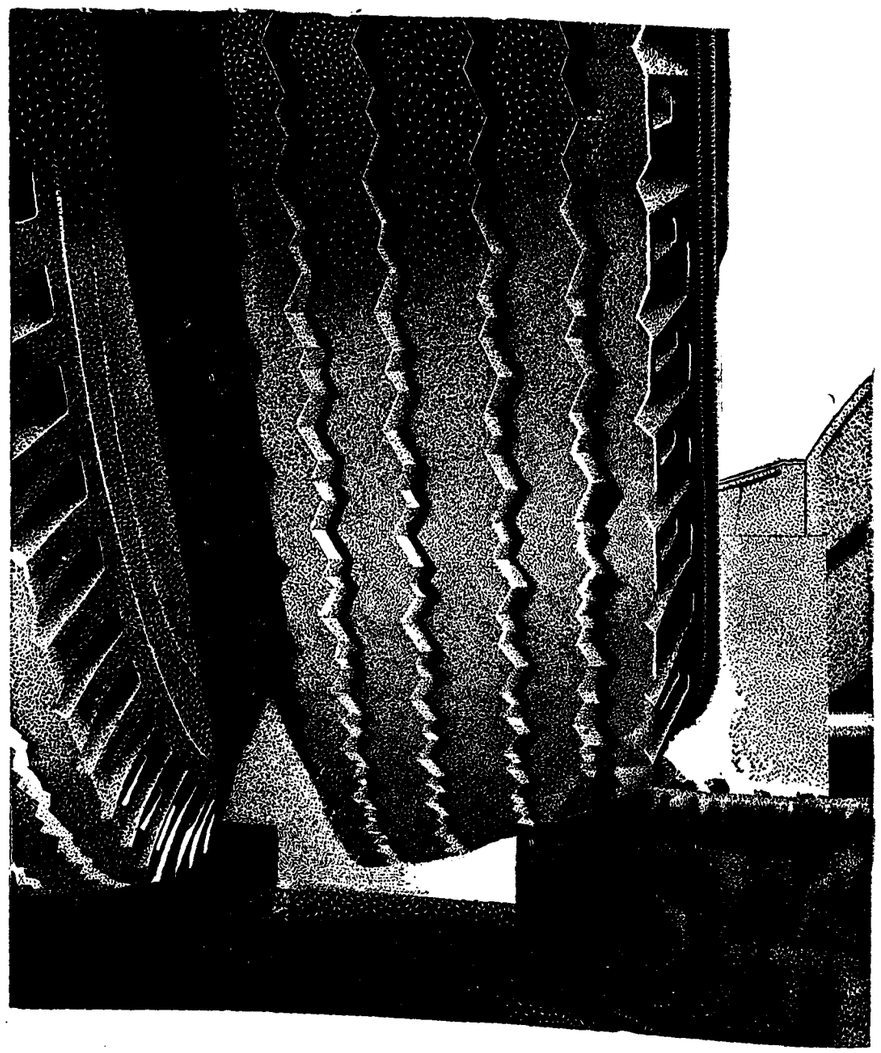
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DGC-15

NEWS IN BRIEF

INDIAN

Letters have been exchanged between India and Mexico according to which Mexico will shortly send an industrial and trade delegation to this country to explore the possibilities of purchasing railway equipment, engineering goods including transmission towers and other electrical equipment, pharmaceuticals and chemicals. At a later date an Indian delegation will visit Mexico to study the possibilities of purchasing cotton, zinc concentrates, other non-ferrous metals, fertilizers, hides and skins and steel plates from that country.

*

India and Czechoslovakia have signed a protocol in Praque envisaging increased trade during 1963. Apart from the normal traditional items of export India is envisaged to export to Czechoslovakia next year engineering goods as well. Czechoslovakia proposes to export to this country mainly essential maintenance items, machinery and chemicals.

*

Under the United Nations Programme for Technical Assistance, a foreign expert will be shortly arriving here for building up export organisation for the inspection of boilers under construction at present. The expert will remain in India for 20 months.

*

The National Coal Development Corporation of India has signed a contract with Centrozap, a Polish foreign trade enterprise, for the supply of Polish mining equipment worth $1 million.

*

The Government of India has set up a 13-member working group to review the present position of industrial co-operatives.

*

The Hindustan Aluminium Corporation of Pipri, U.P., has obtained the necessary licence from the Union Government to increase its production from 20,000 to 50,000 tons per annum.

*

The first group of seven advisers and technicians under the Indo-German project for the development of agriculture, horticulture and animal husbandry in the Mandi District of Himachal Pradesh, has arrived in India.

*

The Government of India has set up a Drugs and Equipment Standards Committee to look into the question of spurious and sub-standard drugs.

*

The Reserve Bank of India has published "A Review of the Co-operative Movement in India, 1958-60.

*

The Government of Maharashtra has constituted a State Advisory Committee for regulated markets and for fruits and vegetables, under the chairmanship of the Minister for Co-operation.

*

The Government of Maharashtra has sanctioned a diploma course in trade unionism at the Bombay Labour Institute. This is the first course of its kind started by any educational institution in India.

*

India will participate in the International Fair scheduled to be held at Tripoli, Libya, from February 20 to March 20, 1963.

*

An official communique states that at present co-operative societies held the monopoly of distribution of fertilizers in eleven States in the country.

FOREIGN

The Asian Regional Institute for School Building Research was officially opened on October 26 at Bandung. Sponsored by the UNESCO, in co-operation with the ECAFE, WHO and the UN Bureau of Social Affairs, the Institute will serve the countries of Asia in matters pertaining to planning, designing and construction of school buildings.

*

The Trans World Airlines, U.S.A., was awarded the presidential Expert Excellence Citation on November 1 for its contribution to tourism.

*

The Central School of Planning and Statistics, Warsaw, has started a course in Planning and National Economy for the benefit of overseas students.

*

The International Finance Corporation has announced an investment of $ 27,000 in Productos de Concreto, Costa Rica, to enable it to expand its production of concrete products.

*

An agreement was signed in Karachi on November 5, under which Britain would lend £ 5 million to Pakistan for the purchase of British machinery and equipment for projects included in Pakistan's Second Five-Year Plan.

*

The ESSO Magazine for autumn, 1962, states that since 1952, oil has been discovered for the first time in 16 countries, and that proved reserves of crude oil have risen by 170 per cent.

*

The International Development Association (IDA) has announced a development credit of $ 6.5 million to Pakistan for the development of two industrial estates and $ 8 million to El Salvador for improvement and extension of the highway system.

*

A complete geological map of Syria, compiled by Soviet geologists under the 1959 agreement on economic and technical co-operation, was recently handed over to the Government of Syria by the Soviet authorities.

*

A Soviet publication reports the introduction of an automatic train shunting system on the Donetsk Railway. The system works through an electronic device, with provision for malfunctioning and is expected to ensure the workers' safety and increase shunting yard capacity.

*

The Perak State Government, Malaya, has approved the application of the French S. E. K. Company to mine a 73-acre plot in the Kinta Valley estimated to contain tin deposits valued at 70 million Straits dollars.

*

The Coca Cola Company has announced that its sales outside the United States have doubled in the last five years.

*

Australia will contribute $ 100,000 towards the establishment of the Asian Institute of Economic Development at Bangkok under the auspices of the ECAFE.

*

A direct airlink between the Republic of Mali and Liberia was inaugurated on November 3 by an "IL-18" airliner of the Air Mali National Company.

*

Sudan's first sugar factory has gone into production. Built with German financial and technical aid, it has a production capacity of 50,000 tons per annum.

COMPANY AFFAIRS

INDIAN TELEPHONE INDUSTRIES

During the year to March 31, 1962, Indian Telephone Industries Limited recorded a net profit of Rs. 64.43 lakhs after providing a sum of Rs. 12.11 lakhs towards interest and Rs. 35.87 lakhs for depreciation. The company separated Rs. 39.50 lakhs towards provision for taxes, Rs. 4.84 lakhs towards development rebate reserve, Rs. 6 lakhs towards general reserve and Rs. 14 lakhs for dividend. In view of anticipated increase in production, during 1962-63, the Government of India accorded permission to the company to increase the cash credit limit from Rs. 150 lakhs to Rs. 200 lakhs during 1961-62. The Government of India also sanctioned a loan of Rs. 60 lakhs towards part requirement of the funds necessary for the expansion proposed during the Third Five-Year Plan. As may be observed, from the following table, actual production the targets were not quite in line in the sense that actual achievements were not quite up to the mark.

	Target 1916-62	Achievements 1961-62
Telephones	1,26,800	1,16,701
Multiple Racks	728	614
Miscellaneous Racks	611	532
Small Exchanges	878	781

It may be added that the company manufactured nearly Rs. 45 lakhs worth of spares in an effort to clear the back-log of orders for such items. The MAX Division of the company had also taken up the production of special types of Relays for Indian Railways which were imported so far. The Transmission Division of the company also showed substantial progress. As against Rs. 60 lakhs worth of equipment manufactured during 1960-61, output this year was of the order of Rs. 115 lakhs notwithstanding the fact that the cost of the production had come down. Here the achievements were higher at least in the case of Stackable Channels:

	Target 1961-62	Achievements 1961-62
Stackable Channels	303	303
12-Channel Bay Sides	123	105
FM VFT Channels	480	450
8-Channel Carriers	40	35

The Instruments Division of the Company manufactured 17 different types of higher frequency precision measuring instruments. It may be added that continued efforts in exporting exports for telephones and other equipment manufactured by the company were made in Burma, Ceylon, Indonesia, Viet Nam, Syria and Egypt. The Directors indicate that satisfactory progress was being made in the construction of a new factory building for transmission production and two factory units for the MAX division and planting type.

CALCUTTA TRAMWAYS

There was a minor increase in the receipts from traffic in the case of the Calcutta Tramways Company Limited during the year to December 31, 1961. Against the total receipts of £ 2.30 million during 1961, the receipts on this score during 1960 were of the order of £ 2.28 million. It may be observed that due to higher traffic expenses and power expenses, surplus balance was lower at £ 263,383 against £ 266,167, a year before. After providing for income-tax, out of a gross profit of £ 144,397, the Directors proposed the payment of a dividend on ordinary shares at the rate of 5 per cent free of income tax.

The Renewals and Replacements Account at the commencement of the year stood at £ 278,631. Deduction therefrom £ 70,880 written off for Renewals and Replacements during the year, and £ 25,000 written off in connection with Dalhousie Square, and adding £ 100,000 allocated out of the 1961 profit, there remains a balance of £ 282,751 to the credit of the Account.

NEW ISSUES

Six companies have been authorised to issue capital aggregating Rs. 6.32 crores. One is a new company and one is a State Government concern. One company is issuing bonus shares, four equities and one equity plus preference shares. The Controller's consent in all cases is valid for 12 months.

Kangan Private Limited, (Bombay), is issuing capital of Rs. 30,000 in the form of 1,200 bonus shares of Rs. 25 each by capitalisation of company's general reserve to a like extent. Shares will be issued to the existing shareholders at the rate of one share for every 5 shares held.

Uttar Pradesh Pulp & Paper Mills Limited, a public company incorporated on 24-10-1961, in the State of Uttar Pradesh, for undertaking manufacture of writing, printing and wrapping paper, is raising capital of Rs. 300 lakhs divided into 25,00,000 equity shares of Rs. 10 each and 50,000 cumulative redeemable preference shares of Rs. 100 each carrying dividend of 9 p.c. free of company's income tax but subject to deduction of tax at source at the prescribed rates. Out of this issue, equity shares of the value of Rs. 25 lakhs and preference shares of the value of Rs. 25 lakhs will be offered to a USA company against supply of plant and machinery to be imported and the balance will be issued for cash at par.

East Anglia Plastic (India) Limited, (Calcutta), will issue 21,25,000 equity shares of Rs. 10 each out of which 1,25,000 shares will be issued to the foreign collaborators, a French firm, against supply of plant and machineries. 20,00,000 shares will be issued to the existing shareholders at par in the ratio of two new shares for every share held. The capital is required for the establishment of a factory in Andhra Pradesh for the manufacture of cellulose acetabe flakes.

Devidayal Tube Industries Private Limited (Maharashtra) (Bombay), (now proposed to be converted into a public limited company), is issuing further capital of Rs. 61 lakhs out of which shares of the value of Rs. 19.19 lakhs will be allotted to Devidayal (Sales) Private Limited, in consideration of the balance assets transferred and the balance to the public for cash at par.

Facit Asia Limited (Madras), will issue 30,000 equity shares of Rs. 100 each for cash at par. Out of this, 15,000 shares will be issued to AB Atvidabergs Industrier, Atvidabergs, Sweden,. The proceeds will be utilised for the manufacture of calculating machines.

Gaskets & Oil Seals Private Limited (Baroda), is to issue Rs. 20 lakh in equity shares of Rs. 100 each for cash at par (inclusive of Rs. 10 lakhs issued by the company during July, 1962). The proceeds of the issue will be utilised in the manufacture of spare parts of automobiles.

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
July 1961 ..	124.2	98.6	122.1	151.4	141.9	125.3	127.6	128.8
August " ..	124.3	99.9	122.3	144.6	140.9	123.9	126.3	127.5
September " ..	121.1	99.7	121.4	138.3	140.6	123.1	125.5	124.6
July 1962 ..	128.4	98.5	124.5	138.8	142.6	127.2	129.4	129.6
August " ..	131.5	99.2	124.5	139.6	143.1	126.7	129.0	131.1
September " ..	130.3	99.8	124.3	139.8	142.9	127.2	129.4	130.7
29-9-1962	129.0	100.0	124.8	140.0	142.9	126.9	129.2	130.0
6-10-1962	128.6	100.0	124.7	138.9	142.9	126.6	128.9	129.6
13-10-1962	128.7	100.0	124.7	138.5	143.6	127.2	129.5	129.7
20-10-1962	129.2	100.5	124.8	139.0	144.9	126.4	129.0	129.9

* 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†
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
1962 January	415	436	295	170	399	513	495	180	482	177	174	175
February	417	438	295	170	399	513	492	192	480	177	177*	175
March	418	439	300	170	403	503	493	198	480	179	175*	175
April	418	439	300	170	410	491	492	198	480	182	175*	177
May	422	433	303	167	417	491	496	199	480	180	177*	178
June	426	447	308	171	417	505	497	201	484	182	177*	179
July	427	448	—	175	420	515	501	202	487	185	177*	181*
August	433	454	—	177	431	530	510	204	488	187	179*	182*
September	429	450	—	176	—	525	506	—	488	—	—	—
October	—	—	—	—	—	—	—	—	487	—	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 9-11-1962 High	Low	Average	2-11-1962 High	Low	Average	26-10-1962 High	Low	Average	19-10-1962 High	Low	Average
Gold (per 10 grams)	121.65	102.50	109.42	121.10	116.45	118.72	123.20	118.20	120.43	120.90	117.05	119.26
Silver (per kilogram)	224.15	215.25	218.87	224.55	222.00	223.63	224.20	222.15	223.47	222.00	220.65	221.31

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										
August 1961 ..	1,898,63	13,31	1,911,93	117,76	116,86	234,62	12.27	123,85	1,553,46	1,911,93
Sept. „ ..	1,877,38	21,36	1,898,74	117,76	116,86	234,62	12 36	126,45	1,537,67	1,898,74
Oct. „ ..	1,895,94	21,25	1,917,19	117,76	116,86	234.62	12.22	126,23	1,556,35	1,917,19
August 1962 ..	2,040,68	23.91	2,064,59	117,76	89,74	207,50	10.05	121,45	1,735,59	2,064,59
Sept. „ ..	2,029,26	18,74	2,048,00	117,76	88,34	206,01	10.06	123,87	1,718,03	2,048,00
Oct. „ ..	2,055,65	18,84	2,074,48	117,76	88,14	205,90	9.93	122.84	1,745,74	2,074,48
Week-Ending										
5-10-1962 ..	2,054,34	17,85	2,072,19	117,76	88,33	206,09	9.95	123,04	1,743,05	2,072,19
12-10-1962 ..	2,071,14	20,12	2,091,25	117,76	88,08	205,85	9.84	122,10	1,763,31	2,091,25
19-10-1962 ..	2,047,88	19,65	2,067,53	177,76	88,08	205,85	9.96	123,38	1,738,31	2,067,53
26-10-1962 ..	2,049,22	17,74	2,066,96	117,76	88,08	205,85	9.96	122.82	1,738,29	2,066,96
2-11-1962 ..	2,063,79	21,48	2,085,28	117,76	88,08	205,85	9.87	121,14	1,758,29	2,085,28

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														
August 1961 ..	65,39	16,45	88,09	180,22	350,16	89,86	525,02	13,35	15,21	30,97	47,71	116,37	284,51	16,89
Sept. „ ..	60,81	26,76	83,71	159,06	330,34	96,02	511,36	21,42	16,73	17,47	49,15	131,54	257,92	17,13
Oct. „ ..	60,23	14,40	81,36	147,41	303,39	95,52	483,91	21,30	35,09	20,06	60,56	135,19	193,80	17,92
August 1962 ..	65,16	24,57	94,63	181,32	365,69	115,38	566,08	23,97	69,23	5,45	31,00	136,99	265,68	33,76
Sept. „ ..	83,68	20,13	86,69	161,43	351,93	177,55	554,48	18,79	115,11	6,10	27,81	159,93	192,28	34,46
Oct. „ ..	55,95	16,07	85,02	160,16	317,65	119,09	521,74	18,90	134,17	5,25	39,11	151,72	136,82	35,77
Week-Ending														
5-10-1962 ..	60,87	17,95	85,82	160,08	324,72	115,11	524,84	17,91	136,73	5,64	35,44	154,59	139,49	35,05
12-10-1962 ..	59,49	21,20	83,68	161,45	325,82	115,04	525,85	20,18	155,08	4,58	37,74	157,15	118,79	35,20
19-10-1962 ..	52,42	15,27	89,88	159,86	317,43	125,51	527,90	19,71	139,65	6,27	39,65	144,40	142,91	35,31
26-10-1962 ..	51,01	9,85	80,71	161,05	302,62	120,70	508,31	17,79	105,25	4,49	43,59	153,58	146,09	37,52
2-11-1962 ..	49,95	10,08	74,13	160,15	294,31	128,27	507,58	21,57	96,05	5,54	40,53	151,90	162,65	29,36

*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. 2 crores from July 5, 1957 and Rs. 3 crores from July 4, 1958. §Includes cash and short-term securities.

INDEX NUMBERS OF WHOLESALE PRICES — IMPORTANT COMMODITIES

(Base: 1952-53 =100)

Average of months/ Average of weeks	Rice	Wheat	Jowar	Bajra	Gram	Groundnut Oil	Mustard Oil	Sugar	Gur	Tea
1955-56 ..	78	72	67	84	49	74	104	94	88	170
1956-57 ..	97	88	123	122	71	104	176	95	100	165
1957-58 .	105	88	114	126	68	105	164	110	107	164
1958-59 .	105	105	105	126	96	107	148	121	131	169
1959-60 ..	105	96	119	126	75	118	150	124	161	186
1960-61 ..	108	90	122	130	87	138	168	127	136	206
1961-62 ..	105	91	112	132	83	144	177	125	116	193
June 1961 ..	106	86	113	141	81	159	169	127	122	206
July „ ..	108	88	118	145	81	160	175	127	121	220
August „ ..	110	89	113	142	82	149	174	127	123	218
September „ ..	110	87	107	128	81	141	173	127	122	190
October „ ..	108	89	110	130	82	129	176	125	118	205
November „ ..	106	92	108	128	86	135	183	125	118	180
December „ ..	102	94	109	126	88	134	187	125	109	164
January 1962 ..	101	98	115	130	91	136	187	122	108	177
February „ ..	102	100	120	131	90	140	186	122	103	181
March „ ..	103	94	120	126	82	136	179	124	118	163
April „ ..	106	92	122	123	81	135	171	131	121	155
May „ ..	109	88	126	125	84	132	176	131	129	166
June „ ..	110	88	131	128	86	132	179	130	161	169
July „ ..	112	91	137	135	89	135	187	131	165	172
August „ ..	114	93	141	137	95	138	193	134	161	170
September „ ..	115	91	141	136	93	137	193	131	168	174
22-9-1962 ..	115	91	142	135	93	135	193	130	167	176
29-9-1962 ..	115	90	140	136	94	134	192	130	171	173
6-10-1962 ..	114	90	142	135	95	131	192	130	172	N.A.
13-10-1962 ..	114	91	140	124	95	136	191	129	171	N.A.
20-10-1962 ..	114	91	136	123	96	133	191	129	177	171

Average of months/ Average of weeks	Spices & Condiments	Tobacco Raw	Coal	Cotton Raw	Jute Raw	Groundnut	Cotton Manufactures	Jute Manufactures	Silk & Rayon Manufactures	Machinery
1955-56 ..	110	77	101	97	117	79	105	96	91	102
1956-57 ..	97	80	116	111	126	111	116	95	88	104
1957-58 ..	96	92	128	106	133	108	116	95	86	107
1958-59 ..	127	93	133	99	118	117	112	87	93	109
1959-60 ..	152	98	135	106	125	131	117	91	96	111
1960-61 ..	128	111	141	112	210	146	128	131	104	116
1961-62 ..	140	96	142	109	178	155	128	122	120	120
June 1961 ..	151	95	141	110	208	167	126	125	117	118
July „ ..	145	93	141	107	215	171	126	131	119	118
August „ ..	143	95	141	105	180	167	128	121	118	118*
September „ ..	143	95	141	104	155	156	128	114	119	119
October „ ..	145	95	141	107	150	143	128	119	119	119
November „ ..	143	93	141	108	149	143	128	116	121	123
December „ ..	140	89	141	109	145	144	128	118	123	122
January 1962 ..	141	92	143	110	146	145	128	116	122	122
February „ ..	140	94	143	112	148	149	128	113	125	122
March „ ..	140	95	145	113	148	149	128	117	127	122
April „ ..	143	94	145	112	141	149	128	115	129	123
May „ ..	149	95	145	113	139	145	129	113	129	124
June „ ..	152	92	149	113	144	144	130	118	130	124
July „ ..	152	91	152	115	149	146	129	117	130	124
August „ ..	154	92	152	114	146	151	129	111	131	124
September „ ..	156	92	152	112	151	151	129	113	133	124
22-9-1962 ..	156	92	152	111	151	151	129	113	133	124
29-9-1962 ..	156	93	152	111	152	152	129	111	133	124
6-10-1962 ..	157	93	152	111	152	146	129	109	133	124
13-10-1962 ..	158	93	152	110	151	144	130	110	135	124
20-10-1962 ..	158	93	152	110	150	144	129	105	135	124

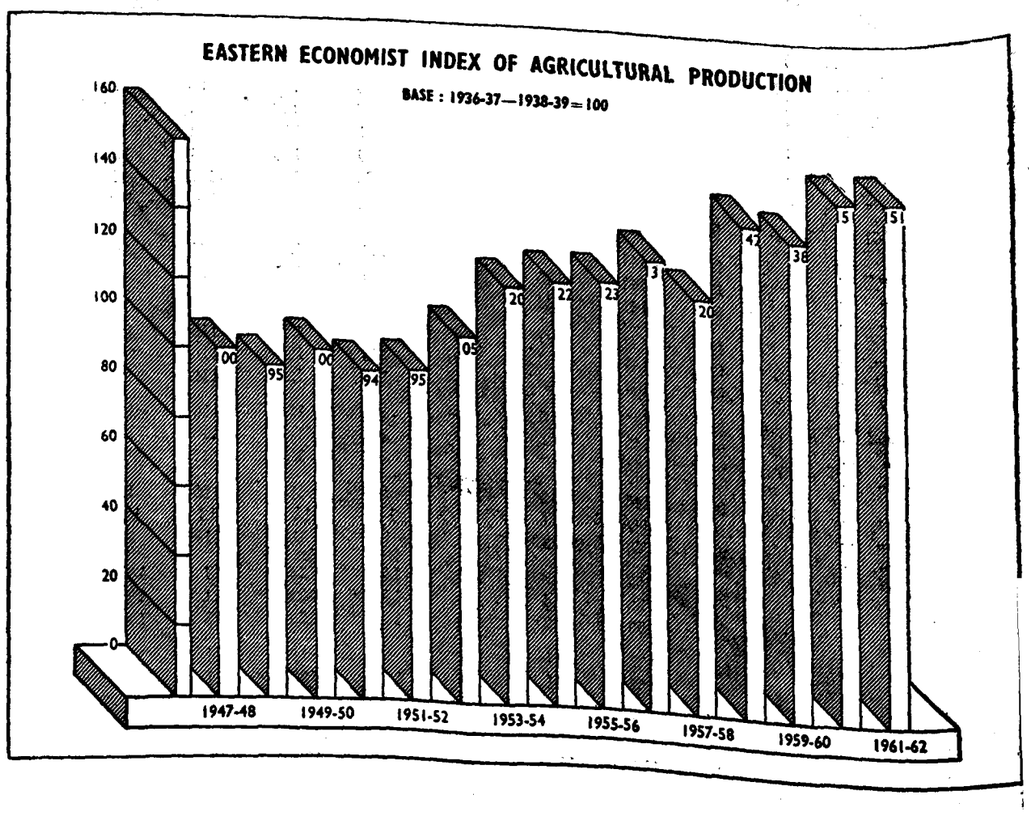
* Estimated.

THE EASTERN ECONOMIST INDEX OF AGRICULTURAL PRODUCTION : 1950-51 — 1961-62

(Base : Average for 1936-37 to 1938-39 = 100)

	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61 (R)	1961-62 (P)
Foodgrains	91	91	104	122	121	122	130	117	142	140	151	151
Rice	88	90	98	118	107	118	123	108	132	135	147	146
Wheat	87	82	101	106	120	118	127	106	133	138	148	158
Millets	93	96	111	136	142	119	124	132	144	141	149	142
Gram	115	105	133	146	164	171	200	159	220	176	199	199*
Fibres	85	100	98	105	112	112	131	129	136	111	142	140
Cotton	72	77	77	97	106	96	117	117	115	91	133	111
Jute	164	235	229	156	146	210	214	202	258	230	199	313
Oilseeds	103	104	100	111	127	114	124	112	136	121	138	138
Sesamum	113	110	113	132	147	115	110	88	128	90	79	91
Groundnut	109	97	92	114	131	121	134	141	153	125	140	149
Rape & Mustard	101	122	112	112	130	114	139	122	138	141	186	173
Linseed	85	73	83	83	91	97	90	59	105	101	96	92
Miscellaneous	127	126	127	130	141	150	154	151	155	161	175	178
Sugarcane**	126	136	113	104	125	134	152	146	160	170	235	219
Tobacco	76	61	71	75	73	88	87	74	70	83	87	90*
Tea	158	164	162	165	174	184	184	185	193	194	191	209
Coffee	116	130	142	184	156	219	266	277	277	282	417	301
General Index	94	95	105	120	122	123	131	120	142	138	151	151

* Estimated. ** In terms of gur.
(P) Provisional. (R) Revised.



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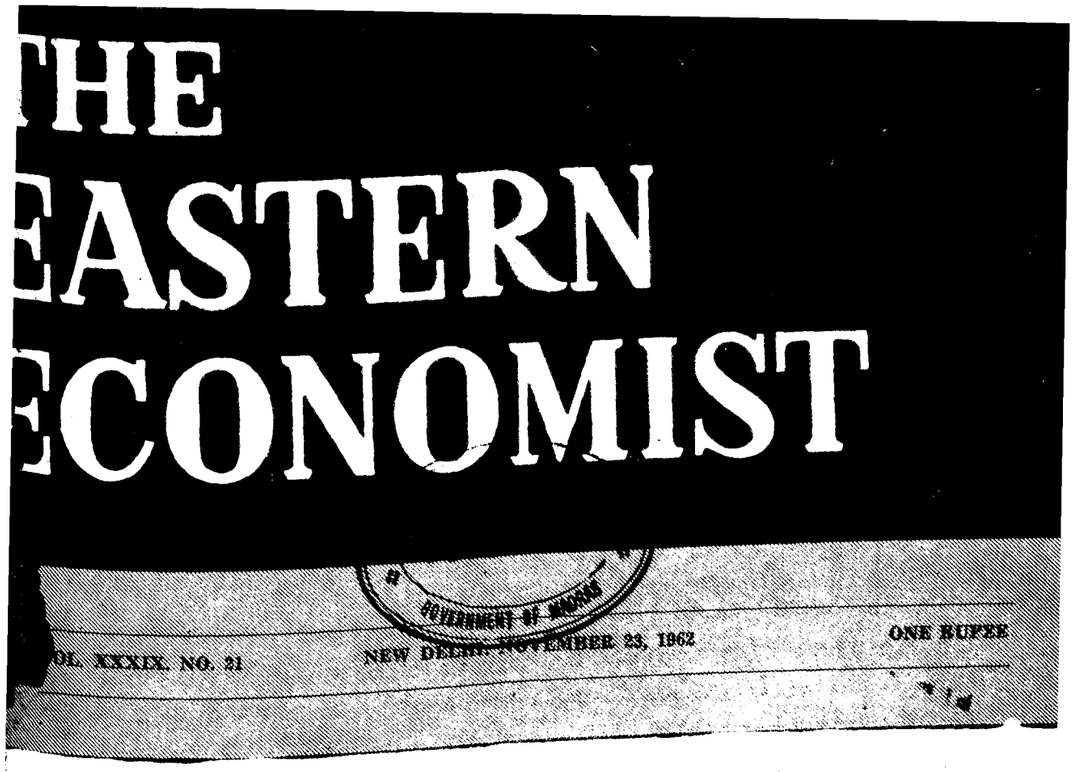
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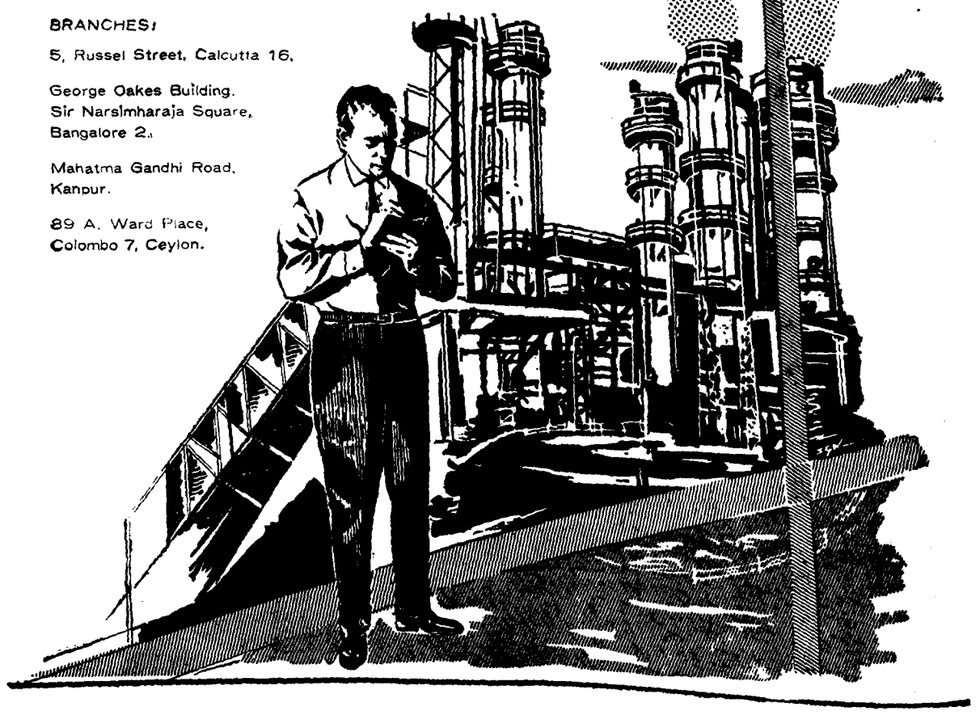
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THE EASTERN ECONOMIST

NOVEMBER 23, 1962

Peking's Peace Offensive

IF the first — and presumably also the final — reaction to Peking's peace offensive of November 21 has been one of intense scepticism, treating the offer as a trap, not only in India but abroad, it speaks for the reputation which the Chinese Government has earned for its behaviour in making overtures of peaceful settlement of the border dispute. It is sufficient to put even the gullible on their guard. All the sections of the Lok Sabha—barring, of course, the Communist Party—uttered a strong warning to the Government to be wary in reacting to this peace offensive. A government cannot hastily and unceremoniously reject out of hand a proposal made even by an enemy government. It has to give attention to it, apart from reasons of diplomatic decorum, to ascertain if there exists any substance in it. It is in this spirit that the Government of India is scrutinising the offer and analysing its implications. But the mandate to the Government is crystal clear. And Mr. Nehru has reiterated the Government's stand to adhere to its proposal of restoration of the position prior to September 8, 1962.

The substantial point of similarity between this proposal and the previous one of October 24, is that both are very nearly identical in content, which means that the new peace offensive seeks to reiterate the earlier one. The entire proposal announced in Peking on November 21 is a tissue of ambiguities woven round that perplexing term — "the line of actual control."

To outward appearances, in the middle and western sectors the position as it existed on November 7, 1959, is to be restored. But the historical preface to the official text of the note takes deliberate care to emphasize that what India maintains as the position subsisting on November 7, 1959, is an attempt to impose on China unilaterally a position which would require her to cede 13,000 to 15,000 square kilometres of area. The position of November 7, 1959, according to China's conception and assertion, thus varies radically from ours, claiming 15,000 square kilometres of territory south of this frontier as their own, not subject to negotiation.

In the eastern sector, China's "frontier guards" have been attacked by Indian troops in the area north of the traditional, customary line — meaning the area of China's aggression in NEFA. But there is a proposal in the new offensive that China would withdraw 20 kilometres beyond the north of the McMahon Line. Does it mean that she will voluntarily renounce all the fruits of her latest aggression here? The significant fact that must be grasped is that China's conception of the McMahon Line, too, is different in parts.

The third point in the new offer makes the confusion of ambiguity worse confounded. It does not draw any distinction between the middle and western sectors, on the one hand, and the eastern sector, on the other, as the first two points do. It specifically mentions that China would set up on her side of the "line of actual control" a number of new check-posts manned by "civil police" to enforce peace and order. This term is so vaguely worded as to conceal her determination to retain effective control of the areas on her side of the "line of actual control" after the withdrawal of the "frontier guards" and be it noted that the ambiguity is heightened by the absence of the specification of dates governing the position of the "line of actual control". Its implication in relation to the eastern sector seems to be that in the course of the proposed negotiations, China will adhere to her claim to the area now captured south of the McMahon Line on the ground that it lies on her side of the "traditional and customary line". This makes a spectacular shift in the position in the eastern sector.

China's unilateral cease-fire commenced on the mid-night of November 21-22. Why withdrawal should start nine days later on December 1 is far from clear and how long the operation of withdrawal will take is a matter of guess. The entire period including negotiations or exchange of letters represents the lull. Withdrawal is subject, as the offer sets out, to the control of the "civil police" over the areas vacated. But far more important than this is the stark reality that neither the cease-fire nor the withdrawal is a bar to stockpiling of arms, road construction and deployment of troops behind the line. The lull can be a period of intensive build-up.

India's duty is clear. If China's cease-fire continues to be effective, we need not waste our defensive resources. The entire cobweb of equivocation will have to be cleared first by obtaining from China clarification on every single point. The implications of the ambiguities have been thrashed out in the memoranda accompanying Mr. Nehru's reply to China's proposal of October 24. The straight course is to obtain a cartographic clarification from her setting out all the areas and places in precise detail with a clear demarcation of "line of actual control." Whether this peace offensive is a ruse to gain time or is intended as a sop to the Afro-Asian nations which are specifically cajoled in the text of the note or it is a strategic gesture on the eve of the session of the Central Committee of the Communist Party of the Soviet Union need not detract India. There must be no relaxation whatsoever in the Government's effort at mobilisation to safeguard the Assam front, as if the enemy continues to pour in numbers. America and Britain are rushing armaments and equipment to us in sizable quantities. There should be the fullest negotiations with the military missions which have arrived here from the two countries under Mr. Averrel Harriman and General Sir Richard Hull. We must be fully prepared for the eventuality of this peace offensive turning to be the precursor to yet another aggressive offensive with a far more forcible push, reinforced by more massive strength than heretofore.

Parliament in Emergency

IT WOULD have been the limit of loss of perspective if the first session of Parliament since the national emergency had not been cut short. Summoning of Parliament in this gravest of crises since independence was imperative to take counsel with this sovereign constitutional authority of the nation. But the present is not the time for what must certainly be regarded, in the prevailing context, as the luxury of leisurely debates on Bills and resolutions concerned with the problems of peace-time. There can be no regret that the agenda for the session, overloaded with a plethora of Bills and other business, was scrapped to the minimum. Such business as was transacted could not be postponed in any event. Its urgency lay mostly in the necessity of arming the Government with emergency powers.

If consultation with Parliament was the overriding object of this session, its performance, and more especially the quality of that performance, must be judged by the extent to which the session was conducted to that end. An assessment from this angle should prove useful. The abnormality of the situation demands that parlimentary sessions must be not only thoroughly business-like but war-like. The sense of emergency, of the peril to our survival as a free nation, must not only permeate but predominate the atmosphere in the two Houses. The invaluable contribution which Parliament can make depends on the manner in which it fortifies the Government in its task to carry on war operations with vigour and unflinching determination to the end.

The session got off to a good start—rather a most befitting start—fully reflecting the people's spontaneous reaction to China's challenge. The debate on the resolution of the nation's resolve to repel the aggression was as much essential to give a demonstration to the world of the cause for which India was determined to fight and to enlist its support for her as it was essential to give a further boost to the morale of the fighting forces and of the civilian population. The tone of the speeches was calculated to accomplish these objectives. But it was unwise on the part of Parliament to give such a lopsided vent to its wrath and resentment against the Government's unpreparedness to meet the situation resulting in the reverses. First reverses are no doubt a deterrent warning, but they do not determine the subsequent trend of fighting or the ultimate result. If remonstrance was the object of the criticism, it could have been fulfilled equally effectively with a sharp but brief attack.

In fact, the sense of brevity was so conspicuously lacking almost through the entire course of the debate. It was a sad spectacle to find some, although a few, speakers hurling accusations against their opponents of twisting the occasion for party ends. In this climate of crisis, when action and not words count, why should the Lok Sabha have devoted 6 days to the debate and what justification was there for as many as 165 speakers to participate? The rule of self-discipline for all the parties during the emergency must be that of brief, precise and non-repetitive speeches. But above all the supreme dictum must be—no fresh point, no speech.

The demands for supplementary grants were almost entirely intended for defence expenditure. Here was an opportunity to carry some critical probe into the complexities of the gigantic defence organisation for self-enlightenment as well as for the enlightenment of the public. But the Lower House signally failed on this occasion. Suggestions for the abolition of prohibition and reimposition of the salt tax looked so absolutely odd in the discussion on the supplementary defence expenditure here and now. Those who urged the Government to enlist the services of ex-INA men added to the oddity, when it was apparent that most of the revenue as well as capital expenditure asked for did not relate to personnel.

Issues connected with defence—and of defence thrust upon us so abruptly by the enemy's unexpected onslaughts and opening of new fronts of action—are as delicate as they are grave. It was deplorable that there was too insufficient an appreciation on the part of several members—the party in office not excluded—of the delicacy of the situation and the embarrassment that would be caused to the treasury benches by unwary questioning. The threat to Assam brought to the fore the loss of equilibrium. This is no reflection on the sense of profound anxiety felt by the members. But the impropriety of repeated emphasis on questions calling upon the Government what strategy or action it proposed for countering the enemy's thrusts ought to have been quite apparent to the questioners. Such questioning has its place in parliamentary procedure, provided it is feasible to hold the sittings in camera. In our Parliament it is not feasible with a particular presence. The wise course is to hold brief discussions with the Prime Minister in his chamber and to act on his assurance in this behalf—the assurance to meet groups of members on party basis. It is sad to reflect that shrewd sense and self-discipline on the part of the members had to be substituted by the Speaker's intervention.

The Axe on Imports

THE pressure on India's foreign exchange has repeatedly forced the Ministry of Commerce and Industry to curtail the list of imports after every half-year in the case of private sector imports, of course, along with the public sector on a much smaller scale. Every scrutiny that has been undertaken during the last five years has either eliminated certain items or has drastically curtailed the imports of some of the non-essential as well as essential goods. Recently, the axe has fallen on some of the relatively essential goods with the result that the fear has rightly been expressed that continuous curtailments of imports on private account will definitely reflect themselves in slowing down the production effort. The national emergency has once again necessitated a further examination of the import list and as the current indications show, the Ministry of Commerce and Industry is likely to announce at the end of this month a further cut of nearly 33 per cent — Rs. 50 crores in value terms — in the case of private sector imports.

What is the criterion for the exclusion of items from the import list? Broadly, the Ministry has followed a policy whereby those goods

which can be manufactured within the country (without regard to quality of manufacture in many cases) have come under the axe in the first instance. Sometimes this has affected the efficiency of certain units. The present cut is likely to affect those industries which, directly or indirectly, have no bearing on the war effort. In normal times, a further cut would have been resented and rightly so, because the industrial capacity in the country should not be allowed to remain idle. Under the present abnormal circumstances, all such considerations will, however, be brushed aside, though it will go against the repeated suggestions being made in all quarters that unutilised capacity in the country must be utilised in full and with vigour so that the production machinery may be accelerated to meet the grave challenge. To that extent a policy of compromise has to be evolved and if the production of the non-strategic goods only is affected, the units affected will have to put up with it in the larger interests of the country.

There are certain items which can come under the axe without creating much serious harm. In the case of imported glass, components of watches, etc. there may be a complete ban on imports or the quotas may be reduced to a nominal figure. In the short period, it may affect adversely the civilian population, but that is the price of the fight for Independence which the country cannot but pay. In the case of the Hindustan Machine Tools Unit at Bangalore, which has been very successfully assembling and selling watches for civilian use, there should be a ban on the production of such watches and any foreign exchange already sanctioned for this purpose should be surrendered to the Government by the producing unit. This should also apply to many other similar items such as photographic goods, spectacles, high quality paper, etc. The one sector where imports should not be cut is that of petroleum crude and some of the refined products, because the war machinery will not be able to face the challenge if the vital products are not made available to it in the requisite quantity at the right time. There might be necessity of even curtailing the imports of cotton for such varieties which are consumed domestically and will not affect Indian export effort.

The task indeed is a difficult one. Any suggestions put forward in this direction without careful examination may, in fact, go against the war effort because the battle has got to be fought not only with guns and mortar but has also to be sustained by continuous civilian effort which has to provide the essential sinews of war. A cut of 50 crores of rupees in foreign exchange may not go a very long way in solving the problem, but in times like this, every bit that can be done in this direction can be of direct use to the economy.

The Race for Rice

THANKS to the commendable restraint shown by the trade in not pushing up prices, the cool-headedness evinced by the public by not getting scared into stockpiling and the fairly satisfactory position of supplies, foodgrains prices, by and large, have not tended to go up, as was feared, except in Orissa and Assam. But this does not imply that the battle on this front has been won. The emergency has been with us for only a month and the growth of new demand for food supplies is yet to take place with the expansion in our armed forces and the inflow of wartime expenditure into the countryside. The 2.5 million (approximate) annual deficit in our food requirements can, thus, be expected to increase. To what extent, it is not essential to speculate.

So far as wheat is concerned, there is no cause for worry, barring, of course, the remote possibility of widespread failure of the recently-sown rabi crop. The country has an "extremely satisfactory" stock position in respect of this commodity and the U.S. Administration is prepared to help to the utmost by not only maintaining a regular supply in terms of the P.L. 480 agreement of 1960 but also by making available an additional 50,000 tons a month up to the middle of the next year. The same, however, cannot be said about rice which, indeed, is the Achilles' heel of our food economy. The vissisitudes that rice output shows from year to year are reflected in the prices to an extent much greater than in the case of any other foodstuff.

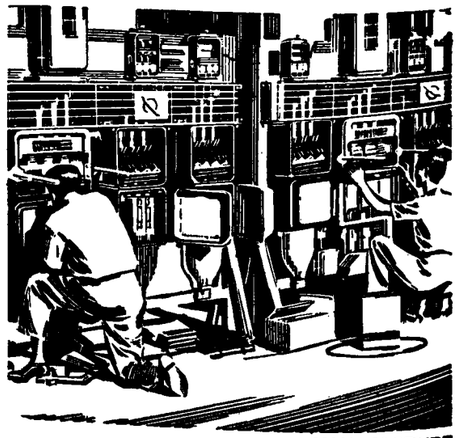
The Union Food Ministry, apparently, is conscious of this. It is understood to have planned rice imports during the next twelve months to the tune of six lakh tons — three lakh tons on commercial account from Burma and the U.A.R. and the remaining three lakh tons from the United States (1.5 lakh tons under the 1960 P.L. 480 deal and 1.5 lakh tons offered by the U.S. Administration for the current emergency at the rate of 2,000 tons per month till the middle of the next year). These imports, coupled with a slightly better crop this year than the previous year's 33.61 million tons, should help in maintaining a fair balance between supply and demand. But to keep the prices on an even keel, a dexterous handling of the situation would be, obviously, required.

The rice procurement and distribution policy finalised by the Union Food Ministry, with its adjuncts of monetary and inter-State movement restrictions, though imaginative, requires for its success the whole-hearted support of the trade. The trade will do a national service of extending its helping hand, without any reserve, especially by regulating its profit margin at not more than 1.5 per cent for cash sales and 2 per cent for credit sales at the wholesale level and 5 per cent at the retail level. These margins bear the approval of the Federation of the All-India Foodgrain Dealers' Association. The consumer also can do a yeoman service in the onerous task of containing rice prices by adapting his habits a little and taking to wheat at least to save 10 per cent of his rice consumption as appealed by Mr. Patil.

All this, of course, does not obviate the necessity of stepping up our rice output in the coming years. Let us not be waylaid that the war will be a few months' affair. Even otherwise, we have to become self-sufficient in our rice requirements to conserve the precious foreign exchange for economic development. Our rice yields per unit-area are not only the lowest in the world but they also vary considerably from one State to another. In areas like the Orissa State, where the peasantry is extremely poor and devoid of resources, the yields have not shown any significant improvement during the 'fifties despite all the planning and concerted efforts. In such areas, apart from strengthening the administrative machinery connected with the development of agriculture, there is a case for making available to the farmer such pre-requisites of farming as chemical fertilizers, improved seeds and implements and irrigation facilities, at subsidised rates.

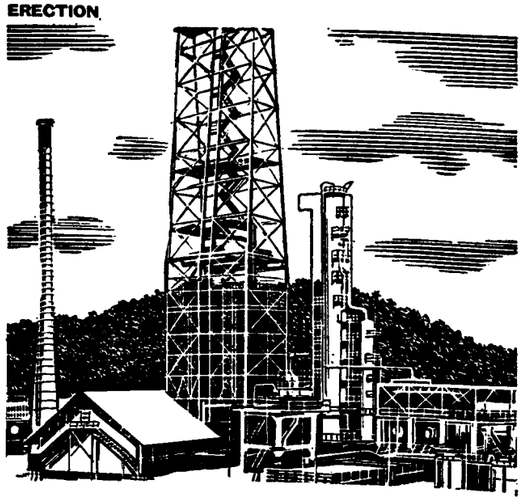


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THE WEEK'S NOTES

Communist Unity

INTERNAL STRESSES

CUBA, and now India, have brought to the surface very forcibly the internal stresses and strains within the Communist bloc. It is not necessary to trace the history of these stresses to about a decade and a half back when Marshal Tito raised the open banner of revolt against Stalin. Yugoslavia was written off without much ceremony with the ruthlessness which was so characteristic of Stalin. But the ideological differences between Peking and Moscow could not be concealed, when six years ago the Communist bloc received its first shock with Mr. Khrushchev's forthright strategy of the denegration of Stalin and, what is more important, his ushering in the phase of de-Stalinisation. Peking has always ever since then taken the dogged attitude that the Khrushchev way was a way of deviationism and that the heritage to carry the trust of Communism had descended to it. Over 40 years of tight centralised rule in Russia brought about a change in the direction of softening the methods of the regime which were exhibited at their worst by Stalin. From Russia's experience Mr. Khrushchev looked at Mr. Mao's determined efforts at communisation of villages and rapid industrialisation of China's economy, irrespective of any cost in human toil and sufferings, as nothing but a repetition of what took place under Stalin.

The Chinese have, of course, a supreme sense of confidence in themselves and apparently in their infallibility. Their opportunity came with Cuba and, casting aside the erstwhile dignified methods, Peking began to indulge in open thrusts against Moscow, running down the Cuba compromise as blatant appeasement of America. But China's unexpected massive invasion of India created another source of threatened rupture between the two contenders to the leadership of the Communist bloc. Mr. Khrushchev's anxiety is to let nothing happen which will endanger India's position as a non-aligned power because that would lead to the rapid disintegration and final disappearance of the non-aligned bloc. This explains Mr. Khrushchev's present attitude of benevolent neutrality in the Sino-Indian dispute. It would be too much to expect that there will be an open rupture between China and Moscow in the immediate future and a polarization inside the Communist bloc. But the massive and unbreakable unity of this bloc has undoubtedly been weakened.

The Constitution

ILL-CONCEIVED AMENDMENTS

MR. BHUPESH GUPTA'S Bill to amend certain provisions of the Constitution was patently ill-conceived and if any vestige of doubt was left about their ill-conceived nature it was removed by the overwhelming opposition expressed vehemently by members representing different parties in the Rajya Sabha. To begin with, Mr. Bhupesh Gupta wanted the powers of the President to be curtailed and restricted by Statute so as to make the advice of the Prime Minister binding upon the President in every single instance. The President is elected under the Constitution by an electoral college and precisely for this reason it was necessary to build up a convention that he should be guided by the advice of his Council of Ministers. The choice before the framers of the Constitution was to devise a suitable solution to this question, in view of the fact that a clear and statutory definition of the relation between the two was not feasible, as we have not adopted the Presidential type of constitution as in the United States. This point was very soundly argued by Mr. K. Santhanam, who went, and quite rightly, at some length to explain why the provisions were so framed by the Constituent Assembly. There need not be any reasonable apprehensions at all that the convention whereby the President is bound by the advice of his Council of Ministers will not work smoothly as heretofore. It is well to remember that the President has a dual role to play—that of a Constitutional Head and that of the Guardian of the Constitution. It is for the second purpose that the prerogative or residuary powers, as they may be termed, can be exercised by the President in abnormal cases. In case the Cabinet of Ministers decides to undertake a course of action which is directly harmful to the public interest—to make a hypothetical assumption—the President can come forth with the exercise of his authority not to accept the advice of his Ministers and in turn warn them that he would be prepared to face the eventuality of impeachment, if need be. But it must be emphasized that this assumption is no more than an abstract possibility.

Mr. Bhupesh Gupta's another amendment related to the appointment of the judges of High Courts. The amendment seeks to do away with the advice of the Council of Ministers in this matter and proposes that the judges should be appointed by the President on the advice of the Chief Justices of the High Courts. This again is highly questionable and its practical implications are not fully considered. If the objection to the present provision is that Ministers will import political considerations in the appointment of judges, it was rightly argued that the Chief Justices also cannot be considered as infallible and free from personal preferences and prejudices. In the last resort the Home Minister will be answerable to the legislature in this matter too and it is because of this responsibility that he must have the voice in their appointments. Parliament's vigilance and its powers of corrective criticism are always there as safeguards against any likely trend towards selection of judges on extraneous considerations. Mr. Gupta's proposal to the effect that, in case of a conflict between the President and the Chief Justice, the issue should be referred to the legislature exposes the untenability of his amendment.

Mr. Phizo

A HEROIC "OFFER"

MR. PHIZO'S offer of joining hands with the Government of India to fight the Chinese invaders was announced in London with all the fanfare of publicity. The manner in which the Press Conference was arranged thoroughly exposes his design. There may be some among his audience who may have been misled into accepting his bona fides and, what is still more curious, his capacity to "offer" the help on the stupendous scale he declared with such show of

authority. But none in this country, and certainly none in Nagaland, will be deceived by his words of bravado. In substance Mr. Phizo's offer is that he would mobilize under his command 40,000 strong Naga guerillas to fight in the cause of repelling the Chinese aggression. This mobilization would enable the Government of India to deploy to other areas of action an equivalent number of soldiers and equipment with which they are fighting. Since the arms for Phizo would be necessary their supply should be underwritten by Britain and America and its flow supervised by their representatives. Mr. Phizo would enter into a truce with the Government of India for one year.

Mr. Phizo, now a fugitive in London, took asylum there for no other reason than that he had lost the following in Nagaland and he knew that he could not pursue by guerilla tactics and violence his objective of achieving a free Nagaland. There never was a time when Mr. Phizo gave any demonstration of 40,000 Naga guerillas ready to act under his command against the Government of India and now that he has retired in the safe haven of London it is to be wondered what influence he can wield over any mentionable section of the Nagas. What is the truce that he is talking about when he has left whatever few followers he has to fend for themselves?

In the alternative, this self-styled commander of 40,000 strong guerillas has given a veiled threat to the Government of India that, if his offer of alliance is not accepted, the youth in Nagaland would turn towards China. There is little doubt whether the youth or any other section of the Nagas will do anything at his bidding. Nagaland has been conferred the status of an autonomous State and the Nagas have been convinced that they have been given an adequate measure to be the masters of their own destiny and their political, economic and social well-being is tied up with India. This "offer" has received only scant attention. Mr. Phizo's bluff has been called.

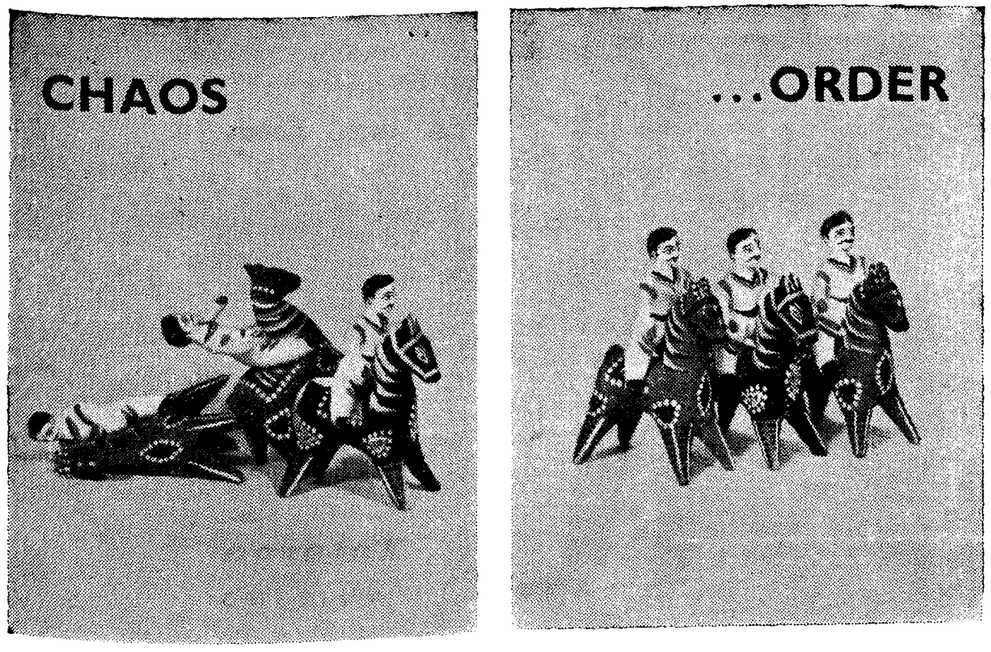
Retirement Age

HIGHER LIMIT

SINCE THE Second Pay Commission made its recommendation to raise the age of retirement for Central Government employees from 55 to 58 and the Government of India virtually declined to accept it, there has been an element of controversy over this issue. It would now appear that the Government has modified its attitude maintained hitherto and agreed to raise the limit to 58 years. This is, of course, subject to the condition, as the Home Minister, Mr. Lal Bahadur Shastri, pointed out, of physical fitness to continue to be in service for three years more. Barring this understandable qualification, the practical rule would be retirement at 58. This decision is to be commended for reasons which do not require any elaborate argument. At 55 an overwhelming majority of the employees possess sound health and they are physically fit to carry the burden of official business. But more important than that, their extension beyond 55 gives the State the benefit of experience and maturity of judgment which ordinarily go with the passage of time and seniority. Since the demands of our welfare State and the five-year plans have given an urgency to manpower supply, a great dearth of talent or personnel of requisite average qualifications is keenly felt. The raising of the retirement age would mitigate this handicap in a good measure. Under the present rule of 55 most of the retired employees have to seek post-retirement jobs if only because of the hardships of a sudden reduction of 50 per cent in the incomes in a period of progressive inflation. Many of the officers find themselves acceptable in responsible positions to private business organisations, but this avenue has led to a controversy. The higher retirement limit is expected to resolve this problem.

Mr. Lal Bahadur Shastri has announced that in view of Government's new policy of the higher retirement age there would be a decline in recruitment in the first three years of 12,000 persons. This may operate harshly upon new entrants, but it is not difficult to see how Parkinson's Law has demonstrated itself with a force in the Central Government establishments. If medium level officials will find their chances of promotion postponed for three years, they have the counter-balancing assurance that they would not be deprived of effective elevation in view of their retirement at 58. One of the major decisions in regard to the economy in expenditure which the Government is now going to take is to reduce new recruitment. And it has been emphasized especially that the requirements of the Ministries of Defence and of Economic and Defence Coordination for larger personnel consequent on the emergency should be made by transfers from other Ministries. This in itself is an indication, making allowance for austerity, of the surpluses available as a result of over-expansion.

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The World Abroad

MANAGERIAL EFFICIENCY IN THE U.S.A. AND THE U.S.S.R.

By ODYSSEUS

THE CLASH OF IDEAS between the USSR and the free world, together with the adoption of national planning by so many newly independent countries, has created world-wide interest in the Soviet economic system. At first this interest was largely satisfied by propaganda expositions for or against the Soviets. But, with the passing of the years, increasing efforts have been made to substitute serious academic investigation for sterile polemics.

Richard D. Irwin Inc., (1800 Ridge Road, Homewood, Illinois, USA) are to be warmly congratulated on their latest publication "The Soviet Economy" (edited by Professors M. Bornstein and D. R. Fusfeld of Michigan University), a symposium of eighteen essays by leading American and British authorities, covering the background of the USSR's economic performance, a comparison of the USSR and the USA national products, a comparison of the supply of professional manpower in the USSR and the USA, a study of the availability and reliability of USSR statistics, the Soviet experience in planning, the Soviet price system, the financing of Soviet development, managerial incentives and decision-making in the USSR and the USA, the Soviet labour market, trends in USSR wage differentials, the USSR's agricultural policy, Soviet trade and aid, the Soviet-bloc foreign trade system, levels of living wages, and prices in the USSR and the USA, and social welfare in the USSR.

All these essays are clearly written, with a minimum of economic jargon and a maximum of academic objectivity. One of the most fascinating is that by Professor J. S. Berliner, of Syracuse University, comparing managerial incentives in the USSR and the USA.

PERSONAL GAIN: KEY TO SOVIET EFFICIENCY

The moving force of free enterprise is the pursuit of personal gain. The worker chooses the higher paying job, the businessman accepts the most profitable contract. The USSR have experimented with other systems but practicality has defeated dogma and personal gain has been the chief incentive to Soviet managers for the past thirty years. There is high authority for this: Lenin said that Communism must be built "not directly on enthusiasm but with the aid of enthusiasm .." and "on private interest, on personal incentive, on business-like accounting."

For the Western entrepreneur, managing his own business, profit is the key guide. But most Western entreprises are now run by salaried managers, and the profit belongs to the shareholders, not the manager. In order to approximate the interests of managers and shareholders as closely as possible most Western companies have bonus systems, assuming that if managers have a stake in the profits, their decisions will maximise profits. In setting up incentives for its managers, the USSR faced the same problem as Western shareholders, and evolved the same answer—bonuses.

The amount of income that bonuses earn in the USSR is substantial. In 1947, for example, managers in the USSR iron and steel industry earned average bonuses of 51.4 percent of their basic salaries. Since this was the average, many individual managers earned much more.

Nobody disputes that the USSR economy is efficient. The question is: how efficient? Like those of the West, Soviet managers are deeply involved in their work: they worry about production quotas, they demand results from their workers. But the pressure in Soviet industry is probably greater than in the West, because the absence of free trade unions makes it difficult for workers to resist pressure for intense cooperation and managers are under constant official exhortation to step up production. But whereas the bonus system in the West works, by and large, towards approximating the interests of managers and shareholders, countless efforts to ensure that it works in the interests of the state in the USSR have been less successful.

In a planned economy it is vital for the planners to have accurate information about productive capacity, but Soviet managers persistently under-state capacity, because their bonuses depend on the over-fulfilment of targets. If the manager reports his capacity honestly, and something goes wrong, then he and his staff lose that month's bonus. It is therefore safer to report a smaller capacity in order to allow for the unforeseen. This is why Soviet planners are never sure that their plans are based on accurate figures. One way in which they try to solve this problem is arbitrarily to raise targets. Targets have, on occasion, been set so high that one third of all enterprises failed to achieve them. The intense pace of plant operation does elicit a high level of endeavour from managers, but the price paid is the manager's effort to defend his enterprise by concealing his full capacity.

When the target is set, the manager's bonus depends on fulfilling it. Most of his production does follow the plan, but when the end of the month comes, and as may often happen, production is short, managers resort to a variety of defences. In metals, for example, the target is in tons. If he is short, the manager may order curtailment of production of special or quality lighter metals and concentration on the heavy weights. In textiles, managers may over-produce narrow-width and under-produce broad-width cloths. Where production targets are set in money values, managers may over-produce higher priced products or may use more expensive materials to drive up the value of production. Managers may also "borrow" production from the next month, i.e., they report items as having been produced this month and hope to make up the deficit next month, like the Western bank clerk who "borrows" from the till, intending to make it up later.

More serious than falsification is deterioration in production. Much "economy" in quality is hard to detect: fewer stitches in a garment, fewer screws in a piece, greener timbers in a building, more impurities in a metal.

Another Soviet problem is the perpetual shortage of supplies. To ensure the greatest possible production from available supplies, the USSR uses many devices to economise the use of material in production and in stock. These do control waste, but they also compel managers to trick the planners. The basic problem of the manager is that he simply can't trust the planning system to provide him with the needed supplies at the right time in the right quantities and

qualities. What can he do? He over-orders in hopes that if he doesn't get all, he may at least get what he needs. A survey of 15 Moscow enterprises revealed a 10.4 percent over-ordering of metals. The consequence is that the accumulating of hoards of Ridden supplies of all kinds is one of the USSR planners' headaches.

BRIBERY

Managers solve the difficulty of ensuring their supplies by employing illicit special supply expediters, called "tolkachi". This agent visits his enterprise's suppliers, handing out bribes to ensure that his orders are well handled, and picking up other supplies of one kind or another, which his firm may be able to use or to exchange for other needed goods. Much of the "tolkachi's" time is spent on the black market, i.e. obtaining materials for which the planners have issued no allocation order. They do this either by wheedling an order out of a reluctant official or by persuading a venial official to sell them goods without an order.

The "tolkachi" fully earn their high incomes because their work is important and because they run the risk of prison. On the debit side, their work means the transfer to one fortunate enterprise of resources that would have gone to another with a higher prority. On the credit side, their wide knowledge of sources of supply, of who has what to sell, speeds the movement of supplies that would otherwise lie idle in one plant while another needs them.

Bonuses also induce managers to resist technological innovation, because new methods involve risks, take time to learn, and, once introduced, cause higher targets to be set, which make it more difficult to earn bonuses. When a manager has a well-running plant and the workers know their jobs, it is courting disaster to try new ways: production difficulties have to be overcome, workers re-trained, time is lost, spoilage is high. If old machines are wearing out, it is safer to repair, or even rebuild, them than try more complicated new models. Expenditures on re-building old machines often exceed the price of a new modern machine. Even if the potential gains are great, it is often some years before they can be achieved, but since it is Soviet policy to shift managers around from plant to plant every few years, managers take the short-term view. Why take on the headaches of a new line when you are not likely to be there to enjoy the benefits? The state combats managerial resistance to innovation by pressure and by direct orders, but recent economic literature continues to be full of discussion on how to speed up innovation.

Professor Berliner warns us not to conclude that the USSR economy does not work well. He emphasises that he does not seek to suggest that the Soviets are ineffective but to throw light on the gap that every economy shows between the ideal and the actual. He drives home his point by comparing Soviet and American managers. American managers are extremely efficient, but it would be fatuous to claim that they are one hundred percent efficient. Exploration of the gap between the ideal and the actual in American management will help to place the corresponding gap in the USSR in perspective. We will explore this next week.

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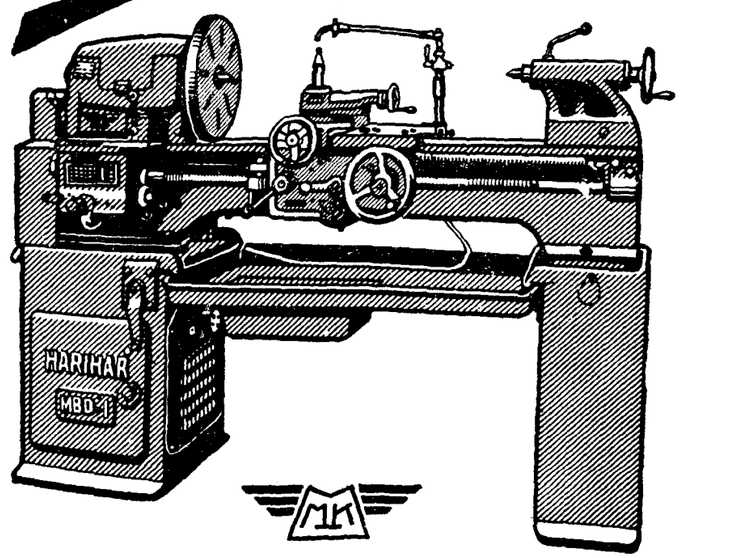
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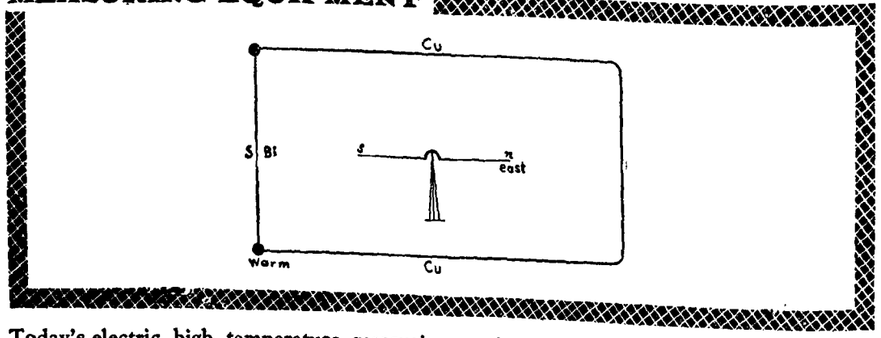
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THE
THERMOCOUPLE CIRCA 1800

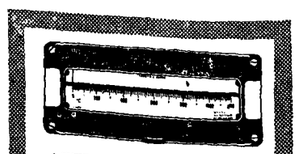
THE TRAIL-BLAZING OF A DEDICATED SCIENTIST PAVED THE WAY FOR TODAY'S HIGH TEMPERATURE MEASURING EQUIPMENT

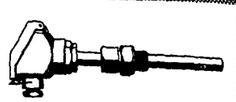


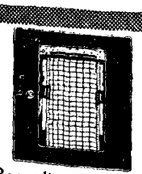
Today's electric high temperature measuring equipment owes much to the pioneering of an early 19th century scientist. Seebeck's discovery—like most great findings—stemmed from a simple experiment. He joined a copper wire and bismuth wire at each end, heated one junction and discovered that an electric force was generated.. Seebeck had made the first thermocouple and the principle for electric high temperature measuring equipment was established.

In 1826, another scientist, Becquerel, converted the principle to practical use. He joined two strips of dissimilar metals, immersed one junction in a bath of mercury and attached the other to a dial indicating instrument. He heated the mercury, checking its temperature with a thermometer. The electric force thus generated caused deflections in the dial indicator. By relating these deflections to the thermometer readings Becquerel calibrated the dial indicator up to 300°C. He further extrapolated temperatures up to 1350°C. Seebeck's and Becquerel's experiments paved the way for the modern thermocouple.

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The European Scene

ITALIAN NEO-CAPITALISM

From Our Special West European Correspondent

PARIS, November 18

THE Italian economic miracle is now a decade old. Whether or not expansion can be maintained henceforth at the same pace as in recent years (and there is no good reason why it should not; it might well even gather momentum), it is clear that Italy has undergone an irreversible change: economic progress has become a habit, something that all entrepreneurs take for normal. Business confidence will have its ups and downs, as in the past, and the level of activity in other countries will impinge on Italian industry, but the economy will never be the same again. Something broke around 1950, releasing a new current into the nation's economic life, a current that will flow now strongly, now hesitantly, but which cannot be snuffed out. What was it that broke?—so that, for example, the production of petro-chemicals was multiplied by 23 between 1953 and 1960, and so on through the list of manufactures. Looking back to the crucial period when Italy got over a watershed in her history, one can see various factors that were no doubt necessary conditions of the mutation: the monetary stabilisation, American assistance and the initial liberalisation of foreign trade. Yet these do not seem sufficent to have triggered the transformation of Italian industry. The discovery of the vast deposits of methane gas in the Po valley, occurring at the psychological moment and falling into the hands of Enrico Mattei, was probably a more decisive fact. Once the process was set going, for whatever reason, it is easy to see why progress should be rapid: 20 years of Fascism and then the war had cut Italy off from most technological advance, so there was bound to be a period of feverish catching up. The large reserves of unemployed, the loss of the colonies and all imperial ambition, and the low level of military expenses meant that resources were available for this effort.

Nevertheless, given the structure of Italian industry, it was perfectly possible that all these opportunities could have been missed. The most important sectors were dominated by one or two big firms each, and these unadventurous corporations were long used to exercising their monopoly powers to resist all innovation. Edison in electricity, Montecatini in chemicals, Fiat in motor cars, the ENI in oil and the other private or public corporations each in its respective sector, were not seeking to stimulate, and did not even expect, the mutation that was soon to come over the Italian scene. Italian capitalism was corporate in structure (in the medieval sense of corporation) and unenterprising in character; it resisted the liberalisation of trade, denounced the first plans for a European Common Market and opposed the establishment of an integrated-cycle steel industry in the peninsula. The decisive change that was to transform Italy would not, it appeared, come from that quarter. But it did, if Eugenio Scalfari is correct in his reading of 'Italian Neo-Capitalism' in a book of that title just published. (Rapporto sul neocapitalismo italiano).

He claims that events in Italy provide a demonstration of the notion of "lateral entry", as defined by theorists of imperfect competition. When each branch of basic industry is more or less monopolised by one enterprise, it is virtually impossible for new competitors to arise within any sector. The monopolist that dominates that market can wipe them out before they become dangerous: by cutting them off from raw materials, asphyxiating them by denying them access to the distribution network, ruining them by dumping, and in general using its vast financial resources to prevent disturbing outsiders attaining the large scale of operation necessary in any important modern industry. In these conditions, a sort of equilibrium may be reached, where economic growth and innovation are resisted successfully. Unless—and this is the one danger that the big corporation cannot ward off—another corporation equally big but hitherto confined to its sector decides to break all the rules and invade a neighbour's kingdom. That is "lateral entry". Once the oligopolies begin treading on each other's toes, the equilibrium is broken and growth (very rapid growth at that) becomes possible.

This is what happened in Italy in 1949-50, and Scalfari claims to be able to pinpoint the instant when one monopoly resolved to break the rules—which, as long as they were observed, were conveninent for all the big firms concerned, though not for Italy. That moment came when Edison, the biggest electric supply firm, panicked at the thought that electricity might be nationalised. It has been since, this very year; but the project had been in the air for over a decade, for it was the prime condition of political co-operation between the ruling Christian Democrats and the non-Communist Left. Foreseeing the day when it would lose its productive assets, Edison very reasonably decided to launch out into a new field. Since electric power is by far the most important "raw material" in several branches of the chemicals industry, it chose chemicals. But that meant declaring war on Montecatini, which at that time produced in Italy: 90 per cent of pyrites, 92 per cent of dyes, 86 per cent of nitrogenous products, 70 per cent of aluminium, 75 per cent of superphosphates, 75 per cent of rayon—and so on through the list; in short it dominated the chemicals industry as comfortably as Edison and its allies did electric supply.

Hostilities commenced in typically Italian style: Edison stole from Montecatini its most brilliant chemical engineer, Angelo Fornara. (Signor Fornara is a key man in the story, because when Enrico Mattei decided some years later to invade chemicals, in turn, he stole Fornara from Edison.) Though irritated, Montecatini watched Edison's first steps in the chemicals industry with some condescension, perhaps hoping to acquire on the cheap Edison's ambitious plant when the electric supplier discovered how difficult the new field was. In that, they underestimated the immense reserves Edison had built up during its long career as an electric supplier with dominating power over rate-fixing, and its anxiety to put those reserves beyond the reach of a government that might decide to nationalise electricity. Edison's ventures were bold, imaginative and successful and by the time Montecatini realised the extent of the danger it was too late—the oil monopoly under Enrico Mattei had entered the fray, because Mattei was as afraid of being strangled by his private enemies as Edison was of being nationalised. At least, it was too late for any other answer than the one Montecatini chose: it fought back by expanding in

other chemicals branches and by invading other people's preserves in its turn: Mattei's, by beginning to prospect for oil, and then Edison's, by taking up nuclear energy.

The gloves were off, and the old corporative structure of Italian industry shattered beyond repair. Edison's enemies stepped up the campaign for the nationalisation of electricity, and began revealing to the public just what profits Edison had been making thanks to its power over rate-fixing. More important than this political mud-slinging was the price war they unleashed. When Mattei and Edison had their fertiliser plant at work, they began with price cuts of 15 per cent which soon became 70 per cent. The price of polyethylene crashed in two years from 800 liras a kilo to 260, which is lower than the American price. To wage this battle, the firms involved had to multiply their turnover by proportions never before seen in Italy and push the country along the way to the era of mass consumption. Indeed before long, production was reaching figures that Italy alone could not cope with, and the big corporations became converts to the Common Market faith. From there on the story is familiar, but Scalfari thinks he has found its starting point in the war that Edison and the ENI of Enrico Mattei declared on Montecatini.

"The battle", he added, "is far from finished. In a sense, one could say that it is just beginning. The positive aspect of this phenomenon is evident: by creating for the first time a vast market in our country and by restoring a minimum of competition in a milieu hitherto dominated by corporative relations, it has unleashed a whole set of centrifugal forces and countervailing powers previously unknown in Italy. If this movement is continued .... democracy in our country only stands to gain." It is true that the story of the Italian miracle cannot be told without mention of the transformation that occurred within (and in relations between) Montecatini, Edison, ENI, Fiat, Snia Viscosa, Pirelli and Italcementi; these firms and a handful of others are behind almost everything that has happened in the peninsula. It is the extent of their resources, for example, that explains how industrial expansion has occurred with very little recourse to bank finance and only a modest appeal to the stock market. The sinister power of High Finance, if that suggests the banks and the bourse, has played no role, so to speak, in the long industrial boom, because the funds for it were found by the erstwhile monopolies in the acquired substance they had after many years of comfortable and non-competitive living.

That hostility among this small group of corporations explains much of Italian economic progress seems to be contradicted by the fact that their capital structure today is interlocking: each owns a good packet of the others' equity. Scalfari finds the reason of that in a mutual defence reaction to take-over bids by outsiders. Early in the 1950's "old-style" capitalists (families that had amased fortunes in textiles, mainly) saw that technological progress favoured the new industries (chemicals, oil, automobiles) and sought to take them over in stock-market raids. This would have been fairly simple, because the interests that in fact managed those corporations held quite small parts of the share-capital: the Pirelli family hold only 8 per cent of the stock in the company of that name, for example. To guard against the invasion of interlopers, the big corporations exchanged blocks of stock so that each held the other to ransom and all were safe from take-over bids. The breaking down of the system of monopoly "reserves" was compatible, it seems, with co-operation at the level of defence against interests from outside the small field of giant corporations.

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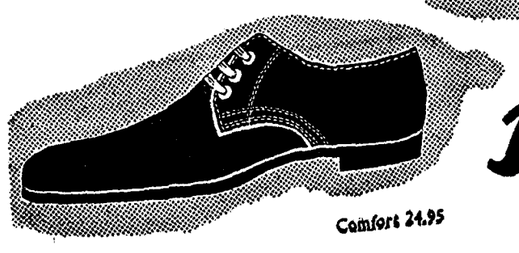
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P. 15 (a)

Economic Report from the U.S.

DOLLAR STABILITY

By GUY SIMS FITCH

WASHINGTON, November 13.

THE U.S. dollar has weathered the Cuban situation in fine style — a tribute to the underlying international confidence in its stability and to the highly effective co-operative measures which have been worked out by the United States and other free nations for handling financial strains. This combination has discouraged speculation and has helped the dollar meet all the demands placed upon it. Dollar stability has remained strong even in the face of some disappointing developments. The U.S. economic advance has continued, but at a somewhat slower pace than anticipated, and the U.S. balance of international payments suffered a temporary worsening in the third quarter of this year after many months of steady improvement.

These developments have intensified the long-smouldering interest in expansionary policies. Normally, one might expect a balance-of-payments deficit to rule out such policies, which could enlarge the deficit in the national budget and could lead to price increases. In theory, both of these outcomes would be inflationary and would affect a nation's ability to compete in world markets. Significantly, however, expansionary U.S. policies seem to be winning general acceptance. At the recently concluded meeting in Paris of the Organization for Economic Co-operation and Development (OECD), considerable support seems to have been expressed for American policies, including tax cuts, that would further accelerate U.S. economic expansion. There is growing recognition that these policies need not lead to serious inflationary pressures in the United States, even if the result were a temporary enlargement of the budget deficit. With the economy still operating well below its potential and ample productive capacity available, U.S. production could increase substantially without generating any serious upward pressure on the general price level. In addition, a vigorous U.S. expansion would tend to benefit other nations as well, in view of the important position the United States occupies in international trade, finance and investment. It is even conceded that a U.S. policy of expansion could have a favourable impact on the balance of payments. Improvement in U.S. economic growth could encourage a flow of investment capital to the United States, and this would be an important plus in U.S. international accounts.

Behind this reasoning is an appreciation of the basic soundness of the U.S. position at home and abroad. The deficit in the balance of payments has been diminishing markedly for two years, and will be noticeably lower this year than last despite the recent faltering. This deficit moreover, is not caused by any basic trade weakness, as U.S. merchandise exports continue to outrun imports by some $5,000 million a year. Rather, it is due to the next outflow of capital in such forms as government economic and military aid and private tourism and investment. Indeed, U.S. private investments abroad can be viewed as important assets which help stimulate exports to some degree and which, through their earnings, may well contribute in time to the strengthening of the U.S. payments position.

It also is recognized that the world has in the dollar an acceptable, convertible and reliable medium of exchange, which everywhere commands goods and services or gold. In effect, international exchange rates are tied to it. It is hard to find any disagreement with President Kennedy's observation, at the recent Washington meeting of the World Bank and the International Monetary Fund (IMF), that if the dollar did not exist the world would have to invent it. IMF Director Per Jacobsson re-emphasized these points of view at the recent National Foreign Trade Convention in New York. In a major address to the 2,000 business men and observers present, he called attention to the soundness of the U.S. economy and strongly suggested that intelligent expansionary policies could be pursued at this time without unduly upsetting the considerable progress that has been made toward easing the deficit in the balance of payments. The IMF Director also hailed the international co-operation that has been developing among the free nations in trade, fiscal and monetary fields. He noted that intensification of this co-operation could contribute to further economic gains not only in the United States but around the world.

OUR HUMBLE OFFERINGS TO THE DEFENDERS



OF THE MOTHERLAND

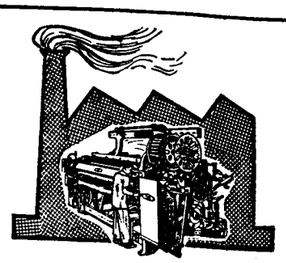
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Special Article

HOLDING THE PRICE LINE

HOW can the iron laws of economics be softened in a national emergency so that the pressures are not unevenly communicated to the masses? One major problem which has disturbed the planners is the anticipated rise in prices as a result of the bottlenecks which are likely to emerge in the foreseeable future (unless the Sino-Indian war is not prolonged) and when defence expenditure steadily mounts, increasing the volume of money supply in the hands of the public. Numerous suggestions have been given and some of them have already been discussed at length in the columns of this journal. Price determination by the Stabilisation Committee, the consumer co-operatives, the fair price shops, the display of price lists, and a host of other recommendations have been listed so that the man in the street who is bending all his energies to drive out the invader is not put under hardship by unscrupulous elements of society. The purpose of this Special Article is to assess how far the pressure of additional money is likely to be instrumental in generating inflationary pressure in the light of the recent history and how the impact of mounting money supply can be reduced.

It will be necessary first to highlight an extraneous factor which has a great bearing on the price situation in recent weeks. The psychology of the people has played a dominant part in not allowing prices to rise. Remarkably, the people have felt that this is a war in which nation's independence and territorial integrity must be protected and anybody who takes a wrong step so as to thwart the defence effort will be working against the national interest. All sections of society, especially the business community, have assisted in keeping the prices down. The consumers have also lent their support by curtailing their purchases and have preferred not to increase their indents out of sheer panic. In certain sectors, there has been even a virtual debacle in prices. In the light of these considerations, whatever measures are necessary to curb the rising prices will relate to long-term trends and not for the short-term period.

The table below sets out three series of economic indicators, namely, the wholesale prices, the money supply and the national income since 1951-52. Prima facie there is a close correlation between these three economic barometers. Any increase in money supply, if not simultaneously compensated by rise in national income, results in pushing up the prices. The movements have been of fluctuating nature and two clear-cut trends are apparent. In the case of prices, the break which started early in 1952 continued its downward trend unabated till

MONEY SUPPLY IN RELATION TO NATI ONAL INCOME AND WHOLESALE PRICES

Period	Index Numbers (Base: 1951-52 = 100)			Deviation of Wholesale Prices from Money Supply (1—2)	Deviation of Money Supply from National Income (2—3)	Net Variation of Prices and National Income from Money Supply (4+5)
	Wholesale Prices	Money Supply	National Income**			
	(1)	(2)	(3)	(4)	(5)	(6)
1951-52 ..	100.0	100.0	100.0	..	..	..
1955-56 ..	78.4	120.0	115.2	—41.6	+ 4.8	—36.8
1956-57 ..	89.2	126.8	120.9	—37.6	+ 5.9	—31.7
1957-58 ..	91.9	130.7	119.6	—38.8	+11.1	—27.7
1958-59 ..	95.7	136.8	128.0	—41.1	+ 8.8	—32.3
1959-60 ..	99.2	147.3	130.2	—48.1	+17.1	—31.0
1960-61 ..	105.8	155.4	139.5	—49.6	+15.9	—33.7
1961-62 ..	106.0	164.8	142.5	—58.8	+22.3	—36.5
1962-63 (Estimated) ..	109.7	175.7	142.5	—66.0	+33.2	—32.8*

* Average for 7 years.

** At 1948-49 prices.

1955-56 — the last year of the First Five-Year Plan. The phase of increasing deficit financing started with the Second Five-Year Plan which pushed up the money supply with the public much faster than in the First Five-Year Plan with the result that the increase in national income was not able to neutralise completely the effect of increased money supply and hence prices recorded a pronounced recovery. It is to be conceded, however, that the national income statistics in this comparison have got to be employed with some reservations because of the large percentage (believed to be nearly one-third of the total income) of the non-monetized sector. Since the varying ratio of the monetized and non-monetized sectors of the national income are not known, we are compelled to make use of this overall indicator. In any such calculation, however, the correct measure would be to relate the monetized income to money supply and wholesale prices. By and large, the comparison shows that the increase in money supply has invariably been followed by a rise in prices. That has been the pattern during the past decade; the economy may not operate differently in the future.

It does not mean, however, that national income would fail to rise in the coming years. In fact, the present trends show that with the same resources, the country is now being geared to war economy so as to produce much more than has been done in the recent months. To that extent, again, the increased supply of goods and services will produce a whittling down of the inflationary rise in prices. The diversion of the resources to certain strategic materials for conducting the war and the increased purchasing power in the hands of the people will, however, continue to press on prices. If during the next four months, money supply is increased by another Rs. 200 crores while national income—at least the consumer component—remains static, the increase in prices may be of the order not more than 3 to 4 per cent*. This is the impact of enforced circumstances and the hardship is not so great which the people may not be able to put up with. In fact, in the recent years, even under our five-year plans, inflation of this order has been tolerated by the people. Anything above that may be intolerable and must be curbed by regulating the economy which, however, it is known will not completely save the situation. Controls, as a matter of fact, should be imposed only as a last resort, whether through fair price shops or through the imposition of fixed prices or through any other means. If the supplies become scarce, not everyone is likely to obtain them at equitable prices. That may be the price that the people have to pay for waging the war and driving out the invader. The nation in its present mood is willing to put up with these hardships and there need not be any doubt that with the instruments available in the armoury of the Government it will be possible to keep the demon of rising prices under control and people will bear with fortitude any difficulties that may ultimately arise.

* The index of wholesale prices with base 1951-52=100 may rise from 106.0 in 1961-62 to 109.7 in 1962-63.

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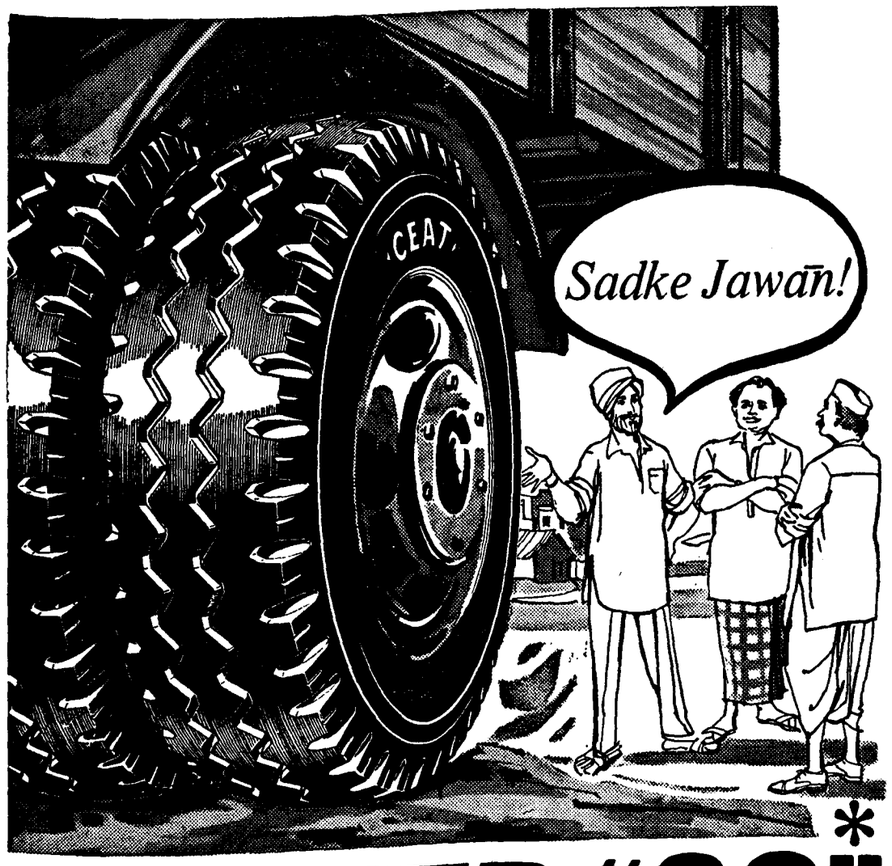
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Alongside these spontaneous offers to give of their best, all sections of the public, more particularly the business community on whose role depends, to a great extent, the morale of the common man, have also made a number of constructive suggestions which require to be carefully and promptly looked into. For instance, Mr. A. D. Shroff suggested the other day that the Government should introduce war risk insurance without delay. This is an eminently constructive suggestion, a suggestion motivated not by any desire to make sure of recovering personal losses by business men, but by a genuine desire to see that no effort is spared to sustain the morale of the business community. And yet, the business community has still been patiently waiting to hear of a concrete move on the part of the Government in the matter. In contrast to this tardiness, I vividly recall the expeditious manner in which insurance protection was made available to business men when there was an explosion in the Bombay docks in the forties by the alian Government then in power. The enemy and the war, we should have known at least by now from our bitter experience of the past few days, will not wait until we have made all our preparations. What is urgently needed is a sense of furious urgency in all these matters, and if Mr. Chavan succeeds in instilling this sense of urgency, I make bold to say, he will have won half the war against the Chinese.

Business Notes

Shipping

MODERNISING MAHARASHTRA'S MAIN PORT

UNDER THE development programmes envisaged in the Third Plan for major ports, the Bombay Port has been allotted an outlay of Rs. 26 crores for dock modernisation schemes, dredging of the main harbour channel, expansion of Ballard Pier, and a labour housing scheme, among others. It will be recalled that the World Bank agreed to provide the needed foreign exchange component of this total outlay, namely Rs. 8.57 crores. According to the latest annual Administration Report of the Bombay Port Trust (B.P.T.), the scheme for combining Victoria Dock with Alexandra Dock was modified and accepted as recommended by Mr. Posthuma, Managing Director of the Port of Rotterdam, whose services were secured by the Government of India. The modified scheme — the Dock Expansion Scheme (1962) as it is called — provides for the extension northwords of the eastern arm of the Alexandra Dock Basin so as to form four deep-water berths and for the shifting of the Ferry Wharf to the KLM berths, Prince's Dock, thereby releasing three more deep-water berths. With regard to the Dredging Project, the whole contract for dredging of the main channel and tanker anchorages has been given to a Dutch firm, to be carried out in two phases, involving the deepening of the middle and the northern portions, with the option, for the Port Trustees, if need be, to terminate the contract after the first phase is completed. Among others, the work of hydrographic survey of the entire harbour and the collection of siltation data, which were in progress even when the portion of the harbour between Trombay Jetty and Butcher Island was being surveyed, has since been completed.

Since the inception of planning in the country, there has been a phenomenal increase in the volume of cargo handled at the docks and bunders in the Bombay Port. Thus, the total weight of cargo handled in 1951-52 which amounted to 7.6 million dwt. — 5.9 million dwt. in imports and 1.7 million dwt. in exports — rose to 14.55 million dwt., with imports comprising 10.41 million dwt. and exports 4.14 million dwt., in 1961-62.

The year under review was one of record surplus for the Bombay Port. The Trustees closed the General Account for 1961-62 with a surplus of as much as Rs. 392.37 lakhs, as against a surplus of only Rs. 268.62 lakhs envisaged in the revised estimates. The Pilotage Account showed a surplus of Rs. 13.08 lakhs, as compared to the estimated surplus of Rs. 10.76 lakhs in the revised estimates. Even so, it is intriguing that the report should be rather apologetic, instead of being jubilant, about this surplus. This is probably because, according to the Report, this surplus is negligible in the context of the Port's steadily mounting expenditure. The B.P.T., we are told, has made payments of approximately Rs. 1.00 crore to the staff since 1962, by way of arrears of pay and allowances on account of the implementation of the decisions of the Jeejeebhoy Committee and the recommendations of the Second Pay Commission. The effect of the increase in the emoluments of the staff as above is estimated to cost about Rs. 28 lakhs from the current year onwards. In addition to these, the Report fears, the heavy expenditure ahead of it, when the implementation of the schemes of the Third Plan starts, would entail a heavy drain on the Port's reserves. All this is understandable, and one can also sympathise with the B.P.T. in its plight, but one only hopes that considerations of finance will not come in the way of prompt implementation of the work in hand. Indeed, the present emergency demands that the pace of implementing the programme of work should be accelerated as far as practicable.

I.O.C.

COLLABORATION WITH MOBIL

THE INDIAN OIL COMPANY, the Government-owned marketing organisation formed in 1959, has taken over the distribution of Mobil premium industrial and automotive lubricating oils and greases in India. This follows an agreement concluded recently with Mobil Petroleum, a wholly-owned subsidiary of the Socony Mobil Oil Company, Inc., whose products are sold in more than 150 countries and territories. Consignments of Flying Red Horse brand products have started arriving from the USA and are ready for distribution in India.

As part of an over-all agreement with the Mobil Petroleum Company Inc., New York, a new company, the Indian Oil Blending Limited, will be formed on a 50-50 partnership arrangement. This joint company will construct and operate two plants for the blending of industrial and automotive lubricating oils, one at Bombay and the other at Calcutta. Construction work will begin shortly. Both the plants are expected to go into production in a year.

The signing of the agreements with the Indian Oil Company assures the continued availability of Mobil products in India, despite the breakup, last April, of the Standard Vacuum Oil Company. It may be recalled that Standard Vacuum, originally owned 50-50 by the Socony Mobil Oil Company and the

Standard Oil Company (New Jersey), was divided between its owners, after 29 years of operation in South and South-East Asia, the Far East, Australasia and Southern and Eastern Africa. Virtually, all the products marketed by Standard Vacuum bore the Mobil name and the Flying Red Horse trade mark and conformed to Mobil specifications. Under the terms of the equitable divisions of assets, India was one of the countries wherein Standard of Jersey assumed the business of Standard Vacuum.

Commenting on the new Agreement, Mr. P. A. Gopalkrishnan, Managing Director of the Indian Oil Company, said: "We welcome the opportunity to participate with Mobil in this business venture. Their products, bearing the Flying Red Horse trade mark, have been sold in India since before the turn of the century, and our studies show the consumer, who has come to depend on them, wants them to continue on the Indian market. Besides the products and their reputation and the financial commitment, Mobil has assured us of such continuing technical assistance and training programmes as are needed to make it possible for the Indian Oil Company and its Indian personnel to best serve Indian industry".

Referring to the same agreement, Mr. V. A. Bellman, President of Mobil Petroleum, said in New York: It was inconceivable that Mobil would not take a vigorous initiative to return its products to India. The growth of India's industrial complex under her Five-Year Plans has been impressive, and her plans for further development in a free society promise tremendous growth opportunities for the nation, her people and commercial enterprises. Our participation in these ventures demonstrates our interest in India and the Indian economy. The past reception of Mobil products in India makes us confident that our new arrangement will be welcomed by the many thousands of former customers. We envisage a steady growth in the sale of Mobil products there".

Oil

ROYALTY DISPUTE SETTLED

THE PRIME MINISTER has given his award on the oil royalty dispute in Assam. He has fixed the rate of royalty at Rs. 7.50 per ton. This would be a specific figure per ton instead of being based on a calculation on the well-head value of crude as has been the case hitherto. Further, the rate would be a uniform one applicable to the whole of India and not only to Assam.

The dispute arose on the rate of royalty to be paid by Oil India Limited to the Government of Assam. Until July, 1961, the royalty had been calculated at 10 per cent of the well-head value of crude "in a substantial free market" which had been equated to the Oklahoma prices in the United States. This worked out to about Rs. 10|- per ton. In July, 1961, as a result, however, of an agreement between the Central Government and Oil India, this rate was reduced to Rs. 4.8 per ton.

The Prime Minister's Award has held that it would not be appropriate to continue the old basis of calculating the rate according to the prices prevailing in a foreign market. At the same time, in the present stage of exploration and development in India it would be difficult to arrive at a proper definition of a well-head value. The Award, therefore, has taken into account the actual selling price of crude oil in India (imported as well as indigenous), which ranges around Rs. 75|- per ton, as an index for apportioning the incidence of royalty. At 10 per cent of Rs. 75|- the royalty has been fixed at Rs. 7.50 per ton. It has been further provided that this rate should remain in force for a specified period of 4 years and could be reviewed at the end of that period.

Steel

RETENTION PRICES AND THE EMERGENCY

MR. J. R. D. TATA'S statement to the shareholders of the Tata Iron and Steel Company Ltd., brings forth a forceful rebuttal to the arguments presented by Mr. C. Subramaniam, Union Minister for Steel and Heavy Industries, about a couple of months ago in regard to the steel retention prices. Most of the arguments are almost the same which were listed by Sir Biren Mookerjee in his long speech last week, but Mr. Tata has particularly highlighted the fact that the judgment of the Tariff Commission was based on a study of performance of these units during the last two years and hence there was very little cause for the Government to whittle down the retention prices as recommended by the Tariff Commission. He further stated that the assumption made by the Government that the steel companies have enjoyed the benefit of large interest-free deposits from the customers was not based on facts. He particularly objected to the verdict of the Government in reversing its previous decision that the retention prices should include an element for the repayment with interest of their special advances in terms of their agreements with the companies.

Despite these differences with the Government, Mr. Tata rose to the occasion by making a categorical statement that in view of the national emergency created by the Chinese invasion, the company would make an earnest effort to provide unstinted co-operation to the Government in its war effort. That is a very reassuring statement because in the present emergency the safety of the country must come on top of all other considerations. The dispute about the retention prices pales into nothing while placed along with the peril to the nation.

Cement

HIGHER OUTPUT

WHILE INAUGURATING the Mysore Cements Factory recently at Ammasandra, near Bangalore, Mr. C. Subramaniam, Union Minister for Steel and Heavy Industries, indicated that, in the face of the present emergency, it might be necessary to revise the cement production target upward. The present output of cement is around 10 million tons and the present target for the end of the Third Plan is about 16 million tons. It might be added that the target for the Second Plan was originally much higher but had to be scaled down. Now that the shortages of cement have been insistent and there has been an added demand, the Government has good reasons to step up the target. In fact, it was revealed at the occasion that the Planning Commission would actually be considering the proposal.

It goes without saying that a basic industry like cement has to play an important role in building the economic and military strength of the country and this is the time to implement various vital projects

more efficiently and effectively. It was in this light that the Minister welcomed the commencement of this unit of Mysore Cements which has been accomplished as a result of collaboration between Indian and American enterprises. On this occasion tributes were paid to the entrepreneurial capacity of the promoter, Mr. S. K. Sarangapani Mudaliar as well as his American collaborator, Mr. Edgar Kaiser. The present capacity of the unit that has commenced production now is 100,000 tons per day. Foundation was also laid for the second stage of the plant which, when completed by the end of 1963, would result in doubling the present capacity.

This occasion also gained significance on account of the generous offer made by Mr. Edger Kaiser. He made it known that being the head of the Kaiser organisation in the U.S., he was prepared to place all their resources at the disposal of India for the purpose of meeting the emergency. This friendly offer coming at this critical juncture has to be appreciated. This gesture was further substantiated by a donation of Rs. 1 lakh in dollars to the Defence Fund. This indeed is a healthy indication and is a pointer to the fact that the private entrepreneur in America has started taking added interest in the economic uplift of our country in the face of the present emergency.

Explosives

MANUFACTURE BY DHARAMSI MORARJI-KHATAU

THE GOVERNMENT of India seems to have given the green signal to the Dharamsi Morarji-Khatau combine to manufacture explosives in this country. The foreign collaboration will be by the famous Italian firm Montecatini. Dharamsi Chemicals and Khatau and the foreign collaborators will each provide 33 per cent of the equity capital and the balance will be offered for public subscription. A new company with an equity capital of Rs. 3 crores is proposed to be floated for implementing the projects. proposed plants will have a capacity to manufacture 6,000 tons of nitro-cellulose, 10 million coils of safety fuses and 50 million detonators.

The well-known Italian firm of Montecatini has a considerable experience in the manufacture of explosives and its collaboration with the Indian firm is considered to be most timely. There has been increasing demand of nitro-cellulose and coils of safety fuses in this country and the Dharamsi Morarji-Khatau combine is likely to meet this demand to a great extent.

Leaving aside the manufacture of explosives it is also interesting to note that Dharamsi Chemicals also proposes to diversify its activities further by taking up the manufacture of strategic boron products, such as borax and boric acid, in collaboration with the well-known British firm Borax (Holdings) Ltd. which controls 70 to 80 per cent of the world's borax deposits and is the biggest producer of the borax in the world with a business net-work spread over the U.K., France, Spain, Australia, the U.S.A. and Latin America. Nearly 80 to 90 per cent of the Indian requirements of borax are also met by the British firm. Since borax is a vital raw material for a number of industries like glass, enamels, porcelain and detergents, the diversification of the activities of this company is considered very heartening for it would not only save foreign exchange on the imported stuff but would also provide requirements of agriculture in the form of boron. A new company named Borax Mararji Ltd. is proposed to be set up for the aforesaid purpose. The foreign collaborators are understood to have agreed not to charge any fee or royalty for the supply of technical know-how. The Dharamsi Chemicals is at present going ahead with its scheme of setting up of a new sulphuric acid plant with a production capacity of 300 tons per day. Orders for the necessary machinery and equipment have already been placed and the plant is expected to be commissioned by the end of next year.

New Floatations

HIND AUTO INDUSTRIES

THE INDIAN Automobile Industry moves a step forward as a result of the installation of a factory by Hind Auto Industries Limited for the manufacture of components. This new company has been sponsored by Premier Motors Private Limited of Lucknow in collaboration with the West German firm Alfred Sell Autoteilefabrik GmbH. The plant will be located at Lucknow and will manufacture tie rod ends, spring shackle bolts and pins and king bolts. In fact, the sponsors of this company, Messrs. Premier Motors Private Limited, are licensed to manufacture automobile components like tie rod ends, universal joint couplings, water pump repairing kits, king bolts and crown wheel tail pinions.

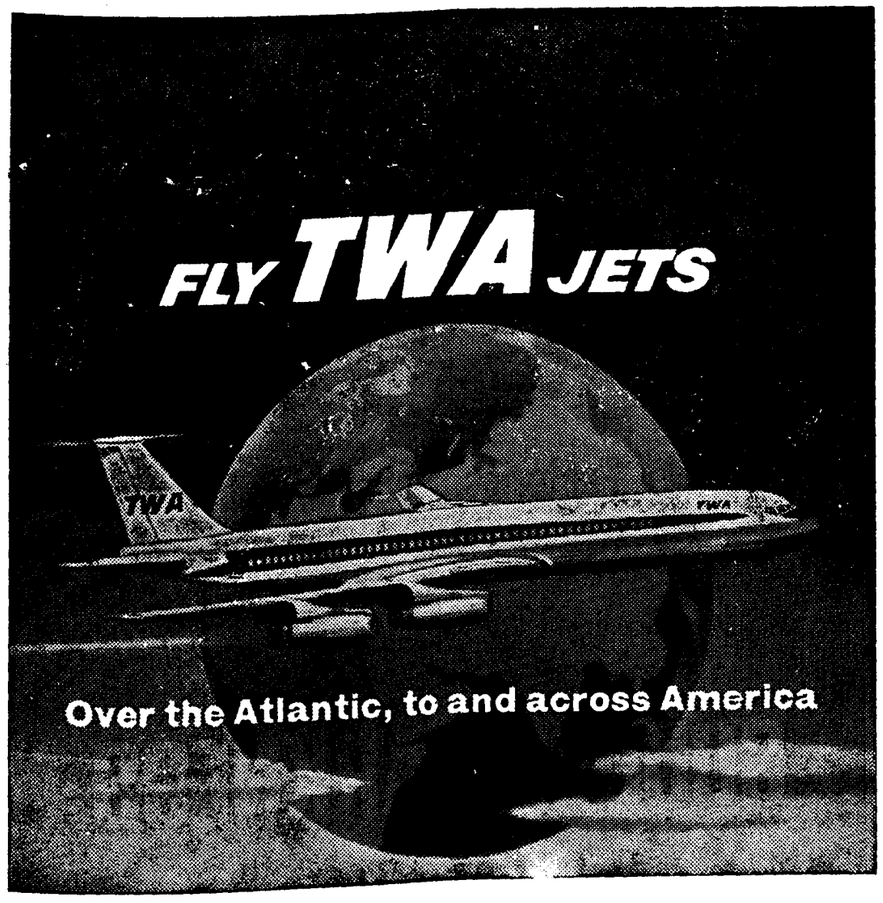
Now the Premier Motors has asked the Government of India for the transfer of this licence to the new company. The licensed capacities for different items in the first, second and third years of production as follows:

Items	1st year	2nd year	3rd year
Tie Rod Ends	2,00,000	3,00,000	3,60,000
Universal Joint Couplings	40,000	48,000	48,000
Water Pump Repairing Kits	22,000	26,400	26,400
King Bolts	78,000	1,17,000	2,34,000
Spring Shackle Bolts and Pins	2,50,000	3,75,000	7,50,000

The foreign exchange required for the import of machinery is reported to have been sanctioned already by the Government of India and the company has submitted an application to the Controller of Imports and Exports for the import of machinery. The authorised capital of the company is likely to be Rs. 1 crore and the issued capital will be Rs. 50 lakhs, divided into 5 lakh shares of Rs. 10 each. The company is likely to approach the market to raise capital sometime before the end of this year.

MADURA MILLS

MADURA MILLS COMPANY LIMITED has grown into its present size during the last 70 years to be one of the largest textiles manufacturers in the country. Apart from the textile units, the company has diversified its activities and today it manufactures several items such as yarns used for the production of tyre cord, sewing, thread, canvas and industrial products like hard and soft ducks and fan belts. Now the company has planned further expansion and has obtained a sanction to install 450 modern automatic looms partly to augment production of industrial fabrics and partly to produce other medium weight fabrics. This project is to be followed closely by



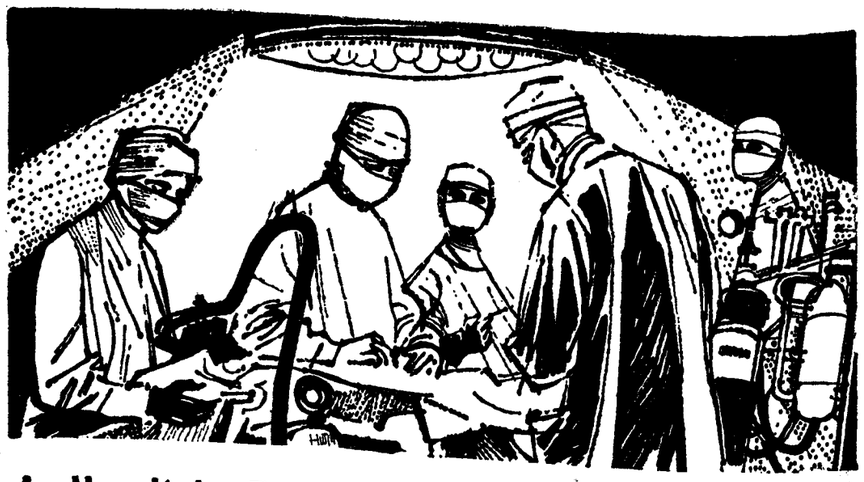
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dyeing, bleaching and finishing plant and further expansion of an additional 500 automatic looms.

To execute this programme, the company proposes to raise a sum of Rs. 1.25 crores by the issue of 7 per cent debenture stock 1974|76 in units of Rs. 1,000 each at par. The entire amount of this issue has been underwritten by various institutions and the company has agreed to a firm allotment of Rs. 63.75 lakhs debenture stock to these underwriters: The Industrial Credit and Investment Corporation of India (Rs. 16 lakhs); Great Eastern Shipping Company Limited (Rs. 20 lakhs); Pandyan Insurance Company Limited (Rs. 1.25 lakhs), Paternson and Company Limited (Rs. 7.5 lakhs); Chitra and Company (Rs. 11.5 lakhs) Harkishondass Lukhmidass (Rs. 7.5 lakhs). The remaining debentures are to be thrown open for public subscription on November 26. The list will close on November 30 or earlier at the discretion of the directors but not before November 28.

I.L.O.

NEED FOR MANPOWER CO-ORDINATION

ALTHOUGH CONSIDERABLE economic development has taken place and social welfare has been brought about in the Asian countries, yet it cannot be said to be commensurate with the magnitude of human needs. National and international action, therefore, will have to be accelerated to speed up the process of development in the Asian countries, so says the annual report of the Director-General of the ILO on social and labour policies in relation to the economic development problems of Asian countries. This report would figure as the first item on the agenda before the Fifth Asian Regional Conference to be held at Melbourne, Australia, from November 26 to December 8, 1962.

Mr. Morse, Director-General of the ILO, analyses the process of economic development in this report from the standpoint of the ILO and the suggestions that he makes are mostly from that angle. It is true that social change would not come just in the wake of economic development and therefore some direct purposeful action will have to be resorted to to bring about that change. The major needs of the Asian countries at the moment are that there should take place a rapid development in the rural areas and small-scale industrial undertakings be put on a suitable footing because they constitute a major segment of the national industrial structure. To have appropriate manpower development programme is also very essential as without proper manpower development programmes it may not be possible to execute our plans in a rightful manner and eliminate the crucial bottlenecks that exist in the process of development. Unemployment problem will have to be solved in a more extensive manner so that the fast-growing population in search of work may be able to contribute positively to the economic growth instead of acting as a drag on it. A strong trade union movement is, of course, the need of the hour because it is only through a strong trade union movement that a healthy collaboration can be brought about between the employers and the employees. The ILO has been conscious and statements have been made time and again in this respect but nothing concrete seems to have been done so far. It is high time that a serious thought is given to it.

There is no doubt that the process of development will have to be shaped in accordance with the needs and requirements of each country and the ILO could certainly help, as the Director-General has remarked, by intensifying the action in manpower development and giving further co-operation by lending it experts. But in view of the changing needs of the Asian countries, new lines of approach and types of assistance will be called for. In India the Institute of Applied Manpower Research has been set up, but it still is in a nascent stage. The staff there is rather limited and is not in a position to cope up with the work. Although it may not be advisable to recruit new personnel in view of the national emergency declared in the country, yet it would be wrong not to fill in the posts the need for which was realised long ago. Experts are needed to execute the various schemes and they by their experience either in research or in economic field, can certainly contribute to gearing the wheels of the economy to the war effort.

Non-Ferrous Metals

INCENTIVES REQUIRED FOR FURTHER PRODUCTION

AT A time when there is an urgent need to utilise the capacities of various industries fully, it is in fairness with things that a plea has been made by Dr. D. P. Antia, presiding over the 13th annual general meeting of the Indian Non-ferrous Metals Manufacturers' Association, that the method be reconsidered of allocating metals to manufacturers. One can understand the very tight foreign exchange position, but the only way to solve this is to increase our exports and for that Dr. Antia's suggestion is that sufficient incentives must be provided in the form of credit facilities etc. The solving of procedural difficulties is, of course, a necessity and sooner it is done away with the better it would be.

The greatest drag at the moment that is felt by the Industry is in regard to excise duties. To solve the problem, Dr. Antia made a point that rules be amended in such a way that procedures were clarified and no ambiguities arose in the amount of duty to be levied. He urged upon the Government to take the association into confidence in regard to the interpretation of orders regarding excise duties. One way of minimising difficulties would be to impose duty on primary metal only, rather than on primary metal as well as on semi-manufactures in different forms and at different rates. Since the future of mineral and metal industries in the country was closely linked with the many fiscal and other levies imposed at various stages of mining, production etc., it would be proper to consider giving similar incentives to the mineral and metal industries in India as has been done in many other countries of the world. The need for further production of non-ferrous metals cannot be questioned as on it depends to a considerable extent the growth of various industries. Although efforts are being made in the Third Five-Year Plan to increase the production of copper, zinc, lead, etc., still they need to be intensified on a much larger scale.

So far as the proposal concerning the central industrial laboratory is concerned, Dr. Antia said that much has not been done in the matter and a fund will have to be created to execute the scheme successfully. Training of managerial and technical personnel is, of course, a necessity not only for the non-ferrous metal industry as such but for the development of the economy as a whole. It is, therefore, to be hoped that proper schemes and plans would not only be executed but also co-ordinated in the right manner.

Plastic Cables

RE-ORIENTATION OF THE CONTROL ORDER

THE DELHI Plastic Cables Manufacturers' Association, in a note to the Secretary of the Ministry of Commerce and Industry, has advocated that non-ferrous Metals Control Order 1958 should be reviewed in view of the present emergency. This, they say, is essential because there are certain loopholes and according to their past experience, certain consumers do not get sufficient raw material. They have, therefore, suggested that, in the first instance, a proper categorisation should be evolved in respect of (i) actual user industries, (ii) essential industries, (iii) non-essential industries and (iv) industries which deserve priority. Moreover, they desire that the position of middle men fabricators, such as wire drawers, should be properly defined and classified. They have further put forward the proposal that priority should be given to the industries which manufacture goods for export followed by those units which manufacture items that help to cut down imports and the third place should be given to the units which are categorised under actual users and are engaged in essential industries. They have further proposed that the middlemen fabricators—the wire drawers all over India for instance—should be asked to supply at least 50 per cent of their products manufactured against the stocks released by the Government, to the actual users engaged in essential industries. They should however be at liberty to sell their remaining 50 per cent stocks to whomsoever they like.

Another significant suggestion put forward by the Plastic Cable Manufacturers is that a directive should be issued to those processors of semis who possibly can switch on their production to drawing aluminium conductors. This, it may be added, was in the light of the fact that the policy of the Government of India was to encourage the use of aluminium conductors as far as possible. If once certain producers did that, it would be possible that other actual users would naturally divert their production to the use of aluminium conductors in those sizes where aluminium could be used satisfactorily.

These suggestions, it may be added, look quite reasonable and will have to be seen in the light that these producers should keep getting at least a part supply of raw materials so that their output machinery was not interrupted. It would be worthwhile that specific minimum quotas were made available to the established manufacturers.

Engineering

EXPORTS TO AUSTRALIA

IT IS A SAD commentary that engineering goods have not been able to capture the market in Australia where the demand for these goods exists in great abundance. Brands from U.K., West Germany and the U.S. keep on ousting the engineering goods from India in the Australian market. The recent report of the Indian Trade Mission in Australia states that our traditional items like jute goods, cotton piecegoods, tea, linseed oil and kardiseed oil are losing ground to Pakistan, Japan, China, Hong Kong, Ceylon and Indonesia. It also states that in view of this losing of the market for traditional goods, it becomes imperative that full attention be devoted to the export of non-traditional items like engineering goods for which there exists a considerable scope. In order to capture the Australian markets we will have to gear our publicity in the best possible manner. Until and unless this is done, it would be impossible to expect any substantial returns. The Exhibition Directorate of the Union Ministry of Commerce and Industry has decided to arrange India's official participation in the National Trade Fair to be held in Melbourne from February 27 to March 16, 1963. This is a step in the right direction as this would help us to display and publicise our goods in that market.

The foreign exchange earned by way of export of engineering goods although increased from Rs. 53,805 in 1959 to Rs. 1,03,212 in 1960, but it again fell to Rs. 88,745 in 1961. During the first nine months of the current year, exports were of the order of Rs. 3,13,711. There is no doubt that the latest trend is heartening to a certain extent, but the unsteady nature of exports of engineering goods to this region calls for much more efforts on our part. Although we are exporting about 20 different engineering items to Australia, only very few items like electric fans, sewing machines, small tools, machine tools and metal ware have fairly big export figures to their credit. The market ahead for engineering goods is great, it now depends upon us how we mobilise our efforts to capture that market.

CENTRAL REVENUE COLLECTIONS IN SEPTEMBER, 1962

THE REVENUE realised from items on which duties are levied and collected by the Central Government, in the first six months of the financial year 1962 63 amounted to Rs. 507.19 crores. Of this, Rs. 115.66 crores were collected during September, 1962. The corresponding figures for the first six months of the financial year 1961-62 and for September, 1961, were Rs. 441.38 crores and Rs. 102.40 crores, respectively.

The following are the details of the revenue realised under various heads:—

(In Lakhs of Rupees)

Revenue Head	September		April to September	
	1962	1961	1962-63	1961-62
1. Customs ..	19,44	17,71	1,15,43	95,99
2. Union Excise Duties excluding cesses on Salt, Coal and Iron Ore ..	44,57	39,12	2,68,43	2,29,48
3. Corporation Tax ..	34,63	23,85	65,94	51,58
4. Income Tax ..	15,65	20,50	52,32	58,57
5. Estate Duty ..	27	36	1,22	1,31
6. Taxes on Wealth ..	31	31	1,34	1,39
7. Expenditure Tax ..	1	1	3	12
8. Gift Tax ..	6	4	24	23
9. Opium ..	72	50	2,24	2,71
TOTAL: ..	1,15,66	1,02,40	5,07,19	4,41,38

FROM THE CAPITAL'S CORRIDORS

MINISTRY OF ECONOMIC AND DEFENCE CO-ORDINATION

A Ministry of Economic and Defence Co-ordination has been set up at the Centre with Mr. T. T. Krishnamachari as its head. It will have three Departments, namely, (1) Department of Supply; (2) Department of Co-ordination; and (3) Department of Technical Development.

The Department of Supply will deal with (1) Purchase, inspection and shipment of stores for the Central Government other than the items the purchase, inspection and shipment of which are delegated to other authorities by a general or special order; (2) Disposal of surplus stores; (3) Residual work of supply and disposal relating to the late war organisations, including the Directorate General Aircraft (including Civil Maintenance Units) and Directorate General Ship Repairs; and (4) Administration of (a) Directorate General of Supplies and Disposals, (b) Government Test House, Alipore, Calcutta, (c) India Stores Department, U.K., and (d) India Supply Mission, U.S.A.

The Department of Coordination, similarly, will deal with (1) Coordination of Civil and Defence Production and Supplies; and (2) Such other subjects as may be assigned to it by the Prime Minister from time to time.

The jurisdiction over the Development Wing has been transferred from the Ministry of Commerce and Industry to the Ministry of Economic and Defence Co-ordination. It has been re-named as Department of Technical Development. The Department of Supply, similarly, has been delinked from the Ministry of Works, Housing and Supply, which, in future will be called the Ministry of Works, Housing and Rehabilitation.

The Department of Supply will be under the charge of a Minister of State, Mr. J. L. Hathi, and will function as an integral part of the Ministry of Economic and Defence Coordination. The Department of Defence Production, similarly, has been placed under Mr. K. Raghuramaiah, who has been named as the Minister for Defence Production.

Mr. T. T. Krishnamachari has proposed the creation of two Cabinet sub-committees to deal with war production and mobilisation of public services for stepping up the defence effort.

The first sub-committee is expected to consist of Mr. Krishnamachari; Mr. K. C. Reddy, Minister for Commerce and Industry; Mr. C. Subramaniam, Minister for Steel and Heavy Industries; Mr. K. D. Malaviya, Minister for Mines and Fuel; Mr. Manubhai Shah, Minister for International Trade; Mr. K. Raghuramaiah, Minister for Defence Production; and Mr. Jaisukhlal Hathi, Minister for Supplies.

The second sub-committee is likely to consist of Mr. Krishnamachari; Mr. Swaran Singh, Minister for Railways; Mr. Jagjivan Ram, Minister for Transport and Communications; Mr. B. Gopala Reddi, Minister for Information and Broadcasting; Mr. Raj Bahadur, Minister for Shipping; Mr. Mehr Chand Khanna, Minister for Works and Housing; and Dr. Sushila Nayar, Minister for Health.

Mr. S. Boothalingam, Secretary in the Department of Expenditure in the Ministry of Finance, has been appointed Secretary of the new Ministry of Economic and Defence Coordination.

INCREASE IN DEFENCE EXPENDITURE

The Union Finance Minister has presented supplementary demands for Grants, which include provisions for Defence Services, Effective Army, Rs. 67,00,00,000 and Effective Air Force, Rs. 8,00,00,000, in addition to Defence Capital Outlay, Rs. 20,00,00,000.

The additional provision is required to meet the increase in expenditure as a result of the measures taken to meet the Chinese aggression. Briefly, these are acceleration of the measures for the expansion of the Army and further augmentation of its sanctioned strength, embodiment of the Territorial Army, increased movement of personnel and stores, hire of transport, procurement and manufacture of equipment and stores and operational and urgent works to be met from general revenue.

ASSESSMENT OF EXTERNAL AID REQUIREMENTS

A three-member World Bank Team, consisting of Mr. Alexander Stevenson, Assistant Director, Department of Operations, South Asia and the Middle East, Mr. Philip Squire, Assistant Director, Department of Technical Operations, and Dr. Benjamin B. King, Resident Representative-designate of the World Bank in India, is currently holding discussions with the various Economic Ministries of the Government of India to make an assessment of India's foreign aid requirements for the next year. The report which this Team will be preparing will form the basis of discussions in regard to the Aid-India Club allocations of assistance for the third year of the current Plan at the Club's next meeting.

The total amount of foreign exchange so far made available or promised as external assistance for the Third Plan projects and programmes from all the friendly countries is Rs. 1,880 crores. Unutilised assistance from the Second Plan was Rs. 375 crores.

U.S. AID FOR THERMAL POWER

The United States Government has granted another loan of Rs. 11.95 crores to the Government of India for development of thermal power. It is the eighteenth loan in foreign exchange that the U.S. Administration has made available to this country for power development. Like the other two loans announced a few weeks ago, for development of thermal power capacity in Delhi and Andhra Pradash, this loan is repayable over a period of 40 years. No interest is to be charged on it except a service charge of 3|4 per cent. No payment, either on account of repayment of capital or in regard to the service charges, is to be made during the first ten years.

The loan is to be used for financing the major portion of the foreign exchange cost of setting up a 300 MW capacity thermal power plant and the accompanying facilities at Satpura, in Madhya Pradesh. The power from this plant will be supplied to the transmission system serving both Madhya Pradesh and Rajasthan. The local currency cost of the project, estimated at Rs. 14.8 crores, will be shared by the Rajasthan and the Madhya Pradesh Governments. There is a possibility of a U.S. rupee loan being made available to meet this cost from the sales proceeds under P. L. 480.

The first unit of this plant is expected to be com-

missioned in late 1965. Production at the rated capacity is envisaged to be achieved by 1966-67.

REVIEW OF LICENSING POLICY

The Government of India proposes to give the highest priority to industries having a direct bearing on the defence effort, both for licensing under the Industries (Development and Regulation) Act and for capital goods imports.

The policy with regard to licensing under the Industries (Development and Regulation) Act for other industries is being reviewed. The Government proposes to issue shortly a revised expanded list of industries with regard to which applications will be automatically rejected.

Apart from the foreign exchange requirements of industries directed to the defence effort, which will have the highest priority, the licensing of capital goods will be based on the priority list of 21 industries, which was recently announced.

EXPORT OF STRATEGIC MATERIALS

The Union Government is taking powers under the Defence of India Ordinance, to further restrict or regulate the export of certain items of strategic importance. These restrictions will be applicable to all the countries, including the rupee payment countries. There is no intention to allow the export of strategic materials to any country and much less to the communist Bloc from where, it is apprehended, they will be re-exported to China and used against our own forces. The first step taken in this regard is that restrictions have been placed on exports of woollen goods to the rupee payment countries. Two other factors also have played a significant role in this matter; firstly, the difficulties of importing wool tops involving heavy expenditure in free foreign exchange, and secondly, the demand for these goods going up appreciably from the Defence Ministry.

Apart from tightening up of regulations and restrictions on the export of strategic materials, the pattern of export trade in general is also being adjusted to meet the defence requirement of the country. By and large, exports of the traditional items are proposed to be continued as hitherto. But in a number of cases, exports will be permitted only from the surpluses left over after meeting the full requirements of the Defence Ministry and the civilian population. Exports of engineering goods, which though not very substantial at present, are also expected to suffer somewhat as a sequel to the diversion of supplies of steel for producing armaments and other defence requirements. Exports of automobiles and their parts have already been banned.

EXPORT OF TEXTILE MACHINERY

Mr. C. Subramaniam, Union Minister for Steel and Heavy Industries, has ruled out any large-scale export of textile machinery in spite of the recent introduction of a special export incentive scheme. "Our requirements are great and if we allow large-scale exports now we will have to import them from abroad," he said in the Lok Sabha last week. Mr. Subramaniam added that textile machinery and spares and accessories valued at Rs. 26 crores were now being produced in the country. The present annual licensed capacity was for goods worth Rs. 44 crores. Licences for the manufacture of textile machinery were being liberally granted and priority was being given for the import of capital goods for the textile industry.

Replying to a number of supplementaries, the Minister said a large part of the installed capacity of the textile machinery industry was not being utilised. Only 33 per cent of the capacity was now being used and the Government was trying to increase it to 70 or 80 per cent before the end of the current Plan period. He added that the real difficulty was with the private sector. "Our needs are more. In spite of it, our installed capacity is not being used fully. We are goading the manufacturers to increase production by various methods and take it to about 80 per cent."

PIG IRON PLANTS

Mr. Subramaniam has also revealed that two licences for starting pig iron plants in the private sector in Andhra Pradesh had been issued by the Government. He said that a third application for starting a pig iron plant had been received from the Andhra Pradesh Development Corporation, a State Government undertaking, and the matter was under consideration. Each of the two plants to be started in the private sector would have a capacity of 100,000 tons.

Mr. Subramaniam added that investigations had shown that it was feasible to produce pig iron in Andhra Pradesh by using the locally available ore and coal.

MOVEMENT OF COAL

During the last two months, the position relating to transport of coal is stated to have shown considerable improvement. It has been possible to move more coal both by rail and by road.

Under the scheme for transport of coal by road and river from the coal mines in Bihar to consumers in Allahabad, a trial run is expected to be undertaken shortly. In the immediate future, about 800-1,000 tons of coal per month will be carried by utilising part of the fleet of the Ganga-Brahmputra Water Transport Board. Studies for the long-term scheme, under which it might be possible to step up the movement of coal by road and river to 3.5 million tons per annum, are being undertaken.

STEPPING UP FERTILIZER OUTPUT

The Union Ministry of Heavy Industries is understood to have bestowed last week considerable thought on ironing out the difficulties in the way of speedy commissioning of various fertilizer projects. Discussions are stated to have been held with the World Bank Team which is here to study the feasibility of the Kothagudium project. The World Bank Team, it is learnt, has been favourably impressed by this scheme. This project originally was intended to be taken up by the Andhra Pradesh Government, but subsequently was transferred to the private sector. As planned at present, it will have a capacity to produce, in the form of urea, 80,000 tons of nitrogen per annum. It is to be executed by Messrs. Andhra Sugars Limited and Messrs. Seshasayee Brothers. Production is expected to start by 1965.

The second fertiliser project about which discussions were held is the one to be undertaken at Mangalore by Rallis and Shaw Wallace in collaboration with the Dutch State Mines. A Dutch team is expected here shortly to finalise the collaboration arrangements with the Indian partners. This project is expected to go into production by 1966.

Some progress has also been reported about the setting up of the Visakhapatnam Fertilizer Factory by Parry and Company, of Madras, in financial and tech-

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nical collaboration with the California Chemical Company and the International Minerals and Chemicals Corporation of the United States. The capacity of this plant, based on naphtha to be supplied by Caltex, will be about 80,000 tons of fixed nitrogen per annum, in the form of 365,000 tons of ammonium phosphate of various grades and 16,500 tons of prilled urea.

PROTECTION TO INDUSTRIES

The Government of India has announced its acceptance of the following recommendations of the Tariff Commission:—

1. that, protection to the Ball Bearings Industry should be continued at the existing rate of duty for a further period of three years ending December 31, 1965.

2. that, protection to copper pipes and tubes, brass pipes and tubes, extruded copper rods other than electrolytic copper rods, and extruded brass rods should be continued at the existing rate of duty for a period of three years from January 1, 1963. Protection is also being extended to extruded copper sections, extruded brass sections and highly polished zinc sheets for making process blocks at enhanced rates of duty for a period of three years from January 1, 1963. Protection granted to lead sheets other than sheets for teachests, zinc sheets not otherwise specified and zinc strips is being discontinued at the existing rate of duty on the expiry of the current period of protection from January 1, 1963. Protection granted to copper rods manufactured by rolling process and rolled brass rods is also being withdrawn from January 1, 1963 and will be assessable to revenue duty which is lower than the existing duty.

3. that, protection to the sheet glass industry should be continued at the existing rate of duty, viz. 70 per cent ad valorem, for a further period of three years, namely, upto December 31, 1965.

4. that, protection to the Plastics (Phenol Formaldehyde Moulding Powder) Industry need not be continued beyond December 31, 1962.

GOLD BONDS

The Central Board of Revenue has issued formal instructions to the appropriate field officers dealing with Income-tax, Customs, Central Excise and Foreign Exchange Control, with regard to those who may wish to subscribe to the Gold Bonds, 1977.

The Finance Minister, in a broadcast to the nation recently, had given an assurance that those who came forward with their gold in order to subscribe to the Gold Bonds would not have to explain the origin of this gold. This assurance has now been embodied in suitable directives issued by the Central Board of Revenue.

The directives have also made it clear that the money value of the gold in the hands of the original purchasers of Gold Bonds would not be subject to income-tax assessment. Further, there would be no enquiry about the source of the money with which such gold was purchased. This concession will, however, be available only to those who actually tender gold and buy the Bonds.

These directives have been issued in order to avoid any action which might create apprehension in the minds of those who intend to purchase Gold Bonds as a service to the nation.

As already announced, the Gold Bonds will be exempt from Wealth Tax. Also, any capital gain arising from their sale will not be liable to Capital Gains Tax nor will loss, if any, be eligible for being set off. Suitable amendments are being made in the Income and Wealth Tax Acts for this purpose.

INTERIM WAGE INCREASE FOR STEEL WORKERS

The Government of India has accepted the recommendations of the Central Wage Board for Iron and Steel Industry regarding interim relief to workers. The Board had recommended that at this stage excluding the Tata Iron and Steel Co., all other steel plants should pay Rs. 95 for the lowest paid unskilled worker. This wage should consist of the basic wage, the dearness allowance and, where it exists uniformly for all workers, the coke subsidy and house rent allowance. The pay scales should be adjusted on the basis of the lowest paid worker upto a maximum of Rs. 500.

In the case of the Tata Iron and Steel Co., the Board had recommended that at this stage, they should pay a flat rate of Rs. 10 per month to all the workers, including Rezas drawing a maximum pay upto Rs. 500 per month.

These recommendations are to be given effect to from December 1, 1962.

The amount of interim increase will be treated as an additional cash payment which will not count for production bonus or any other fringe benefit pending the final recommendations of the Wage Board.

SHIPPING TRADE

The three Indian shipping companies, Scindia Steam Navigation Company, India Steamship Company and the Shipping Corporation of India, have come to an agreement among themselves on the division of the Indian share in the country's foreign trade with the Continent. So far as India-U.K. trade is concerned, the three companies will be dividing the first 30 per cent of the Indian share in this trade as follows: Scindias—9|20; India Steamship—9|20; Shipping Corporation—1|10. The Indian share in this trade over and above this level—it has already been increased to 39.475 per cent since September 1, 1962, and will go upto 48.475 per cent by January 1, 1971—will be divided among the three companies in the ratio of 1:1:4.

In the India-North Continent trade, the Indian share is 39 per cent. It is to be divided by the three companies as follows: Scindias—16|39; India Steamship—16|39; Shipping Corporation—7|39.

In the trade between India and Poland, East Germany, the U.S.S.R., Finland|Scandinavia and Adriatic Coast ports|Egypt, the three companies will share the freight earnings in an equal proportion. No specific proportion has been agreed upon about the share of trade between India and Rumania and India and the Levant.

IDA CREDIT FOR SONE BARRAGE

The International Development Association has agreed to make available for the Sone Barrage Project a development credit equivalent to 15 million dollars. The estimated cost of the project is about Rs. 14.43 crores, excluding the High-Level Canal System. The project, expected to be completed by March 31, 1966, will provide improved irrigation facilities to about 7.3 lakh acres and new irrigation to an additional area of about 3 lakh acres. No power generation is proposed.

AID FOR BEAS PROJECT

The U.S. Administration and the World Bank have indicated their willingness to make available two loans

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of $ 33 million and $ 23 million, respectively, for meeting the foreign exchange requirements of the Beas Project. The negotiations for the terms and conditions of the loans are stated to be in progress. The World Bank has agreed to reimburse an amount of Rs. 1.64 crores required to meet the immediate requirements of machinery for the project (including the Pong Dam) from this loan. Foreign exchange to the extent of Rs. 1,31,64,089 has already been sanctioned for the import of earth-moving machinery for the project. Applications for the balance amount of Rs. 32,35,911 are under consideration.

MANUFACTURE OF WAR EQUIPMENT

Four new ordnance factories, one each at Bhandara (Maharashtra), Chandigarh (Punjab) and two at Avadi (Madras) are being set up. This was disclosed by Mr. K. Raghuramiah, Minister for Defence Production, in the Lok Sabha on Monday. Mr. Raghuramiah also told the House that a proposal to establish an Institute for the Advancement of Flying Sciences and Technology was under examination.

The Deputy Minister for Defence, Mr. D. R. Chavan, revealed in the Lok Sabha the same day that the Government had decided to build major warships at the Mazagon Dock in Bombay and had approved a plan to expand the existing facilities at the yard to undertake this work.

The manufacture of medium tanks is envisaged to begin at Avadi by 1965.

A site has been selected in Orissa State for setting up an aircraft factory where Migs are proposed to be manufactured. The factory will have two units, one to manufacture engines and the other to manufacture air-frames etc.

IN BRIEF ....

The Union Government has decided that the State Trading Corporation of India should purchase raw jute through co-operative societies. The Corporation will generally operate through the National Agricultural Co-operative Marketing Federation Ltd., which is the central body representing the co-operative societies. Purchase operations have already commenced. This is in addition to the operations of the existing Jute Buffer Stock Association.

*

Four mechanised brick kilns have been licensed by the Government for Madras State. The capacity of these units will vary from 150 lakh to 375 lakh bricks per annum, compared to 50 lakh bricks per annum capacity of the conventional non-mechanised brick kilns. Two kilns will be in the public sector and two in the private sector. All the four kilns will be located in the vicinity of Madras City, where acute shortage of bricks has been experienced. For one of the units, a licence to import plant and machinery worth Rs. 13 lakhs from rupee payment area has already been issued. No foreign exchange in respect of the other three units has been released as yet as detailed proposals have not been received.

*

The various aspects of the question of nationalisation of general insurance are at present being examined by the Government. The examination is expected to be completed in the near future.

*

A licence for import of machinery, valued at Rs. 1,92,000, has been issued to N. S. I. C. for the manufacture of rubberised coconut fibre products by Messrs. Fibre Foam Industries, Kodvapally, Kerala State.

*

A Japanese team is at present in New Delhi for detailed discussions with the representatives of the Government of India and the Government of Orissa in regard to exports of iron ore from Pradip.

*

Messrs. Bechtel Corporation of the United States has been entrusted with the designing, construction and management of the 260 miles Siliguri-Gauhati products pipeline. The estimated cost of this project is $ 12.6 million. Laying of products pipeline from Gauhati to Calcutta and Tezpur are also under active consideration.

*

The Soviet Union has agreed to increase exports of furnace oil to India. India is also stated to be negotiating with ENI for additional supplies of furnace oil, demand for which has in the recent past exceeded its availability.

*

Formica International Limited, a member of the De la Rue Group, has announced the formation of Formica (India) Ltd., which will undertake the manufacture in India of industrial and decorative laminates in collaboration with the Bombay Burma Trading Corporation. The issued capital of the new company will be Rs. 1.5 crores. Half of this will be held by Formica International. The plant is expected to be located near Poona and is envisaged to go into production within two years.

*

Hind Traders, Bombay, which had been granted in December, 1960, a licence for the manufacture of pig iron in low-shaft furnaces, has been sanctioned a production capacity of 96,000 tons per annum.

*

The difficulties which the Koyna Aluminium Project faced have been nearly ironed out. The foreign collaborators for this project are Germans. Difficulties experienced in connection with the Sharavathi Aluminium Project, to be executed in collaboration with Reynolds International of U.S.A., have not yet been straightened out. The Government, it is understood, has under consideration association of some other Indian party in this project.

*

With the agreement in principle having been reached for setting up a 7,000 tons per annum stainless steel plant at Madras and a 10,000 tons capacity plant at Vatva, near Ahmedabad, in Gujarat State, no further capacity for stainless steel manufacture, it is stated, is to be licensed in the private sector. The Third Plan target of 50,000 tons output per annum is said to have been fully licensed, taking into consideration the capacity in the public sector.

*

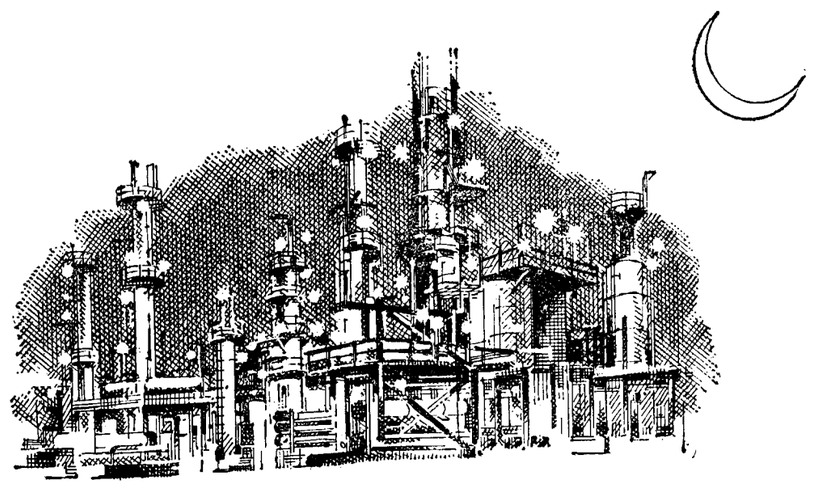
A contract has been signed with an international trade house to export two lakh tons of raw sugar to Japan, South Korea, South Vietnam and Western Europe in 1963. Fifty per cent of the proceeds from these exports would be used for import of fertilizers.

*

India and the Soviet Union have signed a new shipping agreement under which there would be 20 ships plying between India and Russia as against 14 at present.

*

The maximum limits to which investments in the 10-year Defence Deposit Certificates and the 12-year National Defence Certificates can be made have been raised from Rs. 25,000 per individual and Rs. 50,000 by two persons jointly, to Rs. 35,000 and Rs. 70,000, respectively, including the investments in the former Treasury Savings Deposit Certificates and 12-year National Plan Savings Certificates.



NIGHT SHIFT

In the oil refinery, the night shift has taken over. Flame-proof lamps shine from the towering columns where the hydrocarbons in crude oil are being separated, reassembled and rearranged. Inside the plant, chemists and control room staffs check the temperatures, pressures and flows of the complex processes which give the market not only petrol, kerosine and lubricants but hundreds of other useful products as well, from paraffin wax to insecticides—all of which must measure up to rigid standards of quality.

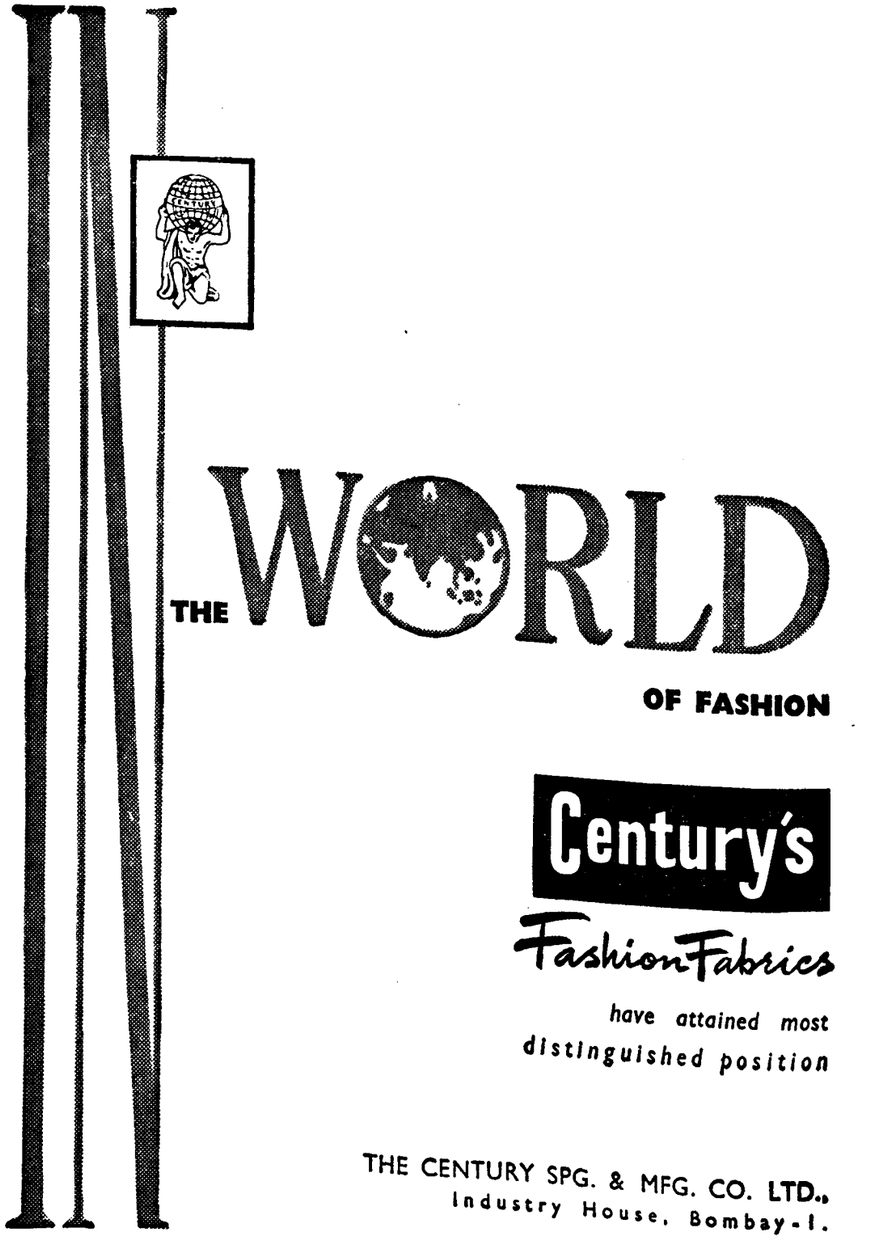
Like drilling for new sources of oil, refining goes on day and night. Such a continuous effort calls for trained operators, varied skills, scientific techniques and highly specialised equipment—essential factors in all branches of the petroleum industry's operations.

B.O.C.

SKILLS
EXPERIENCE
LOCAL KNOWLEDGE

THE BURMAH GROUP
OF OIL COMPANIES

BOC/6/60



NEWS IN BRIEF

INDIAN

The Soviet Union has agreed to supply rigs and other drilling equipment worth Rs. 7 crores for oil exploration in India.

*

A Japanese heavy industries firm has completed trial operations of a 125-ton floating crane for delivery to the Bombay Port Trust.

*

Paper Mills Ltd., Kerala State, one of the oldest paper mills in India, is to issue capital of Rs. 10,03,600 in 40,144 equity shares of Rs. 25 each for cash, at a premium of Rs. 10 per share, on rights basis.

*

It has been decided to increase the production of the Ankleshwar oilfield from 1,200 tons to 1,800 tons per day, thus increasing the annual output by half a million tons.

*

The Kalol oilfield, Baroda, is expected to go on trial production in 1963.

*

The installed capacity of the typewriter industry in India rose from 33,000 machines in 1955 to 45,000 machines in 1961, while production rose from 9,664 machines to 31,101 machines over the same period.

*

The Union Government has approved a scheme of quality control and preshipment inspection of cashew kernels drawn up by the Cashew Export Promotion Council.

*

A direct telephone link between Madras and London will be inaugurated shortly.

*

India will participate in the International Fair to be held at Melbourne, Australia, from February 27 to March 16, 1963.

*

An agreement incorporating amendments to the Indo-Soviet Air Agreement of 1958 and providing for extension of services was signed in Delhi on November 13.

*

The Prime Minister, Mr. Nehru, laid the foundation stone of the Institute of History of Medicine and Medical Research to be built at a cost of Rs. 2 crores.

*

The number of registered foreigners resident in India on October 1, 1962, was 58,626, it was revealed in Parliament last week. There were 15,009 Tibetans and 10,700 Chinese.

*

The Union Government has approved two schemes for the production of stainless steel. The factories, to be established at Madras and Ahmedabad, will have an annual capacity of 7,000 and 10,000 tons, respectively.

*

The Union Finance Minister revealed in Parliament last week that outstanding loans payable by India to different countries as on September 30, 1962, amounted to Rs. 1,018.10 crores.

*

The Indian Iron and Steel Company has obtained a licence for setting up a spun iron pipe at Ujjain, with an initial capacity of 65,000 tons per year.

*

The Union Government has granted licences to three more firms for the manufacture of scooters. They are expected to go into production by the end of the current year.

FOREIGN

China and Japan have concluded a five-year agreement providing for barter trade to the extent of £36 million per year.

*

The Cyprus Government has concluded an agreement with a U.S. firm for prospection of oil in Cyprus. The company will spend £ 1,750,000 over the next 15 years.

*

The Singapore Economic Development Board has announced three new projects, involving £ 2.5 million, for diversifying the local economy.

*

An official publication states that the present per capita consumption of power in Czechoslovakia is higher than in France and West Germany and is expected to increase further by 100 per cent by 1970.

*

The International Finance Corporation, in collaboration with Swedish and American interests, has decided to invest $ 14 million in a triple superphosphate factory in Tunisia with a rated capacity of 150,000 metric tons per year. The factory is scheduled to go into production in 1965.

*

The United Nations Special Fund will assist Saudi Arabia in establishing an Institute of Technology at Riyadh.

*

The United Nations Special Fund will assist in conducting a three-year land and water survey in Ghana and will set up a Central Agricultural Pesticides Laboratory in Cairo.

*

Japan has promised credit facilities to the extent of $ 15 million to the UAR for setting up a modern fishing fleet.

*

The Netherlands Government will shortly set up a nuclear reactor for research purposes, weighing 300 tons and having a working capacity of 10 kilowatts, at Eindhoven.

*

A contract was recently signed at Karachi for the delivery in 1964 of two Yugoslav bulk carrier vessels of 12,800 tons each to the Pakistan State-owned Shipping Company.

*

Construction work has begun on the ore port on the estuary of the river Weser near Bremerhaveu, West Germany.

*

The Reed Paper Group, U.K., has opened a Research and Development Centre at a cost of £ 500,000 to encourage research in every aspect of the industry.

*

China and the Republic of Mali have signed a technical and economic co-operation agreement.

*

Britain and Japan signed a treaty of commerce and navigation on November 14.

*

An official publication states that private overseas investment in Australia has risen from £ 38,400,000 in 1948 to £ 231,700,000 in 1961.

*

The British Steel Review states that the British steel industry has doubled its production capacity since 1945.

COMPANY AFFAIRS

HINDUSTAN SHIPYARD

The working results of Hindustan Shipyard Limited for the year ended March 31, 1962, reveal that there was a profit to the extent of Rs. 24,418 after providing a sum of Rs. 22.77 lakhs for depreciation. The annual report shows that credit has been taken for a sum of Rs. 86.57 lakhs representing the amount claimed as subsidy from the Government of India on the vessels completed and delivered during the year. The Government of India advanced a sum of Rs. 8.73 lakhs for financing the approved programme of yard development. This amount has been converted into share capital for the issue of ordinary shares of the value of Rs. 1,000 each in favour of the President of India.

Total production of the Visakhapatnam Yard inclusive of ship construction, ship repairs and capital amounted to Rs. 461.43 lakhs against Rs. 465.8 lakhs a year before. Though there was a minor decline, it is evident that a strike that lasted nearly 24 days did not hit the output so much.

The Directors' report show that with the commissioning of the galvanising plant and the extension of the outfit jetty, the first two phases of the shipyard development programme can be regarded as having been fully implemented. As regards future development works, out of a provision of Rs. 244 lakhs made in the Third Plan, only few essential items of machinery and equipment have been approved by the Government which would cost nearly Rs. 73.44 lakhs. The remaining programme to be taken up during the period of the Third Plan is still under examination. The Directors also report that the supply position of steel for the new Mitsubishi vessels from indigenous sources has not been satisfactory. Consequently steps were being taken to import directly 4,600 tons of steel during the year. It might be necessary to continue such imports till the indigenous steel plants were in a position to meet the requirements in full. The shipyard had to accept, it is stated, orders for the nine Mitsubishi type of vessels at fixed prices which were below the cost of construction in the context of severe competition. The state of the industry, it appears, is far from satisfactory.

THE JEYPORE SUGAR

The Directors of the Jeypore Sugar Company Limited, in their annual report for the year to June 30, 1962, indicated that there was a profit of the order of Rs. 16.68 lakhs. After adding the balance brought forward from the previous year and a sum of Rs. 10,443 as refund of agricultural income tax of earlier years, there was a sum of Rs. 16.87 lakhs at the disposal of the Directors. A sum of Rs. 1.65 lakhs was provided for the development rebate reserve, Rs. 4.75 lakhs for taxation and Rs. 3 lakhs for general reserve. The Directors have recommended the payment of a dividend at the rate of 15 per cent on equity shares which would be subject to the sanction of Industrial Finance and Investment Corporation of India.

The company's sugar factory at Chagallu commenced crushing on December 2, 1961 and the season lasted till April 22, 1962, with a duration of 141 days and actual crushing on 131 days. A total of 68,588 tons of cane was crushed during the season resulting in a production of 7,246 tons of sugar with a recovery of 10.64 per cent. For the season 1962-63, the company was engaged in the exclusive production of raw sugar, which would be wholly exported out of India. The company has entered into a contract for the export of 10,000 tonnes of raw sugar during the 1962-63 season. Rayaghada Sugar Factory commenced crushing on December 6, 1961 and the season lasted for 166 days closing on May 20, 1962. 48,798 tonnes of cane were crushed during the season resulting in a production of 2,242 tonnes of sugar and a recovery of 8.69 per cent. Due to improved offtake of sugar from the factories and larger exports out of India, the loss on which is largely met by the Government, the cut of 10 per cent imposed last year on production of sugar by factories has been restored for the current year. As much as 18,411 tonnes of manganese ore was mined in the company's own mines out of which 10,631 tonnes were used in the production of ferro-manganese by the company.

NEW ISSUES

The Controller of Capital Issues has authorised 9 companies to issue capital totalling Rs. 3.69 crores. One is a new company. Three companies are issuing bonus shares, four equities and two equity plus preference shares. Part of the shares of two companies is being issued to their foreign collaborators. The consent in all cases is valid for 12 months.

Motor Industries Company Limited, Bangalore, will issue bonus shares of the value of Rs. 45 lakhs in proportion of one bonus share for every four equity shares held by the existing shareholders.

United Breweries Limited, Mysore, is issuing bonus shares of the value of Rs. 25 lakhs to the existing shareholders on capitalisation of reserves to a like extent.

Electrical Manufacturing Company Limited, Calcutta, is to issue bonus shares of the value of Rs 14,79,200 on capitalisation of its reserves.

Chemicals and Plastics India Limited, Madras will issue equity capital of Rs. 135 lakhs and preference capital of Rs. 150 lakhs at par. Out of this, equity shares worth Rs. 34,42,500 will be issued to B.F. Goodrich Company, U.S.A.

Bhaskar Textile Mills Limited Calcutta, is issuing capital of Rs. 35 lakhs divided into Rs. 28 lakhs in equity shares and Rs. 7 lakhs in preference shares.

Roha Pulp and Paper Mills Limited, Delhi, a new company, will issue capital of Rs. 50 lakhs in equity shares of Rs. 10 each for cash at par.

The Andhra Pradesh Mining Corporation, Limited, Hyderabad, will issue further equity capital of Rs. 20 lakhs in equity shares of Rs. 1,000 each to be issued entirely to the Government of Andhra Pradesh, for cash at par.

Kerry Jost Tool Company Limited, Maharashtra, is issuing equity capital of Rs. 20 lakhs in shares of Rs. 100 each. Of this, shares worth Rs. 6 lakhs will be issued to Kerry's (Great Britain) Limited, U.K., for other than cash against supply of technical know-how and machinery and the balance shares will be issued for cash at par in India.

Punalur Paper Mills Limited, Punalur, is to issue capital of Rs. 10,03,600 in 40,144 equity shares of Rs. 25 each for cash at a premium of Rs. 10 per share on rights basis.

Company Meeting

THE TATA IRON AND STEEL CO., LTD.

Statement of the Chairman

THE following statement by Mr. J. R. D. Tata, Chairman of the Tata Iron and Steel Company, Limited, dealing with Company's working for the year ended 31st March, 1962, has been issued to shareholders. The Annual General Meeting of the Company will be held on Thursday, the 13th December 1962 at 4-30 p.m. at the Birla Matushri Sabhagar, 19 Marine Lines, Bombay 1.

TO THE MEMBERS,

This statement comes to you at a time of national emergency created by the Chinese invasion of India, when our own problems and difficulties must be viewed against this background of war and peril to our country. Whatever our differences with Government may be in regard to their attitude towards our industry and although we may disagree with some of their economic policies, I am sure we are all agreed that, as in previous emergencies involving the country's security, the Company should offer unstinted cooperation and assistance to Government in the prosecution of the war effort.

2. The year under review was dominated by the Tariff Commission's Inquiry and Report and Government's orders thereon. The main features of both have been explained in the Directors' Report. We are mainly concerned here with the reduction which Government have effected, unjustifiably in our view, in the retention prices recommended by the Commission. In this context it is important to bear in mind that the Commission's Inquiry and recommendations related exclusively to a two-year period which had already elapsed by the time the Commission reported. One would have therefore expected that here, if ever, was an occasion when Government could hardly disagree with the Tariff Commission since the Commission's recommendations were based not on estimates, theories and assumptions relating to a period still in the future, but on actual known figures, facts and conditions about the truth and reality of which there could be no argument.

3. After nearly five months of cogitation, Government not only disagreed with some of the Commission's principal findings but even reversed their own previous decision and instructions to the Commission on the important question of the repayment of the special advance.

4. The changes made by Government resulting in a total reduction of Rs. 27.50 per ton in the average retention price recommended by the Commission for the two years 1960-61 and 1961-62, are explained in paras 12 and 13 of the Directors' Report. The most serious change has been in regard to the provision for depreciation and return on gross block. Government rejected the Tariff Commission's view that, for purposes of calculating the incidence per ton of depreciation and return, an output of saleable steel at a rate of 90% of capacity was reasonable. Apart from the fact that it normally takes several years to overcome "teething" troubles and train staff in the use of new equipment and techniques, before so complex a unit as a new steel plant can be made to operate smoothly, the additional handicaps imposed on the steel companies by the conditions prevailing in the country were so serious that, if anything, the Commission was unduly severe in adopting a rate as high as 90% as a basis for their calculations. Yet Government, although well aware that the inability of the steel plants to make more steel was largely due to the appalling quality of unwashed market coal allocated by the Coal Controller and the deficiencies in transport, for both of which they were themselves mainly responsible, decided that the steel plants should have worked at 100% of capacity during these two years and deserved to be penalised for not having done so. Government accordingly reduced the retention prices on that account by Rs. 16.5 per ton which cost our Company Rs. 4 crores over the two-year period, and thus unfairly deprived both the steel companies of the full depreciation and return prescribed by the Commission. This action, coupled with the Minister of Steel's subsequent speeches or statements at Press conferences in which he equated with inefficiency the industry's failure to achieve 100% performance, was particularly hard on our Company which has had to struggle against heavy odds during and after the last World War, and which undertook, at considerable risk, a crash programme of expansion at the express request of Government.

5. Government, according to their resolution dated 7th September 1962, also excluded from the capital block the Special Advance made to the Company between 1954 and 1956. This must mean that in Government's view Rs. 10 crores worth of physical assets should earn no depreciation, let alone a return, on the ground that their cost was initially met from a Government advance. Apart from its unfairness, such a view ignores the obvious reality that plant and machinery are subject to wear and obsolescence, irrespective of the manner in which they were originally financed, and that failure to provide depreciation would clearly be contrary to sound principles of accounting and financial management.

6. In justifying the reduction in the provision for interest on working capital, Government, according to a statement by the Minister as reported in the papers, based their decision on the assumption that the Steel Companies enjoyed the benefit of large interest-free deposits from customers and of large arrears of surcharge not paid into the Iron and Steel Controller's Equalisation Fund. This assumption is totally incorrect in both respects. Advance deposits which are taken only against so-called "bazaar" indents have at no time exceeded a crore, while our dues to the Equalisation Fund were at the end of July 1962 only about Rs. 2½ crores and not Rs. 12 crores as the Minister is reported to have stated in Parliament.

7. Government's reversal of their previous decision that the retention price should include an element for the repayment, with interest, of their Special Advances in terms of their agreements with the two Companies is disturbing although it may not immediately affect our financial position. However, their announcement that, as an alternative, they are consi-

dering the possibility of a part of the special advances being repaid out of fresh capital, raises fundamental issues of grave concern to the Companies and their shareholders. This is not the occasion for me to discuss the legal aspects of the matter, but I am sure shareholders will be relieved to learn that the Company has informed Government that an issue of fresh capital would be unthinkable in the present circumstances and, for a number of cogent reasons, would be unacceptable to the shareholders whose consent would be required for the purpose.

8. In our representation to Government we have pointed out that the low retention prices fixed by them, if maintained in the future, will seriously affect our ability to finance the heavy commitment which Government themselves have asked us to undertake to double our coal output in the Jharia Field. The whole of the cost of this project, if it ultimately materialises, will have to be financed from borrowings, including a further loan from the World Bank to meet the foreign exchange cost. Our capacity to service and repay such fresh borrowings in addition to our existing loans must obviously depend on the resources we are able to raise over the years from retained earnings.

9. If the steel industry of the country in both public and private sectors is to remain healthy and to make its full potential contribution to the security of the country, it is imperative that it be ensured the wherewithal to finance the continuous process of replacement and development essential to maximum production and efficiency.

10. We do not ask for favours at the expense of the consumer or the tax-payer nor do we expect that prices fixed by Government should reward inefficiency, but we do ask that a more realistic account be taken of the conditions under which the steel industry is compelled to operate in India and, particularly, of the shortages and deficiencies in raw materials, transport and other factors over which it has no control.

11. I regard with dismay Government's growing propensity to brush aside the carefully calculated and reasoned recommendations of the Tariff Commission, which consists of "men of ability and standing who have shown capacity in dealing with problems relating to commerce or industry or in administration"—to quote the relevant section of the Tariff Commission Act, 1951. I do not suggest of course that Government should automatically accept every recommendation of the Commission, but I do urge that their advice should be set aside only in the most exceptional cricumstances and for the most convincing reasons. From a speech made by the Minister for Steel to the Committee of the Indian Merchants' Chamber in Bombay, it would seem that Government consider the Tariff Commission and their approach as completely out-dated and that some other method of fixing prices should be evolved. As the only practical alternative I can see would be for the Ministry concerned to determine prices at its sole discretion and thus become the exclusive arbiter of an industry's destinies, one cannot but view with alarm this indication of Government's intention to scrap the long-standing and salutary practice of seeking independent and impartial advice in fixing prices in major controlled industries. In a planned and controlled economy such as ours, it is only by exercising restraint in the use of their enormous economic powers that Government can retain the confidence of the people in the fairness and impartiality of their policies and actions.

12. Before I close, I cannot, in fairness to the Company, leave unanswered the criticism voiced by the Minister for Steel, that the Company's expansion programme was originally estimated to cost Rs. 66 crores but had actually cost Rs. 120 crores. In my statement to the shareholders two years ago, in answer to a similar criticism, I gave the true facts, of which Government should therefore be well aware. The estimated cost of the two million ton programme, as accepted by the World Bank in 1956, was Rs. 95 crores. The actual cost including subsequent additions and modifications was about Rs. 110 crores. Excluding about Rs. 6 crores of expenditure arising from subsequent increases in import duties and manufacturers' escalations, over both of which the Company had obviously no control, and additional purchases of spare parts decided upon for the sake of added safety, the total excess came to about Rs. 9 crores, equivalent to only 10% over the estimates, a remarkably low figure of excess for a project of such magnitude and complexity. It is somewhat disheartening to find that the Steel Minister should have been provided with such incorrect data despite the facts that correct information was available to Government.

13. The tenor of this Statement may sound out of tune with my opening remarks but its main purpose is to clear the air and set the record straight. Having done so, I can assure Government of the Company's unstinted support and cooperation in the Defence effort. We fully realise the importance of steel production to a country at war. In the grievous and complex tasks ahead, we place ourselves, our staff, our technical and human resources and our long experience of the steel industry at the disposal of Government in the furtherance of the country's total war effort.

Bombay, 8th November, 1962.

Note: The above statement is not a document purporting to be a report of the proceedings of the Annual General Meeting.

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Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays	Food articles	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
August 1961 ..	124.3	99.9	122.3	144.6	140.9	123.9	126.3	127.5
September " ..	121.1	99.7	121.4	138.3	140.6	123.1	125.5	124.6
October " ..	120.9	99.5	121.8	136.0	140.3	124.3	126.5	124.4
August 1962 ..	131.5	99.2	124.5	139.6	143.1	126.7	129.0	131.1
September " ..	130.0	99.8	124.9	139.8	142.9	127.2	129.4	130.7
October " ..	129.0	100.3	124.8	138.9	144.2	126.8	129.3	129.9
29-9-1962	129.0	100.0	124.8	140.0	142.9	126.9	129.2	130.0
6-10-1962	128.6	100.0	124.7	138.9	142.9	126.6	128.9	129.6
13-10-1962	128.7	100.0	124.7	138.5	143.6	127.2	129.5	129.7
20-10-1962	129.2	100.5	124.8	139.0	144.9	126.4	129.0	129.9
27-10-1962 ..	129.6	100.5	125.0	139.1	145.5	127.1	129.7	130.4

• 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†
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
1962 January	415	436	295	170	399	513	495	180	482	177	174	175
February	417	438	295	170	399	513	492	192	480	177	177*	175
March	418	439	300	170	403	503	493	198	480	179	175*	175
April	418	439	300	170	410	491	492	198	480	182	175*	177
May	422	433	303	167	417	491	496	199	480	180	177*	178
June	426	447	308	171	417	505	497	201	484	182	177*	179
July	427	448	—	175	420	515	501	202	487	185	177*	181*
August	433	454	—	177	431	530	510	204	488	187	179*	182*
September	429	450	—	176	434	525	506	—	488	—	182*	182*
October	—	—	—	173	—	522	—	—	487	—	—	—

† Base 1944 = 100. • Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

WEEK ENDED

	16-11-1962 High	16-11-1962 Low	16-11-1962 Average	9-11-1962 High	9-11-1962 Low	9-11-1962 Average	2-11-1962 High	2-11-1962 Low	2-11-1962 Average	26-10-1962 High	26-10-1962 Low	26-10-1962 Average
Gold (per 10 grams)	107.00	104.00	105.13	121.65	102.50	109.42	121.10	116.45	118.72	123.20	118.20	120.43
Silver (per kilogram)	215.40	211.80	213.53	224.15	215.25	218.87	224.55	222.00	223.63	224.20	222.15	223.47

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										
August 1961 ..	1,898,63	13,31	1,911,93	117,76	116,86	234,62	12.27	123,85	1,553,46	1,911,93
Sept. „ .	1,877,38	21,36	1,898,74	117,76	116,86	234,62	12 36	126,45	1,537,67	1,898.74
Oct. „ .	1,895,94	21,25	1,917,19	117,76	116,86	234.62	12.22	126,23	1,556,35	1,917,19
August 1962 ..	2,040,68	23.91	2,064,59	117,76	89,74	207,50	10.05	121,45	1,735,59	2,064,59
Sept. „ ..	2,029,26	18,74	2,048,00	117,76	88,34	206,01	10.06	123,87	1,718,03	2,048.00
Oct. „ ..	2,055,65	18,84	2,074,48	117,76	88,14	205,90	9.93	122.84	1,745,74	2,074,48
Week-Ending										
12-10-1962 ..	2,071,14	20,12	2,091,25	117,76	88,08	205,85	9.84	122,10	1,763,31	2,091,25
19-10-1962 ..	2,047,88	19,65	2,067,53	177,76	88,08	205,85	9.96	123,38	1,738,31	2,067 53
26-10-1962 ..	2,049,22	17,74	2,066,96	117,76	88,08	205,85	9.96	122.82	1,738,29	2,066,96
2-11-1962 ..	2,063,79	21,48	2,085,28	117,76	88,08	205,85	9.87	121,14	1,758,29	2,085,28
9-11-1962 ..	2,086,96	17,50	2,104,46	117,76	88,08	205,85	9.78	120,32	1,778,29	2,104,46

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	20,30	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														
August 1961 ..	65,39	16,45	88,09	180,22	350,16	89,86	525,02	13,35	15,21	30,97	47,71	116,37	284,51	16,89
Sept. „ ..	60,81	26,76	83,71	159,06	330,34	96,02	511,36	21,42	16,73	17,47	49,15	131,54	257.92	17.13
Oct. „ ..	60,23	14,40	81,36	147,41	303,39	95,52	483,91	21,30	35,09	20,06	60,56	135,19	193,80	17,92
August 1962 ..	65,16	24,57	94,63	181,32	365,69	115,38	566,08	23,97	69,23	5,45	31,00	136,99	265,68	33.76
Sept. „ ..	83,68	20,13	86,69	161,43	351,93	177,55	554,48	18,79	115,11	6,10	27,81	159,93	192.28	34.46
Oct. „ ..	55,95	16,07	85,02	160,16	317,65	119,09	521,74	18,90	134,17	5,25	39,11	151,72	136,82	35,77
Week-Ending														
12-10-1962 ..	59,49	21,20	83,68	161,45	325,82	115,04	525,85	20,18	155,08	4,58	37,74	157,15	118,79	35 20
19-10-1962 ..	52,42	15,27	89,88	159,86	317,43	125,51	527,90	19,71	139,65	6,27	39,65	144,40	142,91	35,31
26-10-1962 ..	51,01	9,85	80,71	161,05	302,62	120,70	508,31	17,79	105,25	4,49	43,59	153,58	146,09	37,52
2-11-1962 ..	49,95	10,08	74,13	160,15	294,31	128,27	507,58	21,57	96,05	5,54	40,53	151,90	162,65	29.36
9-11-1961 ..	50,43	17,86	82,77	160,09	311,14	124,25	520,40	17,56	103,51	5,92	33,70	150,19	177,08	32,45

*.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 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
1961-62 ..	849,52	1,142,61	1,992,13	47,92	78,11	6.33	1,101,66	185,61†	64.62	585,01
Average of Fridays										
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
April „	927,18	1,240,90	2,132,08	51,77	83,78	6.36	1,198,27	229,73	66.96	592,07
May „	920,22	1,230,84	2,151,06	52,43	83,85	6.34	1,216,77	220,89	66.83	580,32
June „	911,54	1,266,78	2,178,32	53.30	84,92	6.35	1,235,93	197,66	65.81	584,76
July „	909,70	1,288,13	2,197,83	51,28	99,24	6.85	1,240,45	169,86	64.17	613,11
August „	915,52	1,305,73	2,221,21	50,04	90,22	6.30	1,213,47	180,08	62.74	678.24
Sept. „	913,02	1,283,49	2,196,52	48,53	82,13	5.95	1,203,38	197,61	63.79	678,63
Oct. „	927,03	1,292,66	2,219,69	51,65	78,85	5.88	1,186,41	206,90	62.77	697,75
Week Ending										
5-10-1962 ..	920,73	1,290,81	2,211,54	49,18	79,96	5.84	1,194,90	202,29†	63.18	692,57
12-10-1962 ..	932,48	1,288,99	2,221,47	54,76	73,14	5.76	1,190,20	208,26†	62.95	690.15
19-10-1962 ..	933,31	1,293,94	2,227,25	52.69	84,53	6.16	1,177,33	206,57†	62.14	697,13
26-10-1962 ..	921,61	1,296,88	2,218,49	49,94	77,76	5.76	1,183,19	210,49†	62.82	711,16
2-11-1962 ..	934,26	1,280,63	2,214,89	53,31	72,73	5,69	1,180,41	216,22†	63,06	693,65
9-11-1962 ..	932,37	1,289,17	2,221,54	50,61	76,84	5.74	1,189,83	217,37†	62,94	683,61

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(REVISED SERIES)

(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)
1951-52 ..	1,849,96	1,285,51	564,45	544,85	19,60	—159,82
1955-56 ..	2,219,92	1,571,01	648,91	636,90	12,01	+262,53
1956-57 ..	2,345,30	1,622,73	722,57	710,92	11,65	+125,38
1957-58 ..	2,417,00	1,674,07	742,93	723,06	19,87	+ 71,70
1958-59 ..	2,530,27	1,792,02	738,25	719,00	19,25	+113,27
1959-60 ..	2,725,04	1,930,86	794,18	772,39	21,79	+194,77
1960-61 ..	2,874,11	2,098,05	776,06	757,10	18,96	+199,84
1961-62 ..	3,049,45	2,201,79	847,66	824,26	23,41	+175,34
December* 1961 ..	2,840,48	2,059,62	780,86	761,95	18,92	+ 40,37
January* 1962 ..	2,900,10	2,105,11	794,99	774,89	20,10	+ 59,62
February* „ ..	2,954,85	2,154,75	800,10	781,08	19,02	+ 54,75
March* „ ..	3,049,45	2,201,79	847,66	824,26	23,41	+ 94,60
April* „ ..	3,105,62	2,255,10	850,52	826,42	24,09	+ 56,17
May* „ ..	3,097,65	2,257,10	840,54	819,27	21,27	— 7,97
June* „ ..	3,047,99	2,203,73	844,27	824,00	20,26	— 49,66
July* „ ..	3,026,41	2,170,10	856,31	833,63	22,69	— 21,58
August* „ ..	3,007,52	2,141,77	865,75	843,46	22,29	— 18,89

* Provisional. † Excluding balances held on I.M.F. Amount No. 1 and other extraordinary items.

Source: Monthly Bulletin of Reserve Bank.

INDEX NUMBERS OF VARIABLE DIVIDEND INDUSTRIAL SECURITIES

(Base: 1952-53 = 100)

Last Week of	All Industries	Tea	Coffee	Rubber	Coal	Sugar	Cotton Textiles	Jute Textiles
1957-58 ..	126.6	138.9	192.1	138.9	92.6	157.9	116.2	60.0
1958-59 ..	146.8	155.2	197.2	162.1	115.1	168.3	111.6	95.5
1959-60 ..	161.7	168.1	200.6	178.4	116.5	180.5	141.7	93.8
1960-61 ..	182.6	169.9	195.0	173.5	129.0	178.1	162.2	95.3
1961-62 ..	192.7	154.7	154.7	169.2	115.7	143.3	200.7	105.1
1961 April ..	178.9	170.8	187.5	170.0	127.9	171.3	163.0	93.4
May ..	181.3	168.1	179.1	173.0	128.9	167.3	165.4	89.4
June ..	183.8	166.9	182.1	174.0	131.2	163.1	172.8	86.8
July ..	181.5	165.5	174.1	170.5	129.3	158.9	172.0	87.1
August ..	176.8	161.1	172.5	173.7	125.6	158.1	170.3	83.9
September ..	179.3	157.0	170.2	173.6	119.3	159.1	178.6	82.6
October ..	182.0	154.5	166.7	170.4	118.4	157.8	183.8	87.7
1962 April ..	192.9	156.7	156.3	168.8	122.6	143.4	195.6	107.6
May ..	194.8	157.1	159.5	169.8	135.3	141.0	194.6	106.1
June ..	188.3	151.3	151.3	170.1	128.1	138.4	185.3	103.7
July ..	183.3	145.8	148.6	163.8	122.8	137.5	179.8	100.7
August ..	187.2	145.0	149.4	166.2	124.5	140.3	184.9	101.8
September ..	180.4	144.0	146.9	168.0	121.5	136.6	180.6	102.4
October ..	174.4	141.4	145.0	163.4	116.7	133.0	175.2	97.0
November 10 ..	168.8	141.5	144.0	161.4	115.6	130.9	169.5	96.5

INDEX NUMBERS OF VARIABLE DIVIDEND INDUSTRIAL SECURITIES (Contd.)

Last week of	Basic Industrial Chemicals	Cement	Paper	Iron and Steel	Transport Equipment	Electrical Machinery	Machinery other than Transport & Electrical	Electricity Generation and supply
1957-58 ..	104.7	124.1	157.8	126.4	182.2	130.6	150.6	88.4
1958-59 ..	134.4	131.7	200.2	163.9	229.9	141.6	189.3	93.0
1959-60 ..	188.1	139.1	213.2	148.1	344.2	129.3	203.2	82.9
1960-61 ..	219.1	146.2	218.5	171.2	427.5	165.5	227.9	80.6
1961-62 ..	203.1	165.5	227.9	157.0	395.0	177.0	240.8	86.6
1961 April ..	215.6	142.1	213.3	169.2	400.9	164.2	219.6	80.1
May ..	217.0	143.6	208.7	174.7	418.7	162.2	218.7	81.5
June ..	218.0	143.6	207.2	179.0	431.6	166.3	219.4	81.8
July ..	215.2	142.6	208.8	172.9	404.7	164.9	212.6	84.6
August ..	207.6	140.8	200.0	162.5	382.5	161.3	205.3	85.0
September ..	204.9	147.9	207.0	156.7	389.6	164.8	208.7	86.0
October ..	203.4	148.7	205.4	157.1	392.8	162.2	214.0	85.6
1962 April ..	203.4	167.2	229.6	161.7	397.2	177.6	242.4	86.4
May ..	202.5	169.1	235.9	168.0	403.1	183.7	253.0	86.5
June ..	198.7	164.9	229.9	164.1	392.2	187.2	243.2	86.2
July ..	191.0	155.9	217.6	163.3	386.6	175.3	233.1	87.0
August ..	192.2	159.5	218.3	168.5	380.2	184.1	237.3	87.4
September ..	183.2	157.7	212.5	154.1	360.7	182.3	231.5	87 3
October ..	179.7	150.9	207.7	148.9	349.3	162.2	222.0	86.8
November 10 ..	174.8	145.7	206.4	140.8	324.6	160.5	217.3	85.0

Source: Reserve Bank of India

SMALL SAVINGS : 1951-62

(Rs. lakhs)

Period	National Savings Certificates (Outstandings) 5 year*	7 year**	12 year**	12-year National Plan Savings Certificates (1) Outstandings	10-Year National Plan Certificates (2) (Outstandings)	15-year Annuity Certificates‡ Outstandings	10-Year Treasury Savings Deposit Certificates 3½%§ Outstandings	4 Per cent Receipts	4 Per cent Outstandings
1951-52 ..	6,07	2,91	66,80	..	..	..	18,39	..	..
1955-56 ..	3,76	5,46	144,39	..	16,38	95	41,25	..	..
1956-57 ..	3,00	6,01	163,68	..	25,38	1,32	44,28	..	..
1957-58 ..	2,22	4,73	143,49	71,44	23,12	1,87	43,58	5,88	5,47
1958-59 ..	1,76	3,79	119,09	152,78	21,02	2,41	42,57	6,35	11,68
1959-60 ..	1,54	3,17	99,14	221,68	19,79	2,91	41,68	10,64	21,76
1960-61 ..	1,24	2,46	81,40	287,19	18,37	3,38	38,80	16,14	37,34
1961-62 ..	86	1,88	65,52	348,51	17,33	3,63	27,50	16,79	53,35
1961 September ..	1,05	2,16	72,90	315,36	17,78	3,51	32,12	1,62	47,04
October ..	1,02	2,12	72,20	319,51	17,68	3,53	31,28	1,07	48,10
November ..	1,00	2,05	70,87	324,76	17,62	3,55	30,24	1,14	49,21
December ..	97	2,01	69,57	329,85	17,54	3,57	29,54	1,15	50,17
1962 January ..	91	1,97	68,27	335,39	17,46	3,58	28,78	1,17	51,38
February ..	89	1,93	67,21	339,54	17,40	3,61	28,14	1,13	52,31
March ..	86	1,88	65,52	348,51	17,33	3,63	27,50	1,19	53,35
April ..	82	1,84	64,25	352,13	16,80	3,66	26,78	1,19	54,68
May ..	80	1,80	63,07	355,86	16,70	3,69	26,11	92	55,69
June ..	79	1,77	61,68	360,11	16,62	3,69	25,53	97	56,56
July ..	77	1,73	60,15	364,93	16,55	3,71	24,89	1,05	57,50
August ..	75	1,70	58,79	369,20	16,49	3,73	24,21	96	58,47

SMALL SAVINGS—(Contd.) : 1951-62

(Rs. Lakhs)

Period	Post Office Savings Bank Deposits† Receipts	Post Office Savings Bank Deposits† Outstandings	Post Office Cash Certificates and Defence Savings Certificates (2)	Cumulative Time Deposits (3) 5-year Outstandings	Cumulative Time Deposits (3) 10-year Outstandings	Total Receipts	Total Outstandings	5-year Prize Bonds (4) Receipts	5-year Prize Bonds (4) Outstandings (5)
1951-52 ..	107,15	75,87	—27,55	..	..	144,84	170,04	..	..
1955-56 ..	157,33	170,96	—37,68	..	..	202,75	383,15	..	..
1956-57 ..	176,48	202,23	—38,82	..	..	225,39	445,90	..	..
1957-58 ..	178,94	220,21	—39,74	..	..	263,42	516,13	..	..
1958-59 ..	190,54	240,40	—40,67	3	2	285,06	595,55	..	..
1959-60 ..	209,59	268,11	—41,35	51	30	304,90	680,59	..	..
1960-61 ..	236,88	313,17	—41,99	1,70	95	338,09	786,00	15,77	15,77
1961-62 ..	241,05	347,90	—42,43	3,95	1,97	341,48	872,40	3,35	19,12
1961 September ..	17,79	319,45	—42,23	2,68	1,39	26,11	815,44	37	17,42
October ..	17,72	320,84	—42,27	2,86	1,47	24,40	820,61	21	17,63
November ..	17,42	321,00	—42,33	3,07	1,56	25,41	824,93	21	17,84
December ..	17,41	321,83	—42,34	3,25	1,65	25,25	829,95	36	18,20
1962 January ..	18,97	323,28	—42,38	3,47	1,75	27,62	836,24	24	18,44
February ..	17,55	324,82	—42,41	3,67	1,85	24,62	841,37	19	18,63
March ..	35,40	347,90	—42,43	3,95	1,97	48,73	872,40	49	19,11
April ..	20,44	344,40	—42,47	4,14	2,06	27,29	871,56	23	19,34
May ..	19,89	339,57	—42,51	4,38	2,17	26,74	869,84	23	19,58
June ..	20,24	338,47	—42,53	4,63	2,28	27,57	872,13	65	20,22
July ..	21,81	342,62	—42,55	4,89	2,41	29,56	880,15	..	..
August ..	20,56	346,29	—42,56	5,15	2,53	27,68	887,31	..	..

Note: Outstandings relate to end of period and do not include Indian Union's share of the pre-partition liabilities; repayments, however include those from the pre-partition holdings of Indian investors.

* Discontinued from July 1, 1953. ** Discontinued from June 1, 1957. § No sales from June 1, 1957.

(1) Issued from June 1, 1957. (2) Issued from May 10, 1954 to May 30, 1957.

(2) Including Defence Savings Bank Deposits upto 1954-55. (3) Commenced from January 2, 1959. (4) Issued from April 1, 1960. (5) Adjusted for supplementary figures of sales and adjustments since April 1, 1960.

‡ Relate to first series issued from July 1954 to December 1957 and to second series issued from January 1958. † Including Dead Savings Bank Account.

Source: Reserve Bank of India.

TRENDS IN THE DISTRIBUTION OF CENTRAL GOVERNMENT EMPLOYEES*

(Percentages)

Basic Pay Range (Rs.)	1953	1954	1955	1956	1957	1958	1959	1960
Below 51 ..	56.3	56.8	56.5	56.0	54.9	54.7	54.2	50.9
51 —101 ..	29.1	28.2	28.5	29.1	28.9	28.2	27.9	28.7
101 — 251 ..	12.2	12.6	12.6	12.4	13.6	14.3	14.9	17.2
251 and above ..	2.4	2.4	2.4	2.5	2.6	2.8	3.0	3.2
TOTAL ..	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

* Regular Employees.

ESTIMATED EMPLOYMENT IN PUBLIC SECTOR
(At the end of the period)

(In thousands)

	December 1960	March 1961	June 1961	September 1961	December 1961
Central Government establishments ..	2,071.2	2,089.0	2,103.0	2,142.2	2,154.5
State Government establishments ..	2,952.3	3,014.0	3,030.0	3,051.5	3,056.8
Quasi-Government establishments ..	781.5	773.0	785.0	828.3	848.6
Local Bodies ..	1,131.1	1,173.0	1,195.0	1,230.2	1,240.4
TOTAL ..	**6,936.1**	**7,049.0**	**7,113.0**	**7,252.2**	**7,300.4**

Note: The above figures relate only to civilian employees and do not include part-time staff or persons employed through contractors.

Source: C.S.O.

DISTRIBUTION OF CENTRAL GOVERNMENT EMPLOYEES*
(As on March 31, 1960)

TABLE I

BY BASIC PAY

Monthly Basic Pay Range (Rs.)	Number of employees	Percentage of employees	Cumulative Percentage of employees
Below 51	990,551	50.9	50.9
51 and below 101	558,220	28.7	79.6
101 and below 151	215,287	11.0	90.6
151 and below 201	83,584	4.3	94.9
201 and below 251	37,469	1.9	96.8
251 and below 301	19,659	1.0	97.8
301 and below 351	11,826	0.6	98.4
351 and below 501	15,396	0.8	99.2
501 and below 751	7,445	0.4	99.6
751 and below 1001	3,702	0.2	99.8
1001 and below 1501	2,164	0.1	99.9
1501 and below 2001	771)		
2001 and below 2501	214)	0.1	100.0
2501 and below 3001	130)		
3001 and above	82)		
TOTAL	**19,46,500**	**100.0**	**100.0**

Note: Although the recommendations of the Pay Commission 1959, came into effect on July 1, 1959, the scales of pay were revised after March 31, 1960. The distribution given in the above table is therefore based on the previous scales of pay.

TABLE II

BY MINISTRIES

Ministry	Number Employed	Percentage to Total
1. Railways	11,49,084	59.0
2. Defence (civilian)	2,64,772	13.6
3. Transport and Communications	2,56,789	13.2
4. Finance	78,670	4.0
5. Indian Audit and Accounts Department	38,595	2.0
6. Works, Housing and Supply	27,153	1.4
7. Food and Agriculture	25,034	1.3
8. Home Affairs	19,382	1.0
9. Commerce and Industry	12,812	0.7
10. External Affairs	10,357	0.5
11. Rehabilitation	9,800	0.5
12. Scientific Research and Cultural Affairs	9,129	0.5
13. Information and Broadcasting	9,018	0.5
14. Health	7,717	0.4
15. Steel, Mines and Fuel	5,678	0.3
16. Irrigation and Power	4,759	0.2
17. Labour and Employment	4,474	0.2
18. Education	2,977	0.2
19. Cabinet Secretariat	2,131	0.1
20. Community Development	828	0.04
21. Law	813	0.04
22. Miscellaneous	6,528	0.3
TOTAL	**19,46,500**	**100.0**

* Regular Employees.

THE INDIAN SMELTING & REFINING COMPANY, LIMITED

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* Gunmetals
* Leaded Bronzes
* Phosphor Bronzes
* Brazing Solders
* Type Metals
* Tin Solders
* Fine Zinc Die Casting Alloys — 'ISMAK-3'
* Cupro Manganese
* Aluminium Base Die Casting Alloys
* Brass & Bronze Rods—Solid & Cored
* Finished Castings—rough & machined.

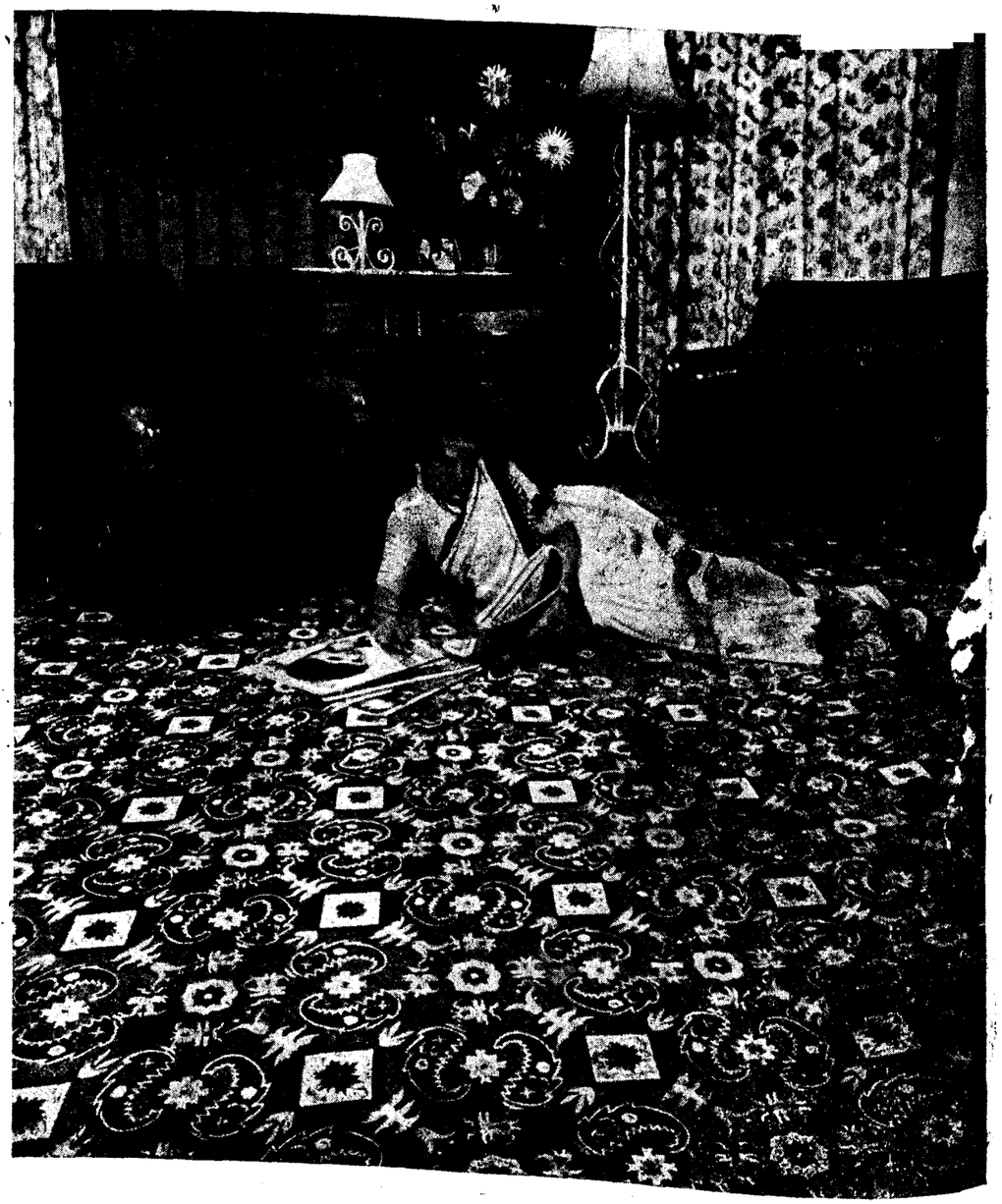
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* Copper Anodes

3. COLD ROLLING DIVISION

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* Cold Rolled Industrial Quality Copper Sheathings, Strips & Coils (from 10 SWG to 45 SWG) in width from 7 mm to 355 mm.

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THE EASTERN ECONOMIST

NOVEMBER 30, 1962.

Arms Assured

THE high level missions from America and Britain which completed their assignment with remarkable expedition were as much diplomatic in character as they were military. The assessment on the spot made by Mr. Averell Harriman and Mr. Duncan Sandys with the assistance of their top experts will provide an exhaustive and clear picture of the Indian crisis to the governments of the two countries. The agreement for the supply of armament which has been concluded with Britain and the agreement whose framework has been practically finalised by Mr. Harriman have presumably in view India's requirements in the short run. Aid in the long perspective, too, is assured.

The terms on which supply of arms is to be made go a long way to accommodate India in the fullest measure. Britain is providing the arms free of cost, but subject to a mutually agreed financial ceiling which will remain undisclosed. Equally important is a term that Britain would undertake the entire responsibility for the transport of the arms part of which will necessarily be airborne. American armaments are to be provided on rupee payment, which is by any criterion a very liberal condition in the context of our continuing stringent foreign exchange position. The details of the agreement are still to be worked out, but it is now a foregone conclusion that American arms assistance will be massive in size. It was explained, and quite advisedly, that missiles were not envisaged during the discussion. The rupee balances which the American Administration will acquire may possibly be utilized for a boost to India's exports or for rupee financing of arms production in India or for economic development. It may be that the balances may be directed towards all the three objectives.

It is an encouraging thought that what is likely to emerge is a pattern of aid from the Western countries taking the shape of a consortium. More Commonwealth countries are certain to come forth with offers of armament assistance and similar helpful attitude from some of the Continental countries is also within sight. Co-ordination to eliminate duplication is implicit in the consortium pattern of arms aid and indeed in the supplies from America and Britain. The accent is to be on weapons for mountain warfare.

One of the clearest conclusions that has emerged in the discussions between the Government of India and the heads of the two missions corroborates the belief universally held in this country that the Chinese war will be a long-drawn-out affair. The need to meet the unscrupulous enemy, who may relapse into fits of aggression at any moment, imposes on this country a special obligation to prepare a plan of defence on the basis of a long-term strategy. The first essential is the supply of modern defensive weapons and, in view of the long-term duration of the threat, domestic production of arms will need to be given high priority. Mr. Harriman indicated in his Press Conference that American collaboration in the production of arms would be quite feasible when India indicates her intention to ask for it.

India has undertaken not to transfer the arms to be obtained under the agreements without the concurrence of the supplying Governments and to allow access to their representatives in India for observing and making periodical reviews of the use of the arms to repel the Chinese invasion. Any surplus quantities that may remain in India's hands after the conflict is over are to be returned to the suppliers. This undertaking was promised by India long before the missions arrived here, but it was obviously incorporated in the pact with Britain (and will be included in the agreement with America) for the definite purpose of allaying Pakistan's apprehensions that American arms aid in particular would upset the balance of military strength in the Indian sub-continent. It is unfortunate that Pakistan allowed herself to be too much pre-occupied with the short-term and immediate objectives of China's invasion on India's northern border. Such a short view of the menace is surely not conducive to her own territorial security.

Mr. Harriman took particular care to emphasize that the problem ought to be viewed from the angle of the security of the entire sub-continent which involves the free existence of the two powers. If he found it necessary to be strong in expressing his views, uttering a warming that the American Government's policy cannot be dictated by any other power, the reason is quite apparent. Pakistan's Foreign Minister seems in no hurry to visit Peking as earlier contemplated and her reply to China's offer of a no-war pact may finally turn to be not positive. These developments, however, do not affect, rather, they urge, the advisability of trying to find a solution for the root cause of the deep differences between India and Pakistan. The Kashmir issue cropped up in the discussions with the two heads of the delegations. While they wish the issue to be settled directly by the two parties, their good offices will be available. As this issue is being printed comes the welcome news that Mr. Nehru and President Ayub Khan will hold direct talks on Kashmir to arrive at an honourable solution.

Russia: Stricter Centralisation

MR. KHRUSHCHEV'S marathon speech before the Central Committee of the Soviet Communist Party reveals deep concern over the present state of the productive apparatus of the economy. Agriculture has suffered a sizable decline in output and industry has not much to boast of. In the perspective of the current Soviet Seven-Year Plan the industrial achievements hardly add up to anything near the impressive over-reaching of targets as under most of the earlier plans. It is these fundamental facts which over-shadow the proposals of reform made by Mr. Khrushchev for introducing a revised system of control of the economy based on a more thorough centralisation.

The highlight of the evaluation of the performance of the Seven-Year Plan during the first four years — 1959 to 1962 — brings out the salient fact that industry could have shown a better performance which it did not. In agriculture the setbacks which are in evidence over the past few years have not been overcome. Labour productivity did not rise in industry in accordance with the assigned target and Mr. Khrushchev gave a warning of impending changes in labour legislation to ensure higher norms of output.

Only five years ago in 1957, the Soviet Premier came forward as an ardent advocate of progressive decentralisation of the control of production. The intensely centralised direction of the productive apparatus in both the sectors, industrial and agricultural, concentrated in the hand of the Economic Ministries located in Moscow, was considerably modified by him as a matter of deliberate policy to pave the way for cautious decentralisation. Planning and economic administration were given a pronounced regional bias. Moscow's tight control down to matters of detail was substantially dismantled and authority to plan for the expansion programmes of factory and farm was vested in the 100 regional councils.

Apparently, decentralization has not delivered the goods to satisfaction. Mr. Khrushchev's trenchant criticism of the bureaucratic centralized control of the economy fortified during the Stalin regime could hardly conceal the switch-over to another type of centralised control. The distinction is one of variety. Lenin's dictum of Party and State Control of the economic apparatus is now invoked for the re-introduction of centralization of the planning and implementation of economic development programmes. The Regional Councils are to be reduced to about 40, ostensibly because the decentralization of 1957 tended to drift towards parochialism in planning. But the major component in the new apparatus of control by the State and the Party has relegated regional authority of the remaining 40 councils to a subordinate place. The Communist Party is to be reorganized into two wings for the purpose of the control and direction of the economy in its two basic sectors — agriculture and industry.

The Soviet Union Council of National Economy is to be the new apex control organization which will inevitably supersede to a substantial extent the regional councils. The new Soviet Union Council will be charged with the task of prescribing the annual plans, while prospective planning will be the concern of the State Planning Committee. The object is to make the control of the Party over the centralized apparatus supreme and to that end large corps of volunteer supervisors drawn from the Party would be assigned the continuous work of vigilance over the implementation of the annual plans. The wide publicity that was given to misappropriations of millions of roubles by bureaucratic officials, synchronizing with the session of the Central Committee of the Party, was not without design. This is yet another technique to discredit bureaucratic control.

Mr. Khrushchev's forthright exhortation calling upon the Communist Party to be prepared to emulate what was profitable and good in the capitalist system sounds so heterodox. What he, in fact, did was to rely upon an extensive quotation on the same thesis from Lenin. But the new economic reforms to be introduced do not disclose any evidence of this thesis of profiting from the good that is in the capitalist system. The recent discussion in the Russian Press and outside on the value of the profit motive as a lever to industrial expansion was practically bypassed. The profit motive and the incentives which it provides for economic stimulation lie at the root of the capitalist system. What Mr. Khrushchev indicated was that profit as related to individual enterprises was an acceptable principle, since it constituted one of the vital indicators of industrial efficiency. There was little departure from the prevailing pratice in this statement. Russian industrial enterprises are already working on the basis of progressive margins of profit for financing further development.

Foreign Capital

DURING the last ten years, India has attracted substantial capital from abroad both through private and official sources. This speaks highly of the sound lines on which the Indian economy has been run and the sagacity of the political leaders who have been able to preserve a political climate which is unmatched in any of the other Asian countries. An analysis made by the Reserve Bank of India in regard to foreign investments in India in 1960 with estimates of probable trends of 1961 confirms the thesis that foreign capital has reassuring faith in the Indian economy and in the stability of the administration as well as government policies. The Reserve Bank's study published in the latest issue of the Bulletin shows that net foreign investments in the private sector touched a record figure of Rs. 78.4 crores in 1960. This level was attained after allowing for repatriation of capital and revaluation of assets amounting to nearly Rs. 2 crores mostly in the tea companies.

The new investment in 1960 was more than double of the level prevalent in the preceding year. Again, it is noteworthy that a substantial portion of this rise in foreign investments was due to foreign private sources, while capital from official sources recorded a slight fall. Outstanding foreign investments in the private sector were estimated at Rs. 690.5 crores in 1960. Official sources also steadily increased their share from Rs. 2.7 crores in 1955 to Rs. 124.1 crores in 1960.

In terms of gross capital inflow from private sources, 1960 recorded a substantial improvement over 1959. As against the inflow of Rs. 25.8 crores in 1959, the level was more than double at Rs. 62.4 crores in 1960. The entire increase in 1960 was due to fresh capital receipts as the retained earnings in 1960 were slightly lower than in 1959. The petroleum sector attracted more new capital than the manufacturing industries.

Despite the fact that the retained earnings were lower in 1960 as compared to 1959, the earnings of foreign capital were not at all affected. The foreign controlled companies yielded to non-residents a total earning of Rs. 41 crores in 1960 as against Rs. 38.6 crores only in 1959 and Rs. 35 crores in each of the earlier two years. The rise in earnings was caused, by and large, by the higher yields in the manufacturing sector and the improved performance in the plantation groups.

the United Kingdom once again emerged as the principal supplier of capital in 1960. Of the total capital inflow of Rs. 78.4 crores, the share of the United Kingdom was more than half at Rs. 44.5 crores. Incidentally, almost the whole of this new capital was from private sources, the official share being only Rs. 2 crores.

The indications for 1961 are to the effect that in overall terms 1961 may not be as promising as 1960 mainly due to the reason that the investments of the petroleum companies dropped to a rather more normal level. In the non-petroleum sector, however, the net inflow of capital is likely to be an improvement over 1960. The official capital is likely to be also on the higher side in 1961 as against 1960. The estimates made by the Reserve Bank show that the foreign indebtedness of the country would rise in 1961 by about Rs. 351 crores against Rs. 414 crores in 1960.

What will be the picture like in 1962? Up till October of this year, the climate was very favourable for foreign capital and new capital issues had been sanctioned almost every week. The new issues of capital had been greeted by the investing public with great enthusiasm and whatever the dampness during the last two months of the current year, the net inflow of capital may not be smaller than in 1961.

A question which has been frequently asked by all foreign entrepreneurs in India is whether the foreign collaborators who have been given sanctions to set up plants in this country, would be allowed to continue their work under the present emergency. Official sources have already indicated that all those industries which impinge on the defence effort will be requested to hasten their pace and complete their work ahead of schedule. Even in the case of consumer industries the Government of India, in its present mood, is willing to provide all facilities so as to increase the productive effort of the country. Any doubts lurking in the minds of the foreign investors that the Government in any way would like to go back upon any of its previous commitments is based on unsound foundations. The manner in which the United Kingdom, the United States of America, West Germany and France have come forward to assist India in her present hour of trial shows that there will be no holding back on this vital front and that the broad co-ordinates of the Third Five-Year Plan will be allowed to be fulfilled with the massive assistance of these countries in the domain of defence.

Prohibition in the Reverse Gear?

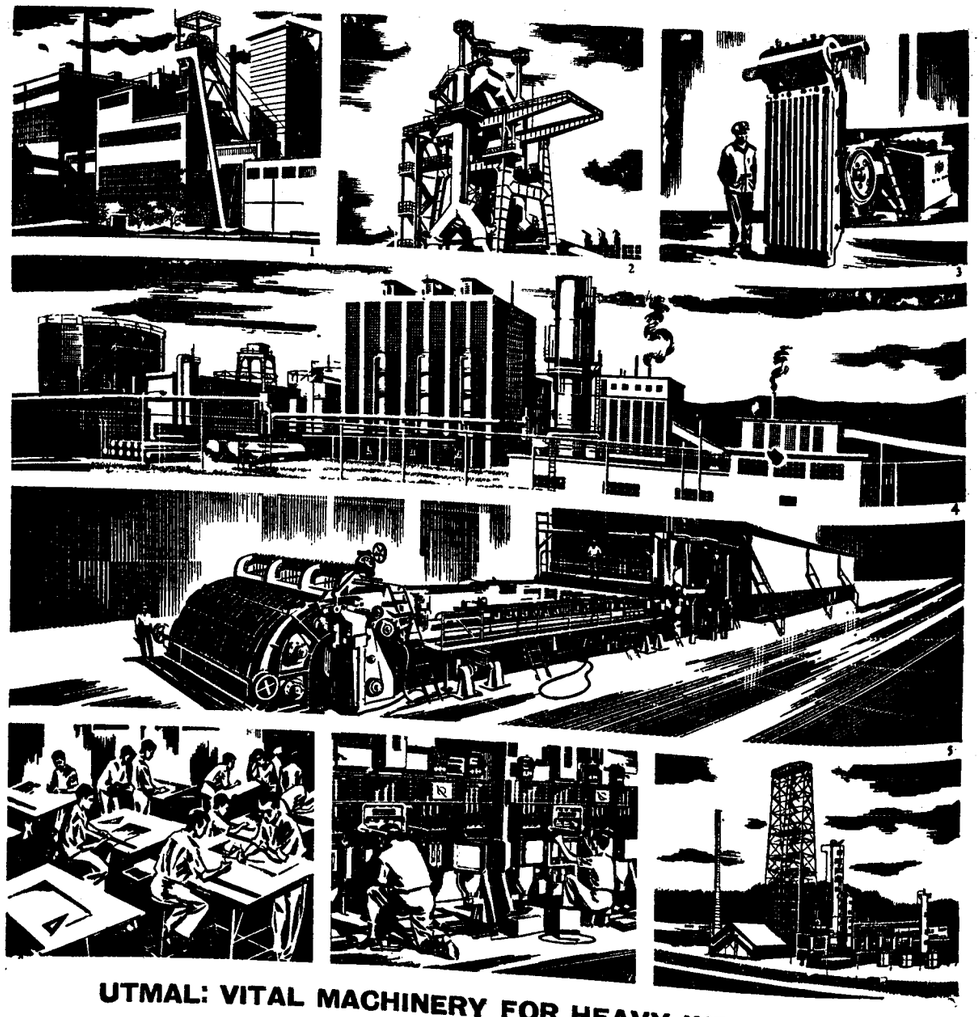
THE dramatic announcement by the U.P. Government to scrap prohibition from December 1 was an important event of this week. The U.P. Government's this forthright measure has been interpreted as putting the prohibition policy of the country in the reverse gear and is taken as a precursor to similar steps by the Governments in other States. The Mysore Government, reports suggest, may follow suit shortly. Ominous rumblings have been heard from Bombay as well. The Labour and Taxation Minister of Punjab is said to have disclosed the State Government's plan to cry halt to further prohibition there. The West Bengal Government has all through been only half-hearted in its extension and enforcement of prohibition.

But to style these developments as a planned retreat from the policy of prohibition on principle is perhaps not warranted. The reversal has obviously been occasioned by the expediency to raise revenue by all possible means to fight the Chinese menace. Various estimates have been made in the recent past of the loss of revenue to the States' exchequer from this source; they range from Rs. 300 crores to Rs. 400 crores per annum. But if the cost of enforcement of the policy is also taken into account, the total amount would grow further by a sizable quantity. Even accrual of 50 per cent of this revenue and saving in the cost of enforcing prohibition should help in financing State expenditure and providing relief to the Centre in the war effort, if not fully, to a large extent. Resort to any further massive taxation measures in the States will only accentuate the inflationary tendencies when supplies of various commodities start falling short of demand, say in another six months.

The question arises whether in the wake of the U.P. Government's step and in view of the fact that no State has taken advantage of the Union Government's year-old offer to make good half the loss of revenue on account of extension of prohibition (which implies lack of enthusiasm on their part to pursue this policy to its full end), there should be a re-appraisal of the policy on an all-India basis. *The Eastern Economist* though never an enthusiastic supporter of prohibition, does not consider the present juncture quite an opportune moment for such a review. Enshrined in our Constitution as the objective of prohibition is, a policy decision by the Union Government on this important issue may be deferred to normal times and not hustled through when the country has been shoved into a tight corner. Whatever may be the opinion about the success or failure of this policy over the past years, there is every likelihood of the present exigency imparting undue bias to immediate abolition.

In the current emergency situation, it would be appropriate if the individual States are given a free hand to form their own prohibition policies in the light of the circumstances obtaining there. There is no denying the fact that wherever prohibition has been practised, alongwith yielding some wholesome results, it has led to boot-legging, springing up on a wide scale of traffic in illicit distillation and corruption in the enforcement staff. To stamp out these evils in those areas is no less an easy task than enforcement of prohibition itself. There, a sudden and complete reversal of the policy can well be expected to raise new law and order problems which it should be prudent to avoid in the near future when all efforts need to be geared to armed as well as civil defence. The Union Government, which has hitherto kept a meaningful silence over the issue, will do well to maintain its this prudent attitude.

While from the point of view of raising resources for the war effort, scrapping or slowing down of prohibition is a welcome step, it passes one's comprehension why various States should be kept saddled with unduly large cabinets which not only are a drain on the national resources but have also made co-ordination an onerous task. In the face of the magnificent voluntary effort of the nation to boost the National Defence Fund, it ill-behoves the party magnates not to set an example in economy without sacrifice of efficiency.



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THE WEEK'S NOTES

The Cease-fire

APPRISING THE NON-ALIGNED

MR. NEHRU'S announcement in the Lok Sabha on November 26 about the despatch of ministerial delegations to some of the non-aligned countries of Asia and Africa brings the reassurance that we have now awakened to a sense of quickness in explaining our position in international disputes in which we are dragged. The announcement is apparently expedited by a move undertaken by the Government of Ceylon to convene a meeting of the representatives of the United Arab Republic, Ghana, Burma, Cambodia and Indonesia in the first week of the next month for the specific purpose of discussing the India-China conflict and possibly evolving a formula for compromise. It is no reflection on the good intentions of Ceylon (or of those of any of the countries which may have instantaneously reacted to respond to the invitation) that the ministerial deputations are being sent to them to apprise them of the reasonableness of India's stand in this conflict. In the course of his reply in the Lower House to the debate on the resolution on the Chinese aggression, Mr. Nehru took care to pay compliment to President Nasser of the UAR for his painstaking attitude to understand the issues involved in this conflict and to attempt to devise solutions in their light. But Mr. Nehru was constrained to point out that some other countries, Ghana for instance, could not somehow get a proper appreciation of these issues in their first reaction to the Chinese invasion.

Mr. A. K. Sen, the Central Law Minister, and Mr. R. K. Nehru, the Secretary-General to the Ministry of External Affairs, are being deputed to the UAR and Ghana. The task of explaining India's position and contentions to the Governments of Burma, Cambodia and Indonesia has devolved upon Mrs. Lakshmi Menon, Minister in the Ministry of External Affairs. The urgency of these ministerial delegations to explain in its true perspective India's case has become all the more pressing because of the calculated and nefarious attempts made by China in her note to India announcing the ceasefire and possible withdrawal of her troops by making pointed and repeated appeals to the Afro-Asian nations to exercise their good offices to prevail upon India to accept the offer in the interests of world peace.

It is hardly proper to expect foreign governments to be conversant with the minute, though basically important, details of the offers and counter-offers made by India and China. But China's note of October 26 has been couched in such a language of sweet reasonableness that to those, who are not acquainted with the inner issues of the border strategic points and areas, the impression is conveyed that China has not only agreed to India's offer to restore the position as it stood on September 8, 1962, but has gone one step beyond in graciously undertaking to abandon the achievements of her aggression in NEFA. The truth of the matter is that the position in NEFA and the character of the so-called withdrawal are ambiguous in the extreme, while what China really aims at is to obtain before-hand the ratification of the possession of the territory which she has grabbed in Ladakh by giving a new definition to the territorial position as it obtained on November 7, 1959, placing that territory above the plane of negotiations. The Ministers who will proceed to these countries will, it is trusted, find a receptive climate to India's case which has been maintained consistently through-

Pakistan

REGRETTABLE POSTURES

IT IS a matter for deep regret that Pakistan has chosen to take a short view of the implications of China's invasion of India. Initially, prior to the point of China's massive push into the NEFA area and then in the direction of Assam, there may have been some ground to see in this aggression high pressure tactics to coerce India into conceding a corridor to China between Sinkiang and Tibet. But in view of China's surprise and altogether unexpected invasion of NEFA deep into the interior, the entire aggression has taken a sinister complexion and its consequences cannot by any stretch of reasoning be interpreted as confined to India. It is a threat to the territorial integrity of the entire sub-continent and it is not difficult to see that the threat in the eastern sector has some very anxiety-provoking pointers to the Eastern Wing of Pakistan. But the real implications transcend even the Indian sub-continent. China has never concealed her blunt conviction in the spread of world communism by armed force. When and how she may be inclined to translate this conviction into action is a perpetual Chinese puzzle, although, as some think, this may not be at the back of her mind at the present time.

Containing China beyond the McMahon Line and the traditionally and historically recognized line in Ladakh is, therefore, conducive to the safety of the two powers in the Indian sub-continent. Even in her self-interest Pakistan would be expected to do nothing that would embarrass India and add to her difficulties in this hour of the gravest of crises. But Pakistan has taken the stand that American armed assistance to India would upset the present balance of strength and would place in the hands of India a potential which would be a threat to the security of Pakistan. These fears have been completely allayed by India's undertaking to allow the actual use of American and British armament to be watched by the observers of these two countries and by her irrevocable pledge to return all residuary or surplus armaments after the end of China's aggression to the supplying countries. No more reassuring commitment could be made on this armament issue. America's determination to go ahead with the supplies of arms to India on an elaborate scale after a survey by a technical military mission gives a positive indication of her final attitude.

Now Pakistan's Foreign Minister, Mr. Mohammed Ali, has come out with a slanderous statement alleging that India has long since entered into a secret military defensive pact with America. This allegation stands exposed by the simple clarification that what is really referred to are the agreements of 1951 and 1958, which India signed pursuant to the American law on the purchase of arms on commercial terms, like several other non-pact countries. This is an open book for anybody to see and the total purchases under the agreements have added up to a mere Rs. 29 crores. Now comes another wave of attack in the form of publicity given to the Chinese offer of a no-war pact with Pakistan. What value should be given to such a pact, if at all concluded, is for Pakistan to decide. But China's respect for international obligations and solemn agreements concluded with foreign governments is there for anybody to see. Even before the ink was dry on the Panchsheel Agreement signed by China with India, that country started its long-planned strategy of military invasion of India with road construction in the western sector of the Himalayan border. India's offer of a no-war pact to Pakistan is of long standing and it still stands. It is to be trusted that the goodwill

efforts of Mr. Harriman and Mr. Sandys in Karachi on their way back home will prove wholesome.

China : Co-operation

THE COMMONWEALTH TIE

IT SPEAKS eloquently for the spontaneity and strength of the Commonwealth tie that the British Government has politely declined to proceed further with the trade talks that it started months back with the Government of China. Mr. Lu Hsu-chang, the Chinese Vice-Minister of Foreign Trade, was invited as long back as April last by the British Government to pay a visit to London as a matter of reciprocity in the course of these talks. Mr. Lu Hsu-chang was due to be in London on November 29 for a stay of three weeks. Apparently these three weeks were to be taken up by a resumption of the talks. But the Chinese Vice-Minister has now been told to postpone his goodwill visit "for the time being". Presumably, "for the time being" is a synonym for "for the duration of China's hostilities with India". This inference is obvious from the explanation assigned for the suggestion to postpone the visit. That explanation is that the postponement has been urged "in view of the possibility that the success of this visit might be prejudiced in the present disturbed situation". Shorn of diplomatic courtesy, the reason implies that Britain cannot countenance the proposal of a trade pact with China so long as China is misbehaving by means of blatant aggression against a Commonwealth partner.

Australia and Canada are two Commonwealth countries on whose imported foodgrains China is feeding her population. There was an element of philanthropy in the supplies of wheat made by these two countries to China in the initial context of famine in that country. The responsible and representative Press in both the countries is now pressing upon their Governments to stop these supplies to a country which shows not the least regard for peace and international norms.

These moves and proposals which partake of the complexion of economic sanctions will not go in vain, for China's economic strength at the present time to sustain a long drawn-out and full-scale war against India is perhaps being exaggerated out of proportion in this country.

Dr. Lubke

A GOODWILL MISSION AND MORE

DR. HEINRICH LUBKE, President of West Germany, is most welcome in this country at a critical juncture in its post-independence history. He comes essentially on a goodwill mission to India, but there is, it is to be presumed, something more of tangible importance in it. In the team which accompanies the President is a distinguished figure — West Germany's Foreign Minister, Dr. Gerhard Schroeder. When Dr. Lubke pays a visit to Rourkela, the proud monument to Germany's economic and technical assistance in India's enterprise of development, he will be accompanied by quite a number of the top ranking representatives of West German industry. West Germany has now emerged as the second biggest provider of economic assistance to this country next only after America. There are signs that this position will be maintained as a matter of firm policy by West Germany.

There could be no more fitting ambassador of the goodwill of the German people to the people of India than Dr. Lubke. In his own country he has earned a place of eminence as the counterpart of Dr. Ludwig Erhard in the domain of agriculture. If German agriculture has been elevated to the high level on which it stands today, Dr. Lubke is its main inspiration. For many years he bore the brunt of office as Minister for Agriculture. Drawn from the peasant stock, he maintains the simplicity of life even to this day. He politely declined to move to the Presidential mansion and insisted on staying in his simple family flat which he acquired after years of hard work. This attitude will be highly appreciated in India which has always professed simplicity in her way of life. The disturbing thought, however, cannot but be mentioned that sometimes we tend to lapse from the ideal and we have the opposite of the example of Dr. Lubke in Ministers persisting in staying in the ministerial bungalows after they cease to hold office.

Of profound significance was Dr. Lubke's one outstanding observation at the banquet given in his honour in Rashtrapati Bhawan. Conveying to the people of India the message of their sympathy and support to the Indian people in their present ordeal of the Chinese invasion, Dr. Lubke stated that the Germans knew war with all its horrors and they hated it from the bottom of their hearts. They have now learnt that peace is difficult to preserve since it stands jeopardized by the threats of the totalitarian forces. We in India are learning both these bitter experiences in spite of our twelve years of consistent efforts to maintain friendly relations with China. Let us beware that a totalitarian power right on our border is a constant threat and a perpetual warning to be on the alert.

British By-elections

CONSERVATIVE LOSSES

IN THE five British by-elections whose results were announced last week-end the Conservative Party lost in the key constituencies to its opponents and where it won the majority was barely marginal, showing a loss in the electorate's support. To the second category belong Central Norfolk, South Northamptonshire and Chippenham. In Chippenham the Liberal contestant ran almost a close race with the Tory candidate who was returned by a narrow majority. In the other two constituencies the Conservatives were returned with a substantially reduced strength in votes.

But of much greater consequence were the out and out Conservative reverses in South Dorset and Woodside (Glasgow). South Dorset was the citadel of the Conservatives which returned a Tory candidate for the past half a century. But here the Labour success was largely due to a curious intervention. Viscount Hichinbrooke (now Earl of Sandwich), who formerly represented South Dorset, pulled his weight on behalf of the Independent Sir Piers Debenham. This is a predominantly agricultural constituency where the Common Market issue is a burning question. The Earl of Sandwich is an anti-Market advocate and on this issue he could succeed in swinging a good deal of votes for his Independent friend, Sir Piers. The result was that the split gave a crucial advantage to the Labour Party. The vote was 13,783 for Mr. Barnett (Labour) as against 13,079 for Mr. Maude (Conservative). In the Woodside constituency, Labour won by a good majority polling 8,303 votes as against the Conservative poll of 6,935. The Liberal candidate came lowest with 5,000 votes. These five by-elections were almost confidently taken for granted as Conservative successes. This time the Gallup poll went wide of the mark. By-elections do not necessarily give a firm indication of the trends in the general election. But if the general election is held some time at the beginning of the fourth quarter of 1963 on the issue of the Common Market, the Conservatives will have to educate the electorate and arm themselves for another term by an intensive campaign.

The World Abroad

BUSINESS MORALS IN THE U.S.A. AND THE U.S.S.R.

By ODYSSEUS

IN EVERY ECONOMIC system, there is a vast difference between its ideal and its real functioning. A fascinating book, "The Soviet Economy", just published by Richard D. Irwin Inc. (1800 Ridge Road, Homewood, Illinois, USA), contains 18 essays by American and British experts covering Soviet planning, problems of management, labour, agriculture, foreign trade, wages, prices, and social welfare, which should be of absorbing interest (a) to India's planners, and (b) to all those in government and industry affected by their plans.

Last week, I outlined Professor J. S. Berliner's essay on managerial incentives in the USSR. He warns us that we should not conclude from his analysis of the weak points of the Soviet system that it does not work. Today, we follow the Professor in exploring the gap between the ideal and the actual performance of American managers in order to gain a better perspective of both systems.

The typical US company today is not managed by an owner-entrepreneur, working for himself, but by salaried managers working for the shareholders. The US manager has only a limited share in profits and often looks on shareholders as outsiders whose demands for dividends are necessary evils. In like manner, the Soviet manager often resents the intrusion of his owners—the State—into "his" affairs. We saw last week how he tries to protect himself against the state. In the USA (as in other Western economies), managers try to protect their interests by ploughing back profits for the sake of enlarging their company. They are unwilling to liquidate failing enterprises, and thus put themselves out of jobs, although liquidation may be in the interests of the shareholders. The growth of company self-financing has strengthened the manager's power to expand "his" enterprise without submitting to the test of the market for capital.

While the Soviet manager's desire for security leads him to such practices as concealing production capacity and resisting technological change, Western economists also note the change from the adventurous entrepreneurs of earlier days to the cautious "industrial bureaucrats", who play for safety today.

CONTROLS BREED CORRUPTION

The Soviet manager is compelled to evade the law, because he is surrounded by so many regulations. The US manager is somewhat better placed. If a Chicago manufacturer ships an order to Seattle instead of New York, he has nothing to fear but the ire of the New York firm. But if a Kiev manufacturer ships an order to Moscow instead of Leningrad, he suffers state disciplinary action. If a US manager sells a substandard generator, he may lose money or his business. If a Soviet manager does the same, he risks prison. Since, however, the USSR business world is (like the Indian) tangled in a much greater web of controls than that of the USA, or of the West in general, the Soviet manager finds his interests in conflict with the law much more, and it is inevitable that evasion and corruption should be far greater than

On the other hand, with the growing complexity of Western society, more and more laws are passed to protect the public from potential abuses. The USSR manager sets out to evade such laws when they conflict with the interests of his firm, his career, or his pocket. What does the American do?

Professir E. H. Sutherland's book, "White Collar Crime" (Dryden. New York. 1949) studied legal decisions against 70 large industrial companies, which in 1935|44 were convicted 585 times for such practices as restraint of trade, misrepresentation in advertising, unfair labour practices, etc. The average was 8.5 convictions per company. Sutherland concluded that his figures under-stated the extent of such practices, which, he said, were "very prevalent".

The point is that when US managers find themselves in positions similar to those of Soviet managers, they behave in the same ways. There is evidence that the Soviet manager, aware that everyone under-states capacity, hoards supplies, gets them from black markets, or mis-states his monthly returns in order not to lose his bonus; he reckons that investigating agencies have limited budgets, and counts on the law of averages (and his own superior shrewdness) to get away with it. Likewise, an American authority wrote that about the only thing which keeps many a businessman free from federal indictment is that, under hit-or-miss methods of prosecution, the law of averages has not struck him down.

Managerial attitudes are also similar in the USSR and the USA. The Soviet manager does not think it "wrong" to use influence to secure supplies illegally, or to falsify his reports to the central planners. What is important is success. If you are successful, you can get away with all sorts of violations. There is evidence that the Soviet manager feels contempt for planners and party officials, who try to tell him how to run his business, but who themselves have "never met a payroll". Sutherland's picture of US managers is similar. The American businessman who violates laws intended to regulate business does not usually lose status among his associates. If a few think less of him, others admire him. American businessmen usually regard government officials as "politicians" and "bureaucrats" and official inspectors as "snoopers".

Professor Berliner says that one of the Soviet system's assets is the planners' ability to keep the economy in over-full employment: the demand for labour and supplies is greater than the supply; the engine works all out all the time. For this it has, however, to pay the price of over-ordering, hoarding, and deterioration of quality. The USSR is a permanent sellers' market.

The American, and average Western, economy is only exceptionally faced with over-full employment. Hoarding makes no sense when supplies are adequate. Competition and consumer resistance keep quality of production up to standard. The role of influence has been narrowed by the disappearance of

war time bureaucratic controls. The American and Western manager's biggest problem is selling, not buying. The energy that the Soviet manager spends on obtaining materials is spent by the Western firm in selling and advertising—which, I suggest, is greatly to the advantage of the Western consumer in the volume, variety, and quality of goods that it makes available to him.

Thus the differences in USSR and US managerial practice basically spring from differences in environment. How do US managers behave when placed in a similar environment? World War II forced over full employment on the USA. It is noteworthy that the rate of growth of production in the war rivalled current levels of Soviet production. This means that there is no magic in the Soviet system. The US economy could grow as fast if Americans would agree to be pushed around as totally as the Russians.

BLACK MARKETS IN THE U.S.A.

War-time over full employment in the USA was achieved by government controls, allocation of supplies, controlled prices, cost-plus contracting, and shortage of supplies, and, like the Soviets, the Americans paid for their high rate of production by much waste. Control and allocation of materials created black markets. So extensive was connivance at black markets, and other illegal practices, among businessmen, criminals, and average citizens, that I am led to suspect that it must have had as permanently a lowering effect on American standards of conduct as the disastrous interwar experiment in prohibition, whose effects are still visible in the average American's acceptance of excessive drinking as a natural phenomenon.

The reputation of American production for high quality is, in normal times, world-wide, but war-time controls and shortages produced the same results as in the USSR. One of the commonest expedients of Soviet managers is to upgrade lower quality goods and sell them at higher quality prices. This was widespread in war-time America: it is difficult to detect, even with an enormous, wasteful, and time-consuming system of inspection.

The Soviet manager is protected by the mutual support among the many officials whose fortunes depend on the success of his enterprise. The Communist Party secretary is reluctant to report the violations of a manager, from whose success the party benefits. Other officials hesitate to dismiss him, because while the next manager may be more law abiding, he may not succeed in fulfilling his plan. This solidarity exasperates the highest levels of USSR ministers and planners but they have no cure for it. The same solidarity characterised businessmen in war-time America.

The influential "contact man" comes into his own in all closely regulated economies. He flourishes in Delhi today as he does in Moscow, as he did in Nazi Germany. Mr. L. Hamburger describes in his "How Nazi Germany Controlled Business" (Brookings. Washington. D. C. 1943) how the contact man pulled wires. He knew the influential Party members who controlled orders and allocations. The American influence-pedlar does the same job in so far as the law attempts to control business. Bribes and favours pullulate in Moscow, Washington D. C., and—alsewhere.

The moral is that a nation should seek to create a social climate favourable to high standards of public and private conduct. You do not do this by controls, regulations, or Acts of Parliament. On the contrary, the wider the regulations, the wider the corruption, the lower the standards. Human nature in all countries is the same mixture of good and evil, of aspirations and failures, but all history suggests that free societies, which face the individual with the responsibility for making his own choice between the better or the worse, breed responsible citizens with higher standards. From a purely material viewpoint, the rate of economic growth is likely to be slower than in a regimented society. If so, my vote is still for freedom.

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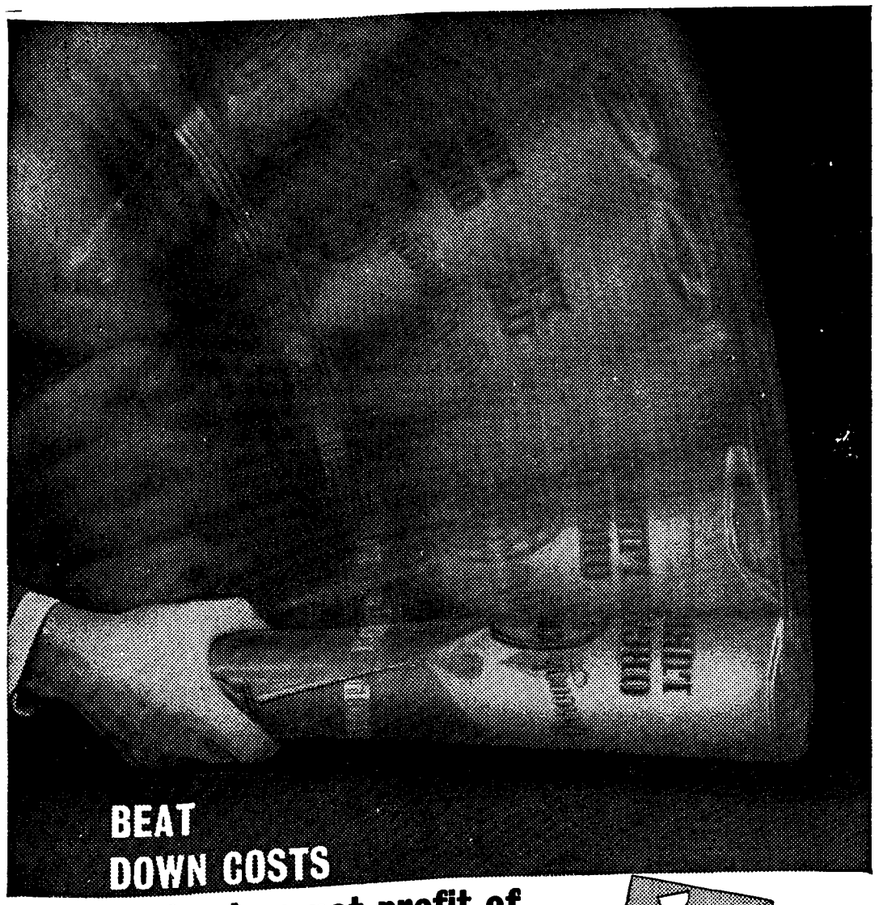


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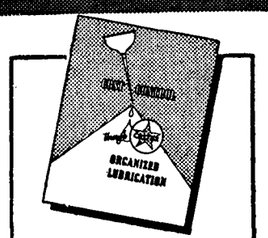
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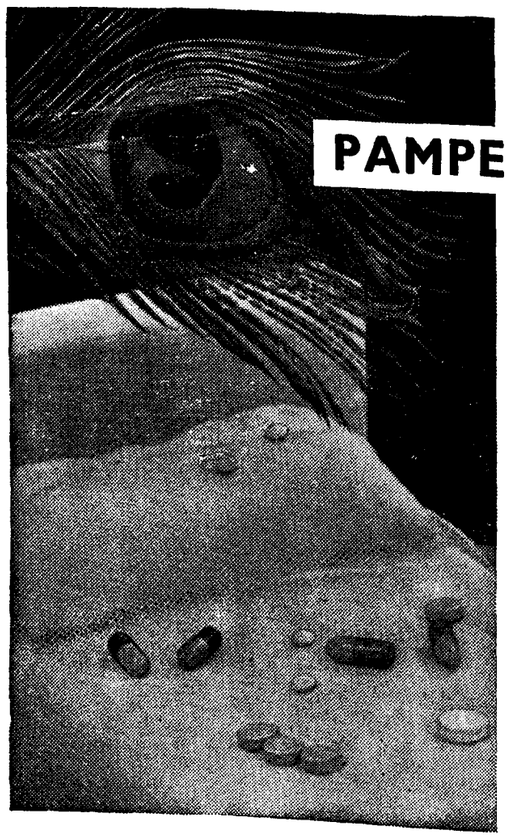
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The European Scene

WEST EUROPE IN 1970

From Our Special West European Correspondent

PARIS, November 25.

BUSINESS forecasts are intended to enlighten, but they have become so frequent in West Europe nowadays, and are offered by so many different authorities, that they create confusion. Scarcely a week passes without a government agency, planning board, statistical institute, chamber of commerce or industrial association offering its forecast of the course of economic activity in the coming months. These have to be added to the forecasts put out by the Common Market authorities and international agencies (OECD and UN organisms) for this region, and must be read with the similar spate of business forecasts published in the USA, for these latter, if realised, would impinge on European affairs. Confusion is confounded because these various forecasts are more or less contradictory: at the present moment, the European business man has a choice between hypotheses of a major slowdown, even recession, over here next year, and projections that promise a maintained, even accelerated, pace of expansion throughout 1963. As far as concerns forecasts uttered at the start of this year regarding the level of business in this country, to the extent there was any consensus it has been belied by the facts. Most people expected, on the strength of expert studies, a slowdown that has in no way materialised.

One takes up rather gingerly, therefore, the projection just published, by a group of economists headed by Pierre Uri and appointed by the Common Market Commission, for the period 1960-1970 in this region. This distrust is perhaps misplaced, for long-range forecasts are considerably more reliable than short-term prophesies. It is harder to say whether business will be brisk next summer than to give the broad outlines of development over the next decade—but, of course, vast assumptions have to be made, such as that wars and recessions do not occur. When the Twentieth Century Fund (to cite yet another recent forecast) predicts that by 1970 in West Europe sales of household gadgets will rise by 90 per cent and of automobiles by 145 per cent, this is a more reliable statement than a prediction about the level of private investment in the Common Market in 1963; it rests on surer evidence, namely in this case the rise in revenues and the spread of consumer credit. The interest of uncovering this sort of long-range trend is familiar to readers of Colin Clark's Economics of 1960 or of Jean Fourastie's Civilisation of 1975.

The Uri group predicts that in 1970 the gross national product of the six present members of the Common Market will be 59 per cent higher than it was in 1960. It will be remembered that the OECD has adopted the target of a 50 per cent rise for the 20 members of that organisation (West Europe plus the USA and Canada) in the same period. The Uri group's calculation is a more rigorous (or less hazardous) one than the rather vague forecast of the OECD, and moreover it appears that the Six will have more chance of expanding at the pace it augurs than will the 20 of the OECD. The US economy alone makes up 60 per cent of the gross production of the OECD countries, so if that country is lagging the group as a whole has little hope of reaching its objective. In fact, it is lagging: in the first two years of this decade, the rate of expansion in the USA has been only 3.5 per cent annually, bringing the average for the 20 countries down to 3.8 per cent, whereas an annual increment of 4.1 per cent would be required to add on 50 per cent in ten years. Still, there remains plenty of time for the Americans to make up their arrears, and the tax cuts proposed by Washington might be decisive in that sense. At all events, the Six will have an easier time living up to the Uri group's expectations.

The group has worked out the implications of two different hypotheses about the pace of expansion: a "principal hypothesis" (the one they think more reasonable) that assumes generally favourable conditions in Europe for rapid growth, and a "secondary hypothesis" about slower progress. On the former and more optimistic view, the following table gives the percentage increases in gross product for two past and two future periods of five years in the Common Market countries:-

	1950-55	1955-60	1960-65	1965-70	1960-70
W. Germany	54.2	35	24.1	21.9	51.1
Belgium	17.6	12.9	20.5	21.1	45.9
France	24.2	22.9	28.8	25.8	62
Italy ,	33.6	33	33.5	32.3	76.6
Holland	31.3	22.6	23.4	27.2	57
Whole ECM	35	28.1	27	25.3	59.1

It will be noted that, even on this more favourable hypothesis, there will be a slowing down of the pace of expansion, which is more noticeable still on a per capita basis: gross product per head of population rose by 58.5 per cent in the decade 1950-60 but is expected to rise by 47.6 per cent in the decade 1960-70. The reasons are the size, age distribution and occupational structure of the European population. In the present decade the population of the Common Market will, on present indications, increase by 7.8 per cent (from 168.8 million in 1960 to 181.9 millions in 1970). Not only will the swelling product have to be shared among more people, but the number of active economic agents in the total will diminish as a percentage: the active working force will grow by only 6.3 per cent. The reasons for that are the increase in schooling time, at the one end, and longer-living old people at the other end. (The Common Market includes, in France, the oldest nation in the world: 7.5 million people over 60 out of a population of 47 million. Yet that same country has more children, because of the recent increase in natality, than most of its bigger neighbours. Thus the working people carry a heavier burden of inactive consumers.)

Not only that, but the active population is moving rapidly into the less productive sectors, i.e. out of agriculture and industry into tertiary services, where the rate of increase in productivity is negligible. In 1970 the Common Market will employ 16 per cent of its active people in agriculture, 44 per cent in industry and 40 per cent in services, thereby approaching nearer the American situation where there are more people engaged in services than in productive industry and agriculture. Since, as far as we can see at the moment, increases in productivity in services will be small and slow, the transfer of population to services must bring a slowing down in the pace of growth. We have heard so much of the transfer of labour from the fields to the factories that one misses the fact that the real movement is from the farms into tertiary

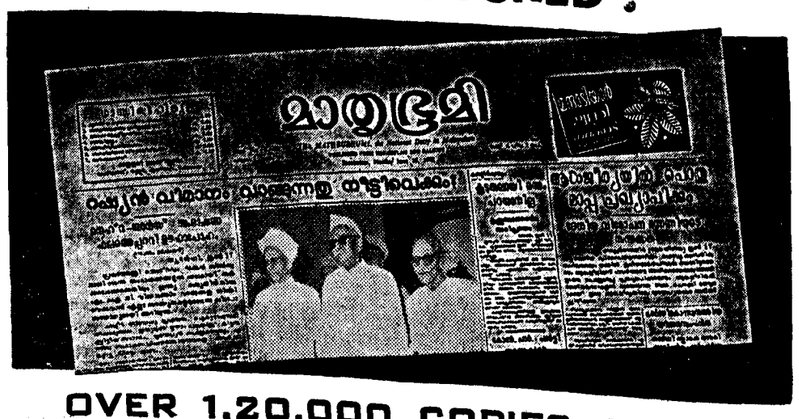
services: the peasant does not become a factory hand but a tradesman, member of the liberal professions or supplier of other services. It is as though needs for food, and then for manufactures, were following a curve that flattens out as saturation is approached, while humanity remains avid for the assistance of milkmen, teachers, hairdressers, musicians, psychoanalysts and tourist agents.

The figures also indicate that differences between the various countries will diminish: progress will be fastest in Italy and next in France, where there are today large parts of the population that live well below the European average. It will be less marked in West Germany and particularly in Belgium, where industrialisation and bourgeois comfort are already universal. Differences will however remain considerable, and it will not be until the year 2000 (according to another set of projections) that Italy draws equal with France. That equality, it should be noted, will be attained at levels far above those now known: French gross product per head in 1970 will be about double the Common Market average of 1960.

One hears folk here interpret pessimistically the Uri group's forecast of a slowing down of the pace of expansion later in the decade, and indeed the flattening out of the steep curve has provided all the newspaper headlines on accounts of this projection. Yet if people seriously expect recent rates of growth to be continued indefinitely into the future, they show that they have not understood the figures they are reading. We are supposed to have learned compound interest at school, so we should know that a 7 per cent annual increase in industrial output (and this pace has been quite common lately in Italy, France and Germany) means a doubling in ten years, a multiplication by 32 in 50 years, a multiplication by 1,024 in 100 years—and a multiplication by 1,050,000 in 200 years! Obviously such rates of expansion are impossible. If French industrial expansion continued for 140 years at the recent rate of 7 per cent, by the year 2,100 her steel production would be about 100,000,000,000 tons. "At that speed", Fourastie has observed, "the mass of the moon, then of the earth, of Mars, Venus and the whole solar system would be transformed in some years into refrigerators, washing machines and concrete buildings".

Such extrapolations are not just mathematical curiosities, but economic realities that have to be borne in mind in considering any long-range forecasts about the growth of the vigorous economies of the Common Market. For the fact is that we are living through a sort of economic explosion that began very recently and cannot continue indefinitely. There is a professor in Paris who tells his students to take French industrial production in 1913 as 100 and then guess what the index number was in 1939: guesses range widly from 130 to 150, when in fact the index in 1939 was 105. But, on present indications, it will be 335 in 1965 (it is 290 this year). In other words, the immensely fast pace of industrial growth in West Europe began in our lifetime, just after the war, and must—on grounds of sheer physical impossibility—be finished in the lifetime of our grand children. It is dangerous to juggle with such figures as those of the Uri group's projection unless one realises that they are inhuman figures, i.e. completely unnatural in a historical perspective and quite untypical both of humanity's experience in the past and of its likely experience in the future.

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THE NATIONAL DAILY IN MALAYALAM

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Chief Editor: K. P. KESAVA MENON :: Managing Editor: V. M. NAIR

Economic Report from the U.S.

TAX REDUCTION: AN INVESTMENT IN ECONOMIC GROWTH

By GUY SIMS FITCH

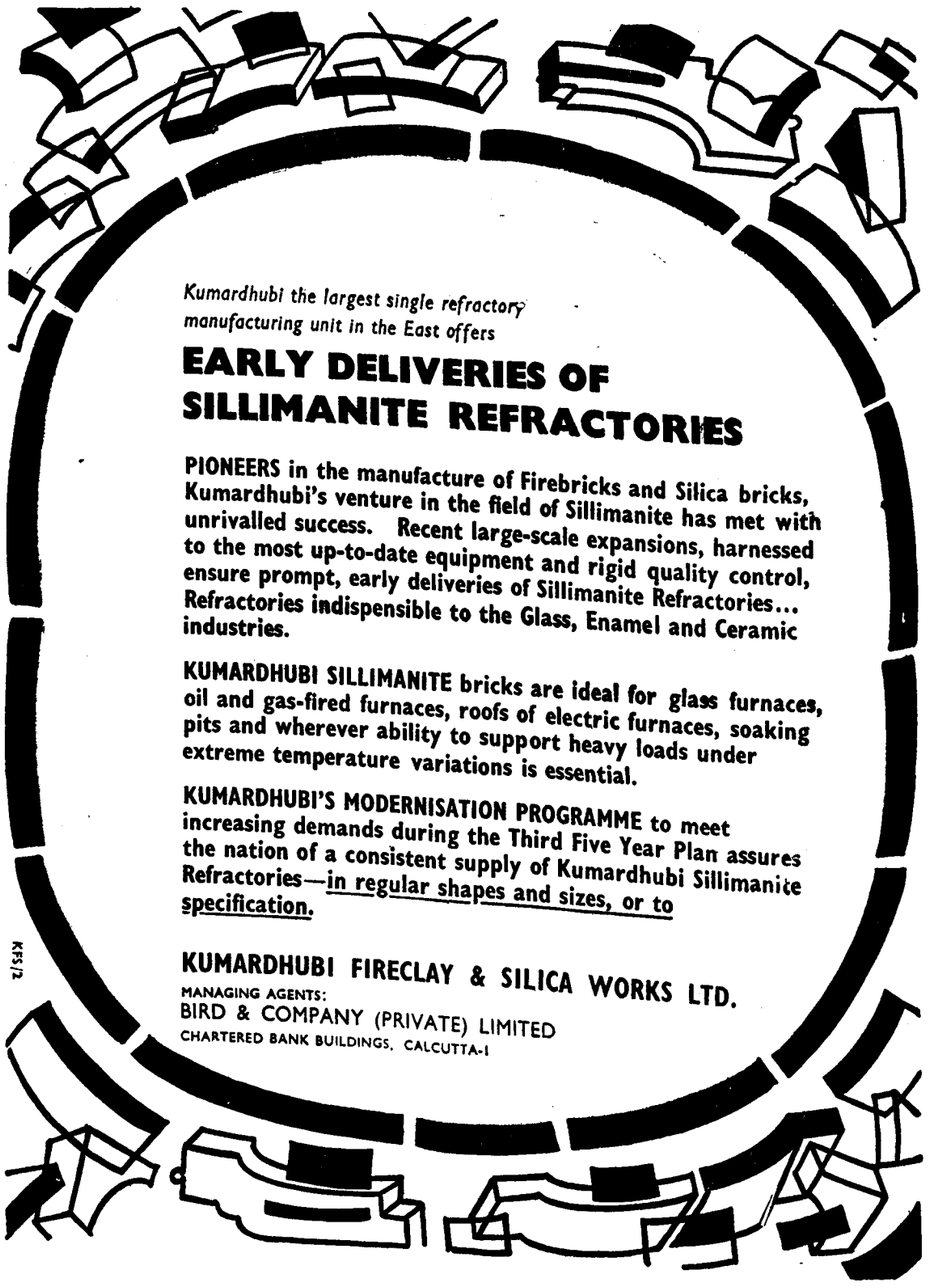
WASHINGTON, November 20.

THE KENNEDY Administration is in the process of drawing up recommendations for substantial tax reduction and reform for submission to Congress early next year. These recommendations are not meant to be temporary palliatives, nor are they counter-cyclical in motivation or quality. They are designed as powerful stimulants to continued and accelerated expansion as an important investment in the long-term economic growth of the United States. This always has been a basic concern of the Kennedy Administration. While the economy has been on a steady upgrade for the past two years, and even shows signs of improving on its recent performance, its advance still has not been adequate to fully employ the nation's manpower and material resources.

The Administration's oft-expressed espousal of a tax programme that would bolster the economy's long-range performance now has been reaffirmed in clear and unqualified terms by top government officials at a meeting last week sponsored by the President's advisory committee on labour-management policy. This includes the Secretary of the Treasury, the Secretary of Labour, and the Chairman of President Kennedy's Council of Economic Advisors. At that meeting, leading economists from business, labour, government and the academic world reached a general consensus that sizable tax reduction are both desirable and feasible. This view has been echoed in an advisory committee report this week, urging a tax cut in the vicinity of $ 10,000 million for both individuals and corporations. Admittedly, a tax cut of this size would further enlarge the deficit in the national budget, which has been estimated at some $ 7,800 million for the 1963 fiscal year ending next June 30. But this is a risk the Administration appears ready to take in the interest of accelerating economic growth. In any case, there is a serious question of how soon the budget results could be improved at the present rate of economic expansion. The general view seems to be that if growth can be stimulated substantially, incomes and government revenues could increase sufficiently, even at lower tax rates, to restore a budget balance. This is not only logical, but in line with some previous experience. A $ 7,000 million tax cut back in 1954, for instance, made for a larger budget deficit that year, but it led to budget surpluses in ensuing years.

This emphasis on one phase of fiscal policy requires that the other side—that of government spending—not be allowed to work at cross-purposes to it. Most economists agree that no artificial restraints should be placed on government expenditures which might endanger important public programme or might act as deflationary influences and thus negate the effects of a tax slash. This does not imply spending for its own sake. Rather, the view is that the nation should continue to meet its domestic and international responsibilities, even if these call for some increases in expenditures. At the same time, of course, the Government would be exercising all reasonable prudence in the use of its funds. Monetary policy, which by itself has proved incapable of fostering the rapid economic expansion desired, also would have to be watched carefully. Interest rates, it is agreed, should not be permitted to rise to the point of choking off needed growth, nor should they be permitted to fall to the point where they would invite a renewed outflow of capital, to the possible deteriment of the balance of international payments. These principles are well enough understood to have won widespread support for the Kennedy Administration's tax policies both at home and abroad. Significantly, the report of the labour-management committee received the unanimous endorsement of its 21 members—those from business and labour as well as from Government. Even this broad approval, of course, does not guarantee a favourable Congressional reduction. Nor is there any official indication as yet for the exact form the Administration's proposals may take—either as to the magnitude, nature and timing of the tax cut, or the make-up of the structural reforms in the tax system. The broad outlines of the Administration's programme are evident, however, and the path of public policy has now been clearly charted.





pecial Article

AUSTERITY: ESSENTIALS OF POLICY

N addition to making all efforts for accelerating the war effort, it is necessary that voluntary control hould be imposed on consumption as well as on waste. n fact, earnest attempts should be made to activise ll those products which have been deemed as waste, ince, according to a popular saying, "waste is not vaste, if you do not want to waste it." This applies articularly to scrap and other industrial waste. Waste f either human effort or material goods is criminal ven in times of peace, leave alone the present hour of crisis. The public at large can contribute helpfully by keeping down the demand for various goods and services by putting into practice some of the austere measures which this country adopted during the last World War.

In this hour of the utmost need when the Government is rivetting all its attention on the maintenance of a healthy and stable economy — so that the civilian population can participate fully in the war effort — the pressure is likely to be felt in the case of consumer goods. While it is the policy of the Government to see that the minimum necessities of life do not rise in prices — and in this respect there has been remarkable success since the beginning of the hostilities —the fact remains that in certain sectors, the co-operation of the public is imperative if the price line is to be held firmly.

In certain sectors, the people have operated with great restraint and have put a brake on the upward trend of prices by reducing consumption. Mention needs to be made particularly of woollen textiles and hosiery goods which have indicated only a slight marginal increase over the preceding year. The prices of the woollen goods are the same today as they were before the commencement of the hostilities. The woollen textile mills have been diverted to the production of woollen goods for the forces and, therefore, it is natural that woollen textiles for the civilian population should fall in supply. In these circumstances, it is necessary — in fact, obligatory — to make use of the old woollen clothes that the people possess so that no additional pressure is imposed on the woollen goods market.

Unfortunately, in some sectors goods have already come under pressure. This refers particularly to kerosene whose price has spurted during the recent weeks. This is a vital commodity for the poor sections of society which have to keep their meagre dwellings aglow after sun-set. A rise in the price of kerosene certainly impinges heavily upon the poor man's budget and under the present circumstances, it is incumbent upon the kerosene dealers to see to it that their name is not tarnished at a time when all the trading associations throughout the country are vying with each other to win the confidence of the public in their efforts of keeping prices down. In the case of wheat, sugar, and other bare necessities, prices have eased in recent weeks showing slackness in demand; partly, according to the market reports, this downward trend is due to the voluntary efforts of the traders who have refused to cash in on the present adverse situation and partly due to the anti-inflationary measures taken by the Ministry of Finance.

The impact of the debacle in the stock exchanges and the bullion prices has eroded vast purchasing power in some sections of the business community which has, in turn, created a tightness in the money market. The fall in bullion prices as a result of the announcement of Mr. Morarji Desai that all attempts would be made within a month to bring the price of gold to Rs. 70 per tola so that all smuggling is rooted out, has had a very salutary effect. The banks have now pressed upon the loanees who had drawn advances against gold to square their accounts by the liquidation of gold. This anti-inflationary policy of the Government has been quite effective so far.

In the case of luxuries and semi-luxuries the story is quite the opposite. Tooth pastes, creams, soaps, etc. have come under pressure, in the sense that their prices have increased marginally because of the likely curtailment in production. The rise in prices in itself may be a restraining influence so that consumption would fall, thus putting a ban on further increase in prices. Such luxuries as mechanical appliances, decorative goods, cosmetics, shoes and accessories have fallen in demand. Even if the prices of these luxuries should rise, the vast majority of the people would not be affected and, therefore, no one need bother about the select few.

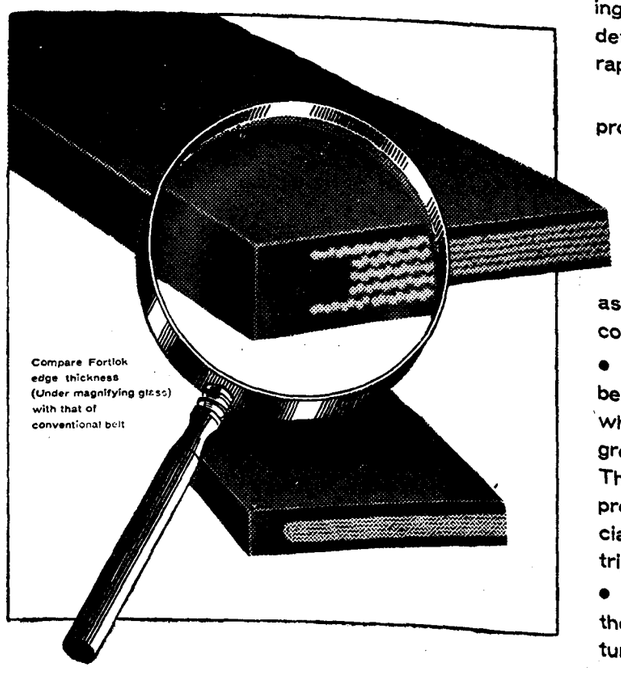
Austerity in consumption means that the people should help in curtailing consumption in many other ways. Some of the utilities are likely to be in great demand and it will be in the national interest to keep down the consumption of water, transport, power, etc. As during the last World War, an educational propaganda should be mounted to inform the people that they must keep their travel necessities to the minimum and if they must travel, they should travel light. Again, the civilian use of power can be reduced by people by minimising the use of electrical gadgets and by going to bed early and also rising early. The use of water also should be reduced; it will put a lesser pressure on the machinery and will reduce the consumption of some vital chemicals needed for the war activities. Instances of this type can be multiplied. In every sector, it must be the duty of every national to see to it that no waste takes place in the consumption of any commodity and that a cut in consumption is brought about even under conditions of slight hardship.

Austerity need not mean any slowing down in the tempo of our industrial development. All those industries which have a bearing, directly or indirectly, on the defence industries, must work round the clock to see that targets are achieved ahead of schedule. Unnecessary projects may be shelved for the time being. The schemes for building new housing colonies in urban areas may be deferred. A slowing down in the process of housing for civilian population at the present time will not only assist in diverting cement for military purposes but also reduce the pressure on the transport system. Even in offices, consumption of stationery and other equipment must be minimised. The liberal methods of salesmanship employed during peace time may not serve during the present emergency. Even in the case of employment, the Government at all levels must stop all recruitment which is not essential for conducting the war. The Union Minister for Finance, Mr. Desai, needs to be congratulated on his decision to cut administrative expenditure by 10 per cent immediately and reduce it further without affecting efficiency. This is the right course to channelise the productive effort so as to eliminate waste and unnecessary expenditure. The Government must spell out a detailed policy in this regard which should apply to all Government departments and agencies, whether at the Centre or the States.

NEW FORTLOK CONSTRUCTION GIVES DUNLOP CONVEYOR BELTS AN EDGE OVER OTHERS

Conveyor belts are most vulnerable at the edges. The new Dunlop **FORTLOK** construction more than doubles the life of the belt edge by providing double edge cushioning capacity.

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DRAC-91

THE BUSINESS WORLD

Co-ops or Co-operation with Existing Agencies?

By CROESUS

A few days ago, presiding over the annual general meeting of the Maharashtra Chamber of Commerce, Bombay, Mr. Lalchand Hirachand exhorted business men to maintain the price line and carry on their work as a distributing agency with a sense of service to the community. Having counselled this Gandhian concept of Trusteeship, he logically followed it up by calling upon the Government not to 'proceed with the substitute agency contempleted by it, namely, a chain of co-operative stores, thereby displacing a number of traders from their honest business and creating, in their stead, an inexperienced and costly machinery. He also suggested that the Government should enlist the support and co-operation of the recognised associations of business men in its tasks of procurement and distribution of essential commodities.

How sound the advice and how imperative it is to act as per that advice are strikingly brought home by a reference to the prevailing position in the case of atleast one important essential commodity—cloth. A comparative study of the production and stock figures of cloth with the cotton mill industry suggests that the industry is today saddled with more stocks—and that despite a steady decline in production from month to month—than it would wish. Thus, total stocks with all mills have been steadily going up since May without even the redeeming feature of a seasonal fall in October as in that month in the year 1961, as the following comparative figures show:—

(In bales of 1500 yrds. each)

1961	Month	1962
268,500	May	322,200
317,000	June	353,700
339,200	July	399,200
366,900	August	413,500
384,800	September	420,200
375,300	October	431,900

It is expected that the end-November, 1962, stock figures will be still higher than the end-October, 1962, figures. That this should be happening despite a lower monthly production in 1962 than in the previous year and a more or less steady fall since May last (July, 1962, was an exception) in the total monthly production this year (vide table below) shows that the markets are by no means starved of supplies and that there are hardly any signs of scarcity conditions, atleast in cotton mill cloth, to warrant any hasty move on the part of the authorities to supplant the existing agencies and replace them by new and inexperienced agencies (even if they happen to be co-operatives). Rather than resort to any such move, the authorities would be well advised to enlist the co-operation of the mill industry itself to prevail upon its member-mills to open more fair price shops in suitable localities, as some of the leading mills have even now been doing—and to very good purpose too This should take care of cloth distribution.

	CLOTH 1962	CLOTH 1961
	(Million Yards)	
May ..	423	430
June ..	419	430
July ..	432	445
August	428*	441
September ..	410*	424
October ..	384*	426

(* Provisional)

As regards production too, in the light of the aforesaid trend, there is urgent need for close liaison between the Government and the industry. It is a pity that, when all industries are being urged to maximise production, they should still be asked to wait when they approach the authorities as to what precise type or specification of products they have to turn out to further the war effort. Atleast two industries—the machine tool industry and the cotton mill industry—are reportedly in this unenviable position. It is no satisfactory explanation of this to point, for example, to the comprehensive bill that the Lok Sabha has just passed, providing for the establishment of a committee, with wide statutory powers, to ensure the quality of textiles and of textile machinery. What is needed, as Mr. Lalchand stressed in his presidential address, is a Production Promotion Council at the Centre, composed of all the interests concerned and charged with the twin tasks of both assessing and executing the requirements urgently needed to win the war. It would be worthwhile, again as Mr. Lalchand urged, to have a separate Minister in charge of Defence effort in every State to mobilise resources and co-ordinate the production and supply of defence requirements.

At a time such as the present, the authorities are apt to be overobsessed with war efforts and to underestimate or even overlook essential civilian needs. To cater to essential civilian needs is of no less importance both to sustain civilian morale and to hold the price line. This is presumably what the President of the Maharashtra Chamber of Commerce must have had at the back of his mind when he averred that there should be perspective thinking now to press into service the present capacities of manufacture and produce whatever is required not only for war effort, but also for the country or the community as a whole.

Of the many more important things that must en

gage the attention of the authorities today, but does not, unfortunately, appear to have happened yet, I must hark back to the subject of war risks insurance, to which I had alluded in these columns last week. Once more, to quote Mr. Lalchand, if I may, "it is imparative and necessary that steps should be taken to have compulsory war risks insurance at such a time. It would not only guarantee unforseen risks, but play a vital role in ensuring security and safety. It would also indirectly mobilise substantial funds without, in any way, accentuating the incidental burden". If the authorities are as convinced as the public of this country that to drive the Chinese from our soil is going to be a long-drawn-out affair and that that would involve many a grim battle on land and in the air alike, they should introduce this measure without any further delay.

Business Notes

Plastics

FUTURE OF P. F. MOULDING POWDER

FOLLOWING THE enquiry made by the Tariff Commission in August last and its recommendations thereon, the protection granted to the Phenol Formaldehyde Moulding Powder Industry will cease as from December 31, 1962. But then the Tariff Commission has not left the industry to fend for itself. In fact, it has suggested that, as and when protection is removed, the protective duty should be replaced by a revenue duty at a rate deemed to be suitable by the Government.

The industry had argued that the overseas manufacturers had still some special advantages in respect of lower cost of raw materials, and labour and so protection required to be continued for a further period and, in fact, at an enhanced rate of duty of 50 per cent ad valorem — this is now being levied on all other moulding powders as a revenue duty. It may be noted here that this argument also received the support of some State Governments. However, the Tariff Commission rejected the suggestion and, while doing so, pointed out that the advantages of overseas manufacturers in respect of lower cost of materials and labour, as urged by the industry, did not give rise to any special issue for consideration, inasmuch as their incidence had already been reflected in the landed costs of imports. Yet another argument for not accepting the industry's stand was that during the past 12 years of protection, the industry had not only expanded its capacity and increased its output but also diversified its production, thereby stabilising its position sufficiently.

The Tariff Commission had also recommended that the Government should extend necessary assistance for establishing the manufacture of Phenol, Formaldehyde and Hexamin in the country to meet the increasing demand of the Plastic Industry. Accepting this, the Government issued licences to three units for the manufacture of Phenol for an aggregate capacity of 1,96,000 tonnes, two units for Formaldehyde for 13,200 tonnes, and two units for Hexamin for 600 tonnes. Production of Formaldehyde and Hexamin has started in the country this year, while Phenol is expected to be available from March, 1964.

The present annual rated capacity of the Formaldehyde Moulding Powder industry is 2,195 tonnes on a single-shift basis in the six units currently manufacturing the commodity, as against only 1,524 tonnes that were produced by four units in 1959. Production of PF Moulding Powder has increased from 1,880 tonnes in 1959 to 2,219 tonnes in 1960, and to 2,244 tonnes in 1954. The domestic demand is estimated to go up to 5,000 tonnes by the end of the current Plan period from the present estimated demand of 3,000 tonnes. In view of this, it is felt that the present capacity of the industry should be quite adequate to meet the demand for the present as well as for the foreseeable future, provided the industry is enabled to work multiple shifts. With the increasing availability of indigenous raw materials, it is hoped that this industry would not only be able to lower its cost but, in due course, also compete with its foreign counterparts in the world markets.

EEC and COMECON

COEXISTENCE!

THE EUROPEAN Economic Community which was, at the time of its coming into being in 1958, denounced by the Communist leaders as an instrument of economic aggression, and was regarded by them as an adventure born to die its natural death, has of late come to be recognised as hard reality. And there is now to be seen a desire for closer trade ties between the EEC and the Council for Mutual Economic Aid (Comecon) — the Communist counterpart of the EEC. Mutual trade exchange between the two blocs through these agencies has increased steadily; between 1958 and 1961 it went up by no less than 68 per cent to a total volume of $ 2,200 million. This is a significant pointer to the fact that notwithstanding the special privileges created by the common tariff wall for the producers in the Common Market, outsiders have also reaped considerable benefits through increased trade opportunities, natural concomitant of larger markets. A further empirical proof: whereas during the first three years the imports of the member states from each other increased by 49 per cent, imports from outside world increased by 21 per cent, which is much more than the rate of increase in the world trade. This may be an unsolicited digression, perhaps to further buttress the argument of "The Eastern Economist" that, except for a short initial period of Britain's joining the EEC, a larger

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(December 7, 1962)

For the welfare of Ex-Servicemen

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proportion of India's traditional and other exports will be directed towards the Community.

The main object here, however, is to examine the working of the two contrasting methods of international economic co-operation. The Comecon, senior by 14 years to the EEC, was originally rigged up as an answer to the European Marshall Plan. It constitutes an attempt of turning totally planned national economies of Communist countries to one joint master plan, without, however, eliminating the borders and other obstacles to trade between the members. As against this, in the EEC, all national borders between its member countries and all obstacles to trade within the Community are being abolished gradually. The Community acts towards the outside world as one entity; within the Community full freedom of traffic, transport, exchange of goods, trade, movement of persons, of capital and of services are intended to help assure maximum economic results for the entire Community.

There is a great deal of contrast between internal trade within each bloc. Whereas trade within the Comecon countries has made very little progress (a mere 10 per cent), internal trade of the EEC has risen by no less than 73 per cent since 1958, notwithstanding the substantial increase (by 25 per cent) in its trade with the rest of the world. Similarly, even though the Comecon, which is far larger in area and population than the EEC, with its percentage share of only 12 in the world trade, lags behind the EEC by about an equal percentage points. The answer to the EEC's edge over the Comecon may well be sought in the Western affluence — a mass consumption society. One healthy feature, obviously of recent origin, however, is the desire for closer co-operation between the two agencies.

Civil Aviation

PERFORMANCE OF MAJOR AIRLINES

WITH THE introduction of Boeing Jetliners four years ago, there are today more than 300 jetliners in service today, operated by twenty-six of the world's leading airlines and representing 40 per cent of the non-communist world's jet fleet. With the increase in numbers, the available tonne kilometres (atkm)—that is, the capacity of the airlines—also have increased considerably. But this phenomenal increase in capacities has not been followed by a corresponding rise in traffic, so that the overall performance of the leading airlines during 1961-62 was far from satisfactory, when compared with their performance in the preceding year. Considering this, Air-India's performance in 1961-62 must be regarded as creditable indeed.

To take now the profit and loss of some of the major airlines during the year under review, the only airline to make a relatively high profit was the PANAM, which stepped up its profit from Rs. 3,38.10 lakhs in 1960 to Rs. 4,23.82 lakhs in 1961. The BOAC, on the other hand, recorded an increase in its loss. So also Sabena and Lufthansa. Other airlines, such as TWA, KLM, and Air-France, registered losses, as against profits made in the previous year. Air-India, however, while sharing the experience of other airlines in the matter of reduced traffic, managed still to record a profit (Rs. 38.86 lakhs), but this did not compare favourably with the previous year's profit figure of Rs. 76.97 lakhs.

As regards the increases in capacity in terms of the available tonne-kilometrs in various airlines, there was an increase of as much as 33 per cent to 1,295,395 atkm in the case of the BOAC. In the case of Air-India, it rose from 161,447 atkm to 216,640 atkm, representing an increase of 34.2 per cent over the same period. Along with others, Alitalia, Lufthansa and Air-France witnessed increases in their capacities in terms of percentages at 417,790 atkm (54.2%), 454,800 atkm (43.3%) and 1,027,076 atkm (32.9%), respectively.

The picture that emerges from the foregoing brief analysis is that of an appreciable fall in earnings, both absolutely and relatively, in the case of all airlines except the PANAM. But what is significant is that, on comparison, the performance of Air-India last year did not turn out to be unsatisfactory, for, whilst augmenting its capacity, it still managed to make a profit, though it was appreciably reduced.

Economic Co-operation

INDIA AND WEST GERMANY

IT IS indeed a tribute to the present leadership in the Western countries that the Indian economic growth has been liberally assisted by them during the last decade. There always were certain gaps which could never have been filled except by the active participation of these countries. West Germany, after it regained its normal economic status shattered by World War II, has been participating actively in this programme. The West German aid to India has, therefore, been increasing steadily ever since 1955 and at present it ranks among the first four aid-giving countries from the West. The total development aid to India has been over 5,000 million D.M. that is about Rs. 600 crores. A credit of 660 million D.M. for Rourkela stood out as an important landmark in the transformation of the Indian economy. West Germany has also continued to provide financial credits for the Second and Third Five-Year Plans. Apart from the aid offered by the West German Government, the number of private entrepreneurs has not been small who have come forward to install various collaborations. This development, however, was comparatively of recent years. Up to the end of June 1962, for instance, private capital investment in India from West Germany was of the order of 72.6 million D.M. Even if this looked small as compared to the British investments in India, it has to be remembered that this investment has nearly doubled over the investment till 1958.

It has always been realised in India that in certain fields of technology the West Germans had accomplished such perfection that Indian industrialists in the preliminary stages chose to buy their capital goods from that country. It was for the same reason that Indian foreign trade always had such an important element of German imports. Every year the imports have been of the order of nearly Rs. 100 crores, and constituted between 10 and 15 per cent of the total import bill. Against this substantial figure of imports, the exports have always been very low. This was very natural because there were very few items which could be sold in the German market. During the last four years in the face of huge gap, efforts had been made to raise the exports and items like manganese ore, iron ore, cotton yarn, leather goods, and furs and skins, had found favourable markets. Gradually Indian tea also found a way into the German households and jute was also being received favourably in the German markets. While it is realised that in the years to come India will have to depend upon various types of German machinery, there are steady hopes that the

Indian goods will become more and more popular in that country.

War Effort

GEARING THE ECONOMY

FOR GEARING the economy to war effort, various suggestions have been made by the business community. Of the many proposals suggested, the one relating to compulsory war risk insurance made at the thirty-fifth annual general meeting of the Maharashtra Chamber of Commerce by Mr. Lalchand Hirachand, president of the Chamber, is quite an appropriate one. The enactment of compulsory war risk insurance would not only guarantee unforeseen risk but would also play a vital role in ensuring security and safety. It would also indirectly mobilise substantial funds without in any way accentuating the incidental burden. Mr. Lalchand Hirachand has also suggested that ways and means should be found to dig out hidden wealth. According to his proposal the only thing that the Government has got to do is to offer a promise to the owners of hidden funds that if they dig out their immobilised funds for use in the national emergency, no penal action would be taken against them even in the event of their being unable to explain the source. This proposal is on the same lines as embodied in the scheme of gold bonds and if constituted is expected to bring in sufficient money to gear the wheels of the economy directed to the war effort.

Mr. Lalchand Hirachand also emphasized that it is not only in the industrial field that specific directives are required as to what should be produced but special instructions will have to be issued in the field of agriculture as well. It is possible to grow more than one crop in the same land if proper irrigation is made available along with the adoption of scientific methods which, of cource, is a must.

So far as the suggestion relating to the appointment of a Production Promotion Council is concerned, it seems rather tenuous in view of setting up of the Ministry of Economic and Defence Co-ordination. Since the functions underlined by Mr. Hirachand for the Production Promotion Council appear to be the same that will have to be undertaken by the new Ministry, there does not seem to be any necessity for such a Council. What is actually required is a clear direction as to what is to be produced and what strategic industries should be given top-most priority. Now it is only to be hoped that the new Ministry would be able to co-ordinate all this and put the entire structure on a stable footing.

Referring to the Land Ceiling Act which the Maharashtra Government has passed despite the agitation of sugar factories in the Deccan, Mr. Lalchand Hirachand stated that the operative part of this Act should be put in cold storage so long as the emergency lasts. It would save the Government about 15 to 20 crores of rupees which they will be required to invest while taking over the sugarcane farms from the factories. The suggestion seems to be quite a reasonable one. By adhering to this course the Government could certainly make best use of the amount so saved for emergent defence purposes.

Refractories

ASSAM SILLIMANITE'S EXPANSION

MR. S. M. WAHI, Chairman, Assam Sillimanite Ltd. at the annual general meeting of the company held recently at Gauhati pointed out that the exports of sillimanite have been providing the bulk of sales revenue to the company. An extensive and concerted drive was made, he added, for creating interest and enthusiasm in this mineral with refractory manufacturers in Europe, Japan and Australia. Apart from these exports, the demand in the home market too has increased rapidly so that during the last five years it has multiplied five fold. The company in a way has played a double role. In the first place it has established itself as an important foreign exchange earner by entering the export market and in this field the potentialities of its better performance are assured. Secondly, by inspiring the confidence of indigenous consumers, the company has gone a long way in saving the foreign exchange that was being spent on the import of refractories. It has to be remembered that the import of refractories was of the order of Rs. 3 crores every year. In that light it is significant to note that against an output of nearly 8,000 tons in 1961-62, the company expects to meet the demand of 10,000 tons during 1962-63.

To execute this increased production capacity, the Chairman indicated that the company floated a new issue of Rs. 29 lakhs in equity shares in June 1962. Shares worth Rs. 4 lakhs were allotted to technical collaborators, Messrs. Vereinigte Grossalmeroder Thonwerke of West Germany for their technical know-how and service for stage one of the refractory project. The work on the new project at Ramgarh has commenced and this would gain momentum by the end of this year. The products of the initial plant have been well-received by most of the specialised consumers. The directors were hopeful that the first phase of the expansion programme would proceed according to schedule but the present state of emergency might cause certain hindrances. The delay might not, however, be very substantial; the company was struggling hard to achieve its projected higher levels of output.

Automobile Parts

A PLANT IN FARIDABAD

A PLANT to manufacture automobile electrical components would soon come into being in Faridabad (Punjab). The cornerstone of the new factory was laid by its Chairman on November, 24. The Electric Autolite Company of Toledo, Ohio, U.S.A., one of the world's largest independent manufacturers of automobile electrical components, has arranged to set up this plant. The new company that is being set up for the purpose will be known as Prestolite of India Ltd.

The company will manufacture automobile electrical components for use in electrical systems for internal combustion engines such as coils, voltage regulators, condensers, contact sets, horns, horn relays, solenides, switches, governors, lamps, spark plugs, cleaners, battery cables, ignition cables, distributors, distributor caps, rotos etc. under the trade name of Prestolite. A licence has already been obtained for the purpose.

To raise the capital, the company will be entering the market early next year. Its authorised capital will be Rs. 1 crore divided into 7,50,000 equity shares of Rs. 10 each and 25,000, 9.5 per cent redeemable cumulative preference shares of Rs. 100 each. The issued capital will be Rs. 40 lakhs divided into 400,000 equity shares of Rs. 10 each. Of the issued capital 700 equity shares of Rs. 10 each have been subscribed by the subscribers to the memorandum and articles of association while 74,300 equity shares have been subscribed by the directors and their friends for cash on which Rs. 5 have been paid up on each. The U.S. company will be subscribing for 1,75,000 equity shares. These shares have been allotted to the company in consideration of the supply of plant and machinery and are to be credited as fully paid-up. The balance of 1,50,000 equity shares will be issued to the public at par. The entire issue offered for public subscription has been under-written.

With the setting up of this plant the paucity of automobile parts is likely to be removed to a certain extent. Since there is a great demand for automobile electrical components, it is essential that a few more plants be set up in various regions of the country. At a time when the country's war economy is directed towards the war effort the need for such plants becomes all the more greater because these components would be required on an enlarged scale for trucks, jeeps and such other vehicles.

Engineering

EXPORT PROMOTION COUNCIL'S PERFORMANCE

THE VARIOUS export promotion councils set up during the past few years have played a considerable part in boosting our exports. The Engineering Export Promotion Council in this context needs particular mention. The outgoing President of the Council, Mr. A. K. Bhattacharya, at the seventh annual general meeting of the Council reviewed the performance and pointed out that although we have made good progress in the export of engineering goods, yet a great leeway remains to be made up. There are special problems connected with the export of some of the engineering goods and they mostly relate to long-term credit, availability of funds at concessional rate or special assistance for offering quotations against big tenders.

While exports of engineering goods rose from Rs. 4 crores in 1956 to Rs. 11 crores in 1961, the target still fell short by Rs. 1 crore. As to why we have not been able to capture the markets abroad is because of the fact that we are new entrants and have not yet got the fully developed techniques. To complete successfully we will have to exert every nerve and will have to produce the type of engineering goods that will be needed in the markets abroad. It is, however, significant that some new items have entered the field of our exports. Special mention may be made about transmission line towers, railway track material, auto engines, castings, stainless steel ware, steel ghamellas, bolts and nuts, hardware, dry batteries, bicycles and tea machinery etc.

Our exports of engineering goods when compared with other countries appear to be insignificant. The table below shows the export of engineering goods as percentage of total national exports in 1958. So far as India is concerned the contribution of engineering industries was less than one per cent in 1958. No doubt we have advanced much further during the last four years, but it seems doubtful if we will be able to achieve the Third Five-Year Plan target of Rs. 103 crores laid down by the Council. This figure on the very face of it seems to be very ambitious when it is viewed in the context of only Rs. 30 crores during the Second Plan period. Mr. Bhattacharya, however, feels that it is not impossible to make substantial progress as there exists a wide field in the markets abroad. He is of the opinion that if certain procedures are followed on the right lines, movement on rail is regulated and publicity abroad is strengthened, we may be able to make a considerable headway. In view of national emergency reasonable restriction on use of foreign exchange is understandable, but perhaps it would pay if the engineering industries are taken into full confidence by the Government when making moves for their development.

Countries	Engineering Export as percentage of total national exports in 1958.
Switzerland	53.5
West Germany	51.5
East Germany	50.0
U.K.	47.0
Czechoslovakia	46.0
Hungary	45.0
U.S.A.	38.9
Sweden	34.0
Italy	30.0
Japan	27.0
Poland	27.0
France	26.8
Austria	21.0
Denmark	19.7
Netherlands	18.9
U.S.S.R.	18.5
Canada	8.3

Trade

PROBLEMS OF INDO-PAK TRADE

THE FEDERATION of Indian Chambers of Commerce and Industry while reviewing the Indo-Pakistan Trade has informed the Government of India that certain positive difficulties have tended to impede the growth of trade between the two countries. Not only the Indian exports have tended to decline, but there has also been a continued adverse balance of trade which is disadvantageous to India in the context of present foreign exchange shortages. The Federation, for instance, has reminded that last time when the Indo-Pakistan trade agreement was reviewed the Federation had drawn the attention of the Government to the ban imposed in Pakistan on the import of cinematographic films wholly or partly exposed. The ban, it is indicated now, on the import of cinematographic films has not been lifted by the Pakistan Government though films are mentioned in schedule II of the protocol for the third year of the agreement. Recounting other similar difficulties the Federation has pointed out that the Pakistan Government on June 7 last issued a banking companies ordinance which made it incumbent on foreign banks in Pakistan to deposit with the State Bank of Pakistan within a period of six months five per cent of their liabilities in cash or in any unencumbered securities out of fresh remittances from abroad. The ordinance also empowered the Pakistan Government to give a year's notice after June 7, 1965 to foreign banks to stop receiving deposits. It need not be argued in details to prove that this is a measure that discourages the operation of Indian branches there and hinders augmentation of invisible foreign exchange earnings.

Other problems enumerated by the Federation were in respect of exports of linseed oil and bidi leaves from India. As far as linseed oil was concerned, the major hinderance was that the shippers to East Pakistan had to get their consignments inspected by the Deputy High Commissioner of Pakistan in Calcutta. It has been reported that often it took about 2 to 3 days' time for the goods to reach their destination. The documents relating to such consignments on the other hand, were received by the consignees only after a week's time. This delay caused certain complications because the railways charged certain demurrage. This delay was essentially administrative and there was no reason why this objection could not be eliminated

As far as the export of bidi leaves was concerned, the Federation has indicated that 70 per cent of the payment for the exports was made against letters of credit opened and the rest was paid after the approval of the quality of the goods by the buyers in East Pakistan. There were certain instances when consignments were rejected on the grounds of inferior quality. The Federation has added that one way to overcome this difficulty would be that the procedure of opening letters of credit was simplified. It could also be suggested that adequate pre-shipment inspection arrangement should be made in India to avoid the rejection at the other end. These problems should be discussed at the time of renewal of the agreement.

Food

ACCENT ON NUTRITION

SINCE IT is not so much on the intake of food itself as the nutritional content thereof that the health of a nation depends, it becomes imperative to change the habits of people towards a balanced diet. Stepping up the output and preservation of protective foods such as milk, fruit, eggs, fish and meat, are, therefore, obviously warranted.

The newly-formed Nutrition Division in the Union Food Ministry is a welcome addition. Its aim is not only to improve the quality of the normal foodstuffs available, but also to develop nutritional foods from raw materials which have not hitherto been adequately used. India has an abundant supply of vegetable protein and the Central Food Technological Research Insitute, Mysore, has shown how protein-rich material can be salvaged from oilseeds, like groundnuts, for human consumption. Since vegetable protein is as good as animal protein for human requirements, it is likely that people would prefer vegetable protein to animal protein, because of the cheapness of the former.

The Union Government, with UNICEF aid, is setting up two units, with a capacity of 10 tons each per day, one in Bombay and the other at Coimbatore, for the production of edible groundnut flour. A protein-rich food, known as Indian Multi-purpose Food, has been developed at the Central Food Technological Research Institute, by combining 75 parts of edible groundnut flour with 25 parts of Bengal gram flour and "fortifying" the product with suitable essential minerals and vitamins. A highly nutritious composite flour, containing up to 10 per cent of groundnut flour in combination with wheat flour, has already been prepared. Groundnut flour can also be incorporated in the preparation of tapioca macaroni and other enriched macaroni products. The application of science and technology to the conservation and effective utilisation of the available foodstuffs should help in reducing losses arising from their perishable qualities.

The reorganisation of the existing College of Catering and Management in Bombay and the opening up of the Institute of Catering Technology and Applied Nutrition in Delhi in September last are steps towards promoting a desirable change in the dietary habits of the Indian people through imparting of nutritional education.

CHRYSLER PLANT IN TURKEY

FOUNDATION WAS laid on November 21 for a new truck factory which will have a collaboration between Chrysler International and Turkish partners. The plant is to be located near Gebze and will be constructed by Chrysler Sanayi A.S. The total investment will be nearly 79 million Turkish Liras. The initial capacity of the plant will be 16 units a day and the trucks produced will have Turkish content of 20 per cent which will be progressively increased. The plant will be ready by late autumn of 1963. The initial production will be limited to trucks but at a later date the company will assemble passenger cars too.

Chrysler Corporation of the United States, it may be remembered, is the manufacturer of Valiant, Plymouth, Dodge, Chrysler and Imperial passenger cars as well as Dodge, DeSoto and Fargo trucks. Mr. J. Russel Longon, President and the Managing Directors of Chrysler International visited Turkey to participate in the ceremonies at the plant site. He said on the occasion that Chrysler presently has plants or major offices in eleven other countries and Turkey was the twelfth. He was hopeful that the standards of quality would be maintained at the levels attained in the United States and other advanced countries.

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FROM THE CAPITAL'S CORRIDORS

COTTON TEXTILE INDUSTRY AND EMERGENCY

THE various problems of the cotton textile industry vis-a-vis the national emergency were reviewed here on Sunday last at a meeting of the Cotton Textiles Consultative Board. The Minister for International Trade, Mr. Manubhai Shah, presided.

The Board noted with satisfaction that the several steps taken by the Government and the cotton textile industry in the past few weeks had geared the entire industry to meet fully the needs of defence. The representatives of the industry present at the meeting assured the Government that the industry would extend its whole-hearted support to the country's defence effort by stepping up output to the extent necessary not only for the defence needs but also for meeting fully the requirements of the civilian population and exports.

The Board urged the Government to increase the supply of cotton. Indigenous production this year, it was stated, although satisfactory, required an approach to be made to the United States Government for supplies upto 8,00,000 bales under P. L. 480, if the industry was to be enabled to fulfil the new tasks enjoined upon it by the emergency. The Board hoped that it was possible for the U.S. Administration to release more cotton under P. L. 480 to India this year.

The Board also considered at length the question of holding the price line in regard to cotton textiles. The new arrangement to stamp prices, it was stated, was working satisfactorily and the Textile Commissioner as well as the representatives of the industry and trade would examine the issue again on receipt of the report of the Tariff Commission on the Price Enquiry of Cotton Textiles, likely to be made available in the next few days. The Industry offered to make available adequate supplies to the consumer and co-operative stores that the Government proposed to establish throughout the country with a view to contain prices.

In regard to meeting the yarn requirements of the handloom industry, the Board felt that if yarn supplies to the handloom sector were not found adequate, an additional allocation of cotton to spinning units should be considered so that the decentralised sector was able to get the required quantities of yarn at reasonable prices.

The progress of the modernisation of the textile industry was considered to be satisfactory. But the Board felt that additional steps should be taken by the individual units of the industry, with the assistance of the Government, to increase the pace of modernisation. The supply of machinery, primarily from indigenous sources supplemented by some imports of items not manufactured in the country, would help the process of modernisation. The Board expressed satisfaction at the start of the manufacture of automatic looms in the country.

In respect of textile exports, the Board felt that while exports to the existing markets should be maintained, efforts need to be made to explore new markets also. Exports of textiles, it was noted, had shown an improvement in the recent past. The additional efforts that the industry proposed to make in this direction, would, it was hoped, be able to improve the position further.

U.S.A. TO SUPPLY 3.75 LAKH BALES OF LONG-STAPLE COTTON

The very next day of the Cotton Textiles Consultative Board's meeting, calling on the Government of India to approach the U.S. Administration for supplies of 8,00,000 bales of cotton under P.L. 480 during the current year, an agreement was signed here between the Governments of India and the United States providing for sale to India under the U.S. Public Law 480 of 3,75,000 bales (400 lbs. gross each) of long-staple cotton, valued at $46.6 million (Rs. 22.19 crores). This value includes $44.5 million for the purchase of cotton and $2.1 million to meet the cost of ocean transport.

The sale proceeds of the cotton to be supplied under this deal are envisaged to be utilised as follows: 85 per cent will be lent to the Government of India for economic development purposes; 5 per cent will be available for loans to the private sector under provisions of the Cooley Amendment of the U.S. P.L. 480; the remaining 10 per cent will be used to pay for the U.S. obligations in India.

This agreement is the seventh one signed with the U.S. Government under P.L. 480. The total commitments made by the United States in these seven agreements amount to $2423.2 million (Rs. 1153.9 crores). Under the first six pacts — the sixth one was signed on May 17 this year involving 1,80,000 bales — the U.S. Administration had supplied to this country 1.6 million bales of cotton.

COTTON THROUGH BARTER

The Government of India in the recent past has also made arrangements for purchase of cotton from abroad in exchange for sugar and manganese exports. About 11,000 bales, valued at Rs. 81 lakhs, are stated to have been contracted for import against export of sugar and another 25,000 bales, valued at Rs. 1.75 crores, against export of manganese ore and ferro-manganese. Part of the cotton to be imported against manganese exports is expected to be supplied by the United States.

Earlier this year, the U.S.A. also entered into an agreement with India for supply of 55,000 bales of cotton against export of sugar. These imports are at present under way.

KAPAS FUTURES BANNED

With a view to check undue speculation in unginned cotton, resulting in instability in its prices, the Union Government has decided to ban, with immediate effect, forward trading in "Kapas" throughout the country. All the outstanding contracts have been ordered to be closed at the rates prevailing at the close of business on November 26, 1962.

ENGINEERING INDUSTRIES AND EMERGENCY

The schedule for the production of armour plates in steel plants for the manufacture of medium tanks is being advanced in view of the present emergency. These plates were originally planned to be produced in 1964.

Disclosing this at a meeting of the Parliamentary Consultative Committee, Mr. C. Subramaniam, Minister for Steel and Heavy Industries, said last week that fertilizer factories were now producing certain strategic materials for defence. The Rourkela fertilizer factory would go into production almost immediately, he added.

Mr. Subramaniam hinted that some engineering industries were being switched over to defence production. All machine tool factories, both in the public and the private sectors, had been asked to work round the clock.

The automobile industry, he continued, had been alerted not only to increase its production of trucks, but also to expand the assembly lines to meet defence requirements. The Finance Ministry had agreed to provide the foreign exchange required for the import of components and the expansion of the industry.

Mr. Subramaniam added that it had been decided to increase the production capacity of the ancillary and component industries. The Ministry of Economic and Defence Co-ordination was studying the implications of switching over certain engineering industries from civil to defence production.

The streamlining of the distribution machinery for essential materials was also under consideration, the Minister stated.

IMPLEMENTATION OF INDUSTRIAL TRUCE RESOLUTION

The Union Ministry of Labour and Employment has set up a six-man committee to advise the Government on the implementation of the part of the Industrial Truce Resolution dealing with production. The Committee will also consider what measures can be adopted for increasing productivity and reducing costs.

Prof. M. S. Thacker, Member of the Planning Commission, is the Chairman of the Committee. The other members are: (a) Dr. S. T. Merani, Joint Secretary, Ministry of Labour and Employment (Member-Secretary); (2) Mr. M. M. Sen, Joint Secretary, Ministry of Defence; (3) Mr. N. Chidambaram, Deputy Secretary, Ministry of Commerce and Industry; (4) a representative of the Ministry of Economic and Defence Co-ordination; and (5) a representative of the National Productivity Council.

The Resolution on Industrial Truce was adopted at a joint meeting of the Central Organisations of Employers and Workers held in New Delhi on November 5, 1962. The following is its text dealing with production:

"Realizing that a grave emergency has overtaken the nation on account of the Chinese aggression and the need has arisen for taking urgent steps, in every direction, to prepare adequately for the defence of the country, and repelling the invasion of its territory, the Joint Meeting of all Central Employers' and Workers' Organizations, held today, November 3, 1962, resolves that no effort shall be spared to achieve maximum production, and managements and workmen will strive in collaboration in all possible ways, to promote the defence effort of the country. Towards these ends, the following steps shall be taken:

"It is important that a suitable climate should be created and preserved for ensuring sustained effort and resolute action in pursuance of the aforesaid aim. Positive steps should be taken to promote constructive co-operation between management and workers, in all possible ways.

"(i) All impediments in the way of better and fuller utilisation of men, machinery and materials should be removed. There should be no idle plant capacity or waste. Managements should exercise the maximum economy in their operations.

"(ii) To maximise production, establishments should work, wherever possible, extra shifts, extra hours or on Sundays and holidays by mutual agreement. Full co-operation should be extended by all in this respect. All advantages accruing to industry out of the extra effort of the workers should go to the consumer and/or be made available for defence efforts.

"(iii) Absenteeism and turnover should be discouraged and reduced to the minimum. Negligence of duty, careless operation, damage to property and interference with or disturbance to normal work should be denounced by the unions. Similarly, any lapse on the part of the management that contravenes the spirit of the defence effort should be condemned and put right forthwith."

STOCKPILING OF RICE

The Union Government now intends to build up a reserve stock of about two million tons of rice, instead of one million tons contemplated earlier. This reserve is intended to be built up through imports from abroad as well as from procurement indigenously.

So far as imports are concerned, the Government is understood to have accepted the U.S. Government's proposal to supply rice to India at the rate of 2,000 tons a month, besides the normal exports under the 1960 P. L. 480 deal, upto the middle of next year. Under the P. L. 480 deal of 1960, nearly two-thirds of the rice supplies stipulated (one million metric tons) have yet to be received by India. Up to June next, nearly 1.5 lakh tons out of this remaining quantity (six lakh tons) are expected to reach the Indian shores.

Commercial imports of rice are planned to the tune of 3,00,000 tons—two lakh tons from Burma and one lakh tons from the United Arab Republic. An eight-man Burmese Delegation arrived here last week for trade talks with the Government of India. Imports of rice by India from Burma will be one of the main topics of discussion with this Delegation.

So far as indigenous procurement is concerned, Punjab, U.P. and Madhya Pradesh are the three States which procure rice for the Government of India by means of a levy on the rice mills and wholesale dealers. The levy in Punjab is 66.66 per cent, in U.P. 50 per cent and in Madhya Pradesh 25 per cent. The possibilities of procuring rice in other States are being examined.

MANUFACTURE OF ELECTRIC EQUIPMENT FOR LOCOMOTIVES

Details are now available of the collaboration agreement signed recently between the Union Ministry of Railways and the Group for the Study and Electrification of Railways at Single Phase, 50 cycles, Zurich—a combine of eight reputed electric equipment manufacturers of France, Belgium, Germany and Switzerland —for the manufacture in India of electric equipment for 25 KV AC electric freight-type locomotives. The salient features of the agreement are:

1. The Group has agreed to grant to the Government of India the right to manufacture in India electrical equipment for 25 KV AC freight locomotives and parts thereof, except (i) high voltage tap-changers and air blast circuit breakers, (ii) rectifiers, (iii) pantographs and (iv) non-specified traction materials and standard products like cables, batteries, and equipment being bought by the Group from sub-suppliers like measuring instruments, small relays etc.

2. The currency of the agreement is for a period of 8 years in the first instance. Right to manufacture will, however, continue thereafter without any extra payment.

3. The Group has to supply the technical know-how, design calculations, manufacturing drawings etc., for the manufacture of the electrical equipment.

4. The Government of India is at liberty to transfer all its rights and liabilities under this agreement to a Government company.

5. The following remuneration is payable to the Group:

(i) a consultation fee of 3 per cent on the total annual net sales value, as invoiced, (namely, excluding freight, packing and insurance charges) of the electrical equipment manufactured in India reduced by the cost of the components imported or purchased in India, subject to a minimum on-account payment of DM 7,50,000. When the total value of the locally manufactured equipment exceeds DM 30 million, the consultation fee shall be reduced to 2½ per cent.

(ii) a handling charge of 5 per cent to cover purchase, inspection etc., of the f.o.b. European Ports price of imported materials, not manufactured in the Group's works but purchased through its agency.

6. Until the items covered by the agreement are indigenously manufactured, they shall be procured, as far as circumstances permit, from the Group at cost plus profit not ordinarily exceeding 10 per cent.

The agreement will be implemented by Heavy Electricals (India) Ltd., Bhopal, on behalf of the Government of India in so far as setting up of indigenous manufacture of electrical equipment is concerned.

SPEEDING UP OF THE RAILWAYS ELECTRIFICATION PROGRAMME

Besides taking up electrification of additional branch lines in the coal-mining areas around Anara, Adra, etc., the target dates for the electrification of the following sections near Calcutta have been advanced as shown below:

SECTION	FROM	TO
1. Durgapur-Burdwan-Saktigarh	Early IV PLAN	December 1964.
2. Bandel-Burdwan Conversion	-do-	December 1964.
3. Sealdah South	September 1965	March 1965.
4. Saktigarh-Calcutta Docks, via Chord	Early IV PLAN	December 1964.
5. Howrah-Bandel, including Tarakeshwar Branch —Conversion	-do-	December 1965.

An order has been placed by the Railway Board with the Associated Electrical Industries of the United Kingdom for the supply of signalling cables worth over £ 5,00,000. The quantity involved is 20,00,000 yards (12 million "core yards" in all) of signal and multi-core rubber-insulated cables.

MANUFACTURE OF DIESEL LOCOMOTIVES

Details are now also available of the technical collaboration agreement signed with Messrs. Alco Products Inc.—an American firm—for setting up the diesel locomotive works at Varanasi. The agreement provides that the American firm would supply all the necessary technical know-how and assistance, including drawings, designs, factory, shop and machinery layouts etc., for the manufacture of diesel locomotives and engines at Varanasi and render all other ancillary advice to the Government on this subject. The firm will also arrange for the training of Indian Government personnel in the United States and submit a detailed scheme for training of artisans and supervisors in India. The technical personnel for establishing production in India will also be made available by the U.S. firm for periods as necessary.

The agreement provides for lump sum payments for each design purchased by the Government of India for manufacture. The payments vary from $ 40,000 to $ 50,000 in the case of engines and $ 20,000 to $ 25,000 in the case of the rest of the mechanical portions of the locomotives. The firm will also be entitled to an engineering fee and a royalty linked to actual production in India. The agreement is for a period of 10 years, but can be extended by mutual understanding.

NUCLEAR POWER STATION IN MAHARASHTRA

Of the seven tenders received by the Central Government from Canada, France, the U.K. and the U.S.A. for the installation of India's first nuclear power station at Tarapur, in the State of Maharashtra, the one from an American firm — International General Electric Company — is considered the most suitable.

A qualified letter of intent is reported to have already been sent to this firm; a definite contract will follow after making satisfactory arrangements with the U.S. Government in respect of fuel, financing and safeguards.

The proposal submitted by the International General Electric Company is for a station of 380 MW. "sent out capacity" from two water boiling reactors. The capacity outlay, after allowing for site development, housing and taxes, is estimated at Rs. 48.5 crores, which is less by Rs. 3 crores than what is provided in the Third Plan for a smaller station of 300 MW. The cost of power from the station is expected to be about 3.25 nP. per kilowatt-hour.

SULPHUR FROM AMJHORE PYRITES

The Pyrites and Chemicals Development Company Limited has made extensive efforts to locate a suitable alternative process for the extraction of elemental sulphur from Amjhore pyrites, in consultation with various firms of repute in the United States, West Germany, the United Kingdom, Italy, France and Belgium. The tests conducted by Messrs. Orklas, a leading Norwegian firm, with Amjhore pyrites for the extraction of elemental sulphur during October-November, 1960, had proved inconclusive and the firm had intimated that further large-scale tests would be necessary before any definite conclusion could be drawn. Orklas subsequently reported their inability to carry out further large-scale tests owing to certain local reasons. The only process that holds out any promise is the Outokumpu Process, based on which a 1,000-ton per day production plant is currently under construction in Kokkola, Finland. This process has been developed by a company in Finland called "Outokumpu O|Y".

KHETRI COPPER PROJECT

The Government of India has accepted the desirability of implementing the Khetri Copper Project with a capacity of 21,000 tons of electrolytic copper per annum as envisaged in the report on technical and economic feasibility of the project submitted by the foreign consultants Messrs. Western Knapp Engineering Company, instead of 11,500 tons which is the target mentioned in the Third Plan. The consultants are stated to have commenced work on the preparation of the detailed designs and drawings, specifications and bid documents in respect of the plant and equipment required for the project.

INDIA'S EXPORT TRADE

India's balance of trade in the first seven months of the current financial year has shown an improvement, according to the figures now available. Total exports from April 1962 to October 1962 amounted to

Rs. 385.43 crores, as against Rs. 379.80 crores during the corresponding period last year. Exports in October 1962 were of the order of Rs. 59.23 crores, as compared to Rs. 54.91 crores in October 1961. Total imports during the first seven months of the current financial year amounted to Rs. 590.56 crores, as compared to Rs. 621.57 crores in the corresponding period last year. Imports in October 1962 were of the order of Rs. 67.74 crores, as against Rs. 88.65 crores in October, 1961.

This slight narrowing down of the trade deficit, however, is not expected to last long as the gearing of the Indian economy to the war effort is anticipated to have some adverse effect on exports. Imports may also go up. The Minister for International Trade, Mr. Manubhai Shah, gave an indication of this fact in the Lok Sabha last week. He, however, assured that all efforts would be made to keep up exports to the extent possible. Among the causes hampering export trade at present, Mr. Shah listed the following: (1) diversion of exportable goods for the defence effort; (2) addition to the strain on the transport system; and (3) prices going further out of the line with the world market.

The Board of Trade is scheduled to meet on December 1, for a half-yearly review of the export trade.

CREDIT FROM AUSTRIA

The Government of Austria has made available a credit of $5 million to the Government of India. It will be utilised for the purchase of Austrian goods in connection with India's Third Five-Year Plan during 1963.

COMPANY REGISTRATIONS IN OCTOBER, 1962

According to the reports received in the Research and Statistics Division of the Department of Company Law Administration from the Registrars of Companies, 127 new companies with a total authorised capital of Rs. 2,427 lakhs were registered in the various States of the Indian Union during the month of October, 1962, as against 128 companies with a total authorised capital of Rs. 1,675 lakhs registered during the month of October, 1961. In the preceding month of September, 1962, 110 new companies with a total authorised capital of Rs. 2,662 lakhs were registered. Thus, the number of new registrations during the month under review recorded a rise by 17 over the preceding month, but fell short by one company over the corresponding month of the preceding year.

During the month under review, the largest number of companies was registered in the State of Madras, the number being 30. The State of Maharashtra came second with 22 new registerations. Twenty-one and 20 companies were registered in the State of West Bengal and Delhi, respectively. The remaining 34 companies were registered in the other States.

INTERIM WAGE INCREASE FOR COFFEE PLANTATION WORKERS

The Government of India has accepted the recommendations of the Central Wage Board for the Coffee Plantation Industry regarding interim relief to workers.

The interim wage increase in the rates of daily wages varies from 3 nP. per day to men workers in Mysore State to 13 nP. per day to men workers in Salem and Madurai districts of Madras. In the case of women workers, the rate of increase is 2 nP. per day in Mysore State and 10 nP. per day in Salem and Madurai districts. Correspondingly, there is also increase in rates of wages to adolescents and child labourers.

In the case of monthly-rated staff, which includes office, medical, education and field staff, the interim wage increase is Rs. 9 per month in gardens of 300 acres and above and Rs. 7.50 nP. per month in gardens of less than 300 acres.

The categories of employees which do not come either under labour or under clerical employees, will be treated for the purpose of interim wage increase in the same manner as they are treated for the purpose of annual bonus. In the case of mixed tea-cum-coffee or rubber-cum-coffee estates to which the tea or rubber interim increase does not apply and has not been paid and where only the statutory minimum wage is paid, such estates shall be treated as coffee estates and paid the coffee interim increase. In mixed coffee-cardamom estates in the Nelliampathies of Kerala State where the cardamom rates of wages are paid, this interim increase shall not apply.

The interim increase in wages takes effect from August 10, 1962, and is to be in addition to the wages prevailing on that day.

IN BRIEF ....

Messrs. General Tyres Limited, Calcutta, have been granted a licence to manufacture 1,80,000 tyres and tubes each.—1,20,000 giant tyres and tubes and 60,000 automobile tyres and tubes—per annum in collaboration with Messrs. Technoexport of Czechoslovakia.

*

The Union Government has recently approved an application from the Industrial Development Corporation of Orissa, a State Government enterprise, for setting up, in the Sambhalpur District of the State, a cement factory with a capacity of 12,000 tons per day or 3,96,000 tons per annum.

*

The Jayanti Shipping Company Private Limited has placed an order with a Japanese Shipyard for 8 bulk carriers. Two of these, of about 20,000 GRT each (32,250 DWT each) are expected to be delivered before March 31, 1963. All the eight vessels ordered are to be utilised for the overseas tramp trade.

*

The U.S.S.R. authorities have agreed in principle to import 4,000 tons of fresh bananas from India, on a trial basis. The details of transport and supply are at present being worked out.

*

A contract for the sale of 18,00,000 metres of Indian printed cotton textiles, valued at Rs. 25,81,750, has been finalised with the Soviet Union on the usual commercial terms. The question of further exports of textiles to the U.S.S.R. is still under consideration.

*

The total quantity of steel imported by the State Trading Corporation under rupee payment arrangements is 44,000 tons, valued at Rs. 3.3 crores. Imports have been effected from Hungary, Czechoslovakia, Poland and the U.S.S.R.

*

A private sector concern has been granted a licence for setting up a plant (the exact location is yet to be decided) for the manufacture of speed frames, draw frames, ring frames, high-speed wing (cone) machines and single spindle fully automatic Pirn winding machines with Russian collaboration.

*

Woollen textile mills will be allowed to import spare parts and accessories needed by them to step up production to their optimum capacity to meet defence requirements. In a circular letter, the Ministry of Commerce and Industry has asked woollen mills to apply immediately to the Controller of Woollen Textiles (Office of the Textile Commissioner, Bombay), giving details of their requirements, their c.i.f. value and the country of origin.

*

Mr. Jagannath Rao, at present Deputy Minister in the Ministry of Works and Housing, has been appointed Deputy Minister in the Ministry of Economic and Defence Co-ordination.

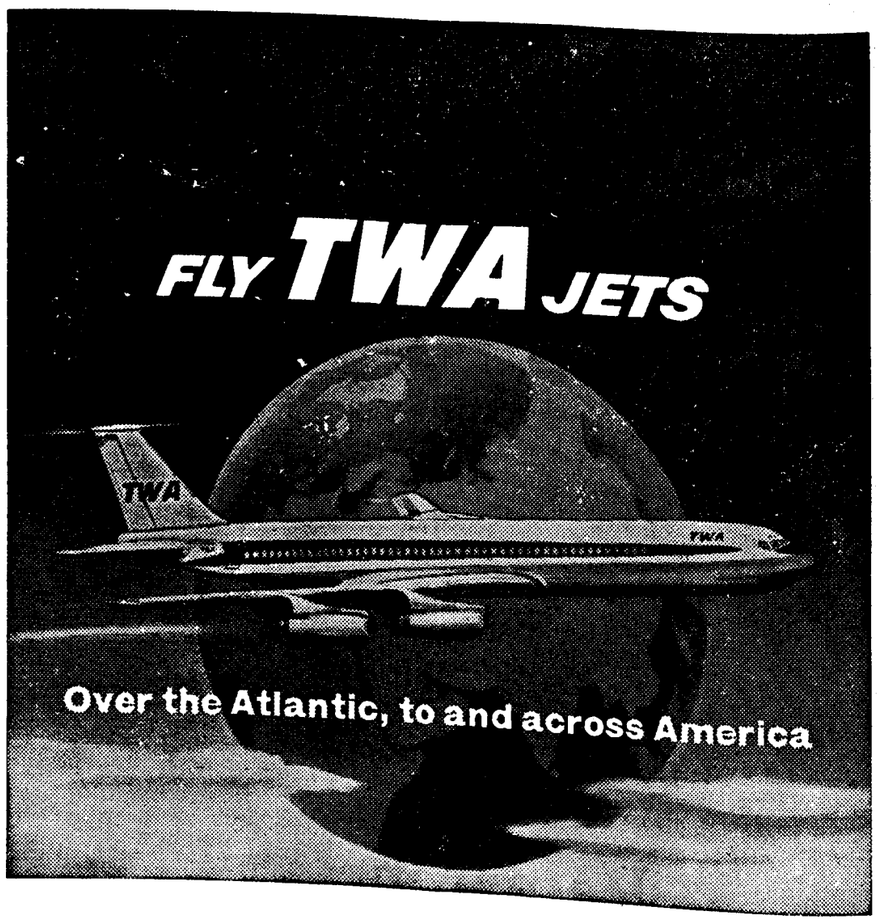


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NEWS IN BRIEF

INDIAN

The Electric Autolite Company of Toledo, Ohio, U.S.A., will establish an automobile components plant at Faridabad, Punjab. It is expected to go into production in 1963.

*

The protocol on trade between India and Poland in 1963 was signed in Warsaw on November 20.

*

The Union Government has sanctioned a scheme of the Co-operative Milk Supply Union of Tanjore, Madras State, to set up a pasteurisation plant.

*

Compulsory pre-shipment inspection and quality control for black pepper, cardamom and chillies by the Spices Export Promotion Council will come into force on December 1.

*

The high-tension insulator factory set up by the Bihar Industrial Corporation at Ranchi with Czech collaboration will go into production in December. It will initially produce 2,400 tons of insulators a year. Its rated capacity is 4,800 tons.

*

The Union Government proposes to enact legislation to regulate the various aspects of the pesticides trade.

*

Fertilizers and chemicals Ltd., Kerala, proposes to set up a second fertilizer factory in the State.

*

The Calcination plant of Indian Carbon Ltd., near the Gauhati refinery, will shortly go into production. It will produce electro-carbon for the aluminium industry in India.

*

The Union Government has sanctioned Rs. 107.5 lakhs for development projects in Goa.

*

The Industrial Development Corporation of Orissa has placed an order with Fives-Lille Cail Parrys and K. C. T. Ltd., Madras, for the supply of a cement plant of 1200-ton capacity to be located near Hirakud dam, Orissa.

*

The Union Government has decided to set up an Export Promotion Council for Heavy Chemicals and Pharmaceuticals.

*

The Spices Export Promotion Council reports that India earned Rs. 11.4 crores worth of foreign exchange through spices exports during January-August this year.

*

The Federation of Indian Chambers of Commerce and Industry has set up four price vigilance zonal committees in New Delhi, Calcutta, Bombay and Madras to keep a watch on price movements.

*

The Kerala Government proposes to set up a corporation to manage and develop the State-owned rubber plantations.

*

The State-owned Indian Telephone Industries Ltd., Bangalore, has received orders worth Rs. 4.5 lakhs from the Government of Ceylon.

*

Associated Electrical Industries, U.K., has received an order worth £ 500,000 from the Indian Railways for the supply of signalling cables.

*

The Government of Maharashtra has decided to form a vigilance committee to keep a watch on the prices of various drugs in the State.

FOREIGN

Preliminary discussions on the establishment of an African Development Bank were held in Geneva from November 5 to November 15 by a nine-member committee of the United Nations Economic Committee for Africa.

*

Yugoslav experts will soon start work on the Secondi port in Ghana to be built at a cost of $14 million.

*

Reserves of natural gas in the north of Holland have been estimated at 350,000 million cubic metres.

*

Exports of Polish cement increased from 250,000 tons in 1959 to over 710,000 in 1961.

*

The oil refinery at Karachi, built at a cost of Rs. 9.8 crores, was recently declared open by President Ayub Khan. It has a capacity of 1,537,000 tons per year.

*

The Soviet Government has published a new 9-page map of Antarctica 1 : 300,000 incorporating the data collected by scientific expeditions from various countries.

*

A Yugoslav publication states that between 1951 and 1961, 518,000 new dwellings were constructed in that country.

*

Australia has accepted the five-year International Cotton Textiles Agreement which came into force on October 1.

*

An agreement providing for a Polish credit of £ 11 million for coal mining projects in India was recently signed in Warsaw.

*

Algeria has joined the World Health Organisation (WHO), bringing the total membership to 117.

*

South Korea and Bhutan have joined the Colombo Plan.

*

A new telecommunication link between Bagdad and Paris via Berne, Switzerland, has been inaugurated.

*

The West German Government has agreed to provide financial aid to the extent of DM 8 million to the Congo Republic, a former French possession.

*

The Israeli shipping line, ZIM, plans to inaugurate a regular cargo service to Australia.

*

Australia proposes to spend £ A 30 million on a five-year programme of construction of new air ports and introduction of jet aircraft on internal routes.

*

New Zealand will for the first time export Virginia leaf tobacco. The first consignment of 220,000 lbs. will be sent to the U.K.

*

The United Nations will issue a stamp on December 3 to focus attention on international efforts for the peaceful uses of outer space.

*

The Snam Company, a member of the Italian E. N. I., has been awarded the contract for the laying of a 164-mile pipeline from Malaga to Puerto Leano, in Spain.

COMPANY AFFAIRS

TATA IRON

The annual report for the working of the Tata Iron and Steel Company Limited during the year to March 31, 1962, shows that the Company recorded a profit of Rs. 6.09 crores after providing Rs. 13.15 crores for Depreciation. Profit during the previous year was slightly lower at Rs. 5.67 crores while Depreciation provided during the previous year was Rs. 13.92 crores. The physical performance is quite satisfactory and the rise in profit was the result of this improvement in production. Output during 1961-62 as against 1960-61 is given below:

	1961-62	1960-61
	('000 Metric Tons)	
Iron (Hot Metal) ..	1,645	1,586
Steel Ingots ..	1,643	1,622
Salable Steel ..	1,318	1,263

The Directors indicate that the salable steel production was about 78 per cent of the target of 1.5 million tons and the shortage was essentially due to the poor quality of raw materials and transport difficulties. It is pointed out that the washed coal supplied from the company's two washeries at Jamadoba and West Bokaro rose by about 140,000 tons during the year to a total of over 1.2 million tons. The ash content of the total coking coal mixture, however, increased slightly as a result of the allotment to the company of unwashed market coal of even poorer quality a year before.

The two million tons steel programme was based on the understanding that out of the total of 2.4 million tons of washed coal required by the company, 900,000 tons would be allocated from Government's Bhojudih washery. The company, the Directors said, was unexpectedly directed by the Government in December 1961 to make itself self-sufficient and not to count on supplies from Bhojudih washery for more than few years. The report also reveals that the production of iron ore from the company's washeries fell by about 170,000 tons to 2.1 million tons. The lower raisings were due to the closure of Sulaipat mine from January 1, 1962, and the exhaustion of good reserves in the lower section of the Gorumahisani mine. The company is adopting measures to raise both the quality and quantity of the ore.

Commenting on the decision taken by the Government on the Tariff Commission's report, the Directors have pointed out that the Commission had recommended an average retention price of Rs. 550 per ton. The Government, however, departed substantially from the Tariff Commission recommendation and the retention price was fixed at Rs. 522.5 per ton. The company proposes to address a representation to the Government protesting against the reduction in the retention prices.

These revised retention prices have affected the accounts too.The element for depreciation included in the revised retention price having been reduced from 6 per cent on the gross block to 5 per cent, the provision for depreciation for this year has been calculated at the latter rate. As in the previous year, the company has safeguarded against the claims for tax relief and an additional amount of Rs. 5.5 crores has been made for depreciation in order to bring up the total allocation to the level allowed for income tax purposes. The statutory allocation to the Development Rebate Reserve has been made for the full amount of Rs. 6.8 crores admissible for income tax purposes. The Directors have sanctioned the payment of a divided of Rs. 7.25 per share net (Rs. 10.36 gross) on ordinary shares which will absorb Rs. 3.8 crores. This dividend is nearly the same at last year's when net dividend was paid at the rate of Rs. 6.80 plus a bonus of Rs. 0.45 making a total of Rs. 7.25 net.

HASIMARA INDUSTRIES

Hasimara Industries Limited during a period of 15 months ended March 31, 1962, recorded a profit of Rs. 24.26 lakhs after debiting additional expenditure for three months compared with Rs. 36.40 lakhs a year before. A sum of Rs. 5.02 lakhs has been written off for depreciation against Rs. 6.34 lakhs a year before, A provision of Rs. 14.05 lakhs has been made for taxation against Rs. 12 lakhs last year. The dividend absorbs Rs. 7.50 lakhs after transferring Rs. 5.50 lakhs to general reserve. There has been some increase in the ordinary dividend from 17 per cent to 22½ per cent on the old capital including the interim dividend of 10 per cent already paid for the 15-month period ended March 31, 1962. The company issued bonus shares in the ratio of 1:1 to the ordinary share holders on June 1962, which rank pari pasu with the existing shares from the current financial year.

During the period the company worked the Seksaria Cotton Mills, Bombay on lease and licence in partnership for a period of 9 months. This venture has been very successful contributing as much as Rs. 19.49 lakhs to the company's profits. To ensure continuance of profits from the Cotton Mill the Company has entered into an agreement to secure one-third of Seksaria's profits for the next financial year with an option to exclusively take the Cotton Mill again on lease and licence for a period of 3 years. In spite of the hail damage suffered at three of the company's gardens, the total tea crop this season has increased from 27.87 lakhs kgs. to 28.49 lakh kgs., including 87,635 kgs. damaged by fire.

NEW ISSUES

The following companies have been authorised to issue fresh capital. Consent of the Controller of Capital Issues is valid for 12 months in all cases.

Tata Engg. and Locomotive Co. Ltd., Bombay, has been granted consent to the issue of Rs. 2 crores equity capital. The amount is divided into 2,00,000 equity shares of Rs. 100 each to be issued for cash at a premium of Rs. 50 per share.

Kores (India) Ltd., Bombay, is raising Rs. 5,00,000 divided into 5,00,000 equity shares of Re. 1 each to be issued as bonus shares to the existing shareholders of the company in the proportion of one such share for every two equity shares held, on capitalisation of the company's general reserves to a like extent.

Indian Drugs and Pharmaceuticals Ltd., Delhi, is to issue further capital of Rs. 100 lakhs divided into 10,000 equity shares of Rs. 1,000 each, for cash at par. Indian Drugs is a Union Government undertaking.

Mazagon Dock Ltd., Bombay, an existing Government company, will raise further capital of Rs. 50 lakhs dividend into 50,000 equity shares of Rs. 100 each for cash at par.

Leiner-Knit Gelatine Co. Ltd., Delhi, is to issue further capital of Rs. 16.5 lakhs divided into 16,500 equity shares of Rs. 100 each. Of this, shares for Rs. 3 lakhs will be allotted to a U.K. firm against supply of machinery and the balance will be issued for cash at par.

Globe Motor Ltd., Delhi, is raising further capital of Rs. 10 lakhs divided into 10,000 equity shares of Rs. 100 each as rights to its existing shareholders for cash at par. The proceeds will be utilised for purchasing shares of Luk Auto Ancilliary (India) Priv. Ltd.

Kirloskar Electric Co. Ltd., Bombay, is issuing capital of Rs. 17,52,840 divided into 1,75,284 equity shares of Rs. 10 each to be issued as bonus shares to the existing shareholders of the company in the proportion of two such shares for every five equity shares held, on capitalisation of the company's general reserves to a like extent.

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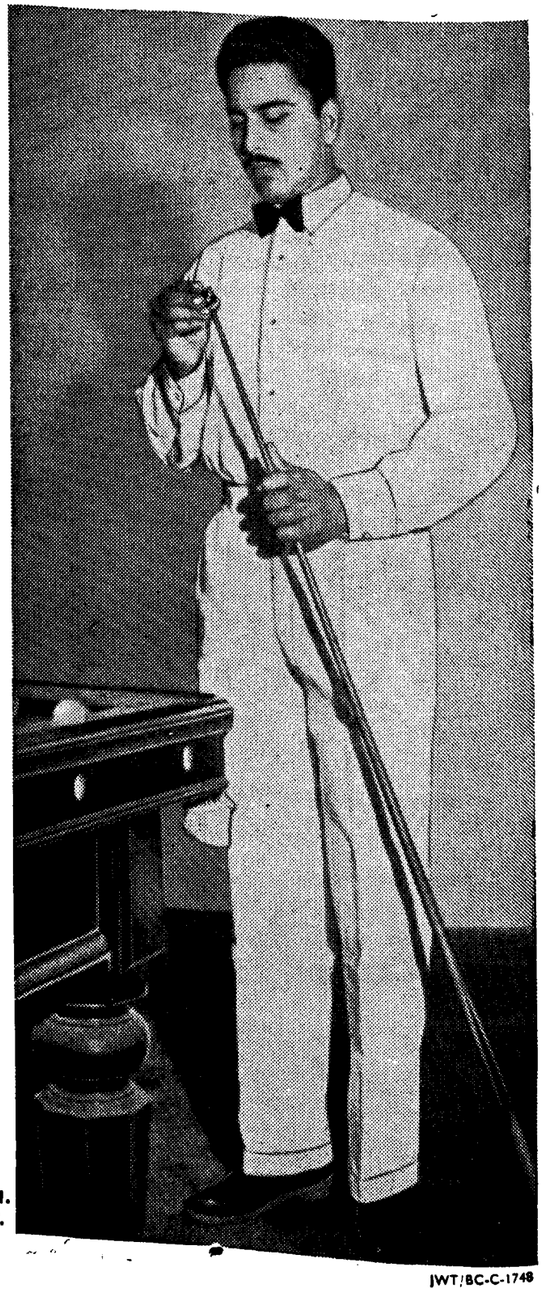
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Company Meeting

ASSAM SILLIMANITE LIMITED

CHAIRMAN'S STATEMENT

The following is the speech delivered by Shri S. M. WAHI, Chairman, Assam Sillimanite Ltd., Gauhati, at the Annual General Meeting of the shareholders held on November 20, 1962, in the office of the Company at A. T. Road, Gauhati:

Friends,

This Eleventh Annual General Meeting of the Company is meeting under a grim situation due to the events that have developed in the proximity of our mines in Assam. Your Directors met immediately after the Chinese aggression in October to take stock of the crisis and its effect on our operations and transportation The requisitioning of some of our transport vehicles, the continued strike of the Joint Steamer Company in the Pakistan region and the cutting off of transportation of Sillimanite from Assam engaged their constant attention. It became imperative to decide if at all this meeting could be held as planned in view of the cancellation of flights and the declaration of Emergency on October 27. The flights having been resumed meantime, the notices were issued and the meeting was decided to be held as scheduled. The situation today however, after the fall of Walong and Bomdila during last 24 hours, to the Chinese invaders, in grim in Assam.

I would like to welcome our new shareholders who are attending this meeting for the first time and hope to benefit by their advice and goodwill.

The Directors' Report, the Profit and Loss Account and the Balance Sheet of the Company for the year ended 31st of March, 1962, have been circulated to all of you and have been in your hands for some time and. with your permission, I shall take them as read. From the profit of Rs. 4,52,914, after payment of Tax, Rs. 1,80,000 has been set aside for dividend. The Directors had recommended a dividend of 5 per cent. with tax. to the Shareholders.

As I have submitted to you earlier, the country is passing through a critical period, Assam is one of the worst hit States. Our courageous Jawans, at great personal sacrifice and against all odds, have been holding back the enemy, as a result of which we are in a position to hold our meeting today. Many Indian Nationals have already donated all their life savings in cash and gold. Is it not, therefore, essential and proper that we, the Shareholders, should sacrifice the profit we are to earn this year for the Defence and protection of the country? **The Directors have already donated their modest fees for the Board meeting. I make bold to say that the Shareholders would approve whole-heartedly and without any reservation that the Dividend of 5 per cent declared be presented to the Prime Minister for the National Defence.** I sincerely hope that our new shareholders and collaborators, including International Finance Corporation, Washington, would appreciate the imperative need to make this donation for the National Defence. As we are in the midst of an all round Border conflict, I would earnestly hope that after the dividend has been passed, you all would authorise me, on behalf of the shareholders, to present the amount of dividend to the National Defence Fund. We hope and wish that very many more industries in India would be forthcoming with similar and perhaps with better gesture.

The production and sale of Sillimanite as well as profits during the year have been slightly higher than last year, despite the rise in the cost of production. The Balance Sheet would show that, year after year, this industry has had to carry an increase in expenses on mining due to the need to remove overburden, higher costs of transportation, sea freight and handling at Boko, Gauhati and Calcutta. There are limitations in passing the share of the enhanced cost of production to the buyers as Sillimanite is a raw material and the price charged both to the internal and overseas buyers is conditioned by world price for competitive refractory material.

Export of Sillimanite has been providing the bulk of the sales revenue since the past few years. With the taking over of the business operations of the Company by the present Managing Agents in 1957, an extensive and concerted drive was made for creating interest and enthusiasm in this mineral with Refractory Manufacturers in Europe, Japan, Australia etc. It is of interest to note that up to 1957-58 the demand in the Home Market did not exceed 400 tons and from 1958-59 to 1961-62 it rose up to 2,900 tons; whereas the requirements from the Export Market during the same period were more steadily growing. In 1962-63 the demand is approximately 10,000 tons. Despite increase in production cost, transportation, freight etc. prices were maintained at the 1958 level. It has, however, been decided that from 1963 the prices should be increased in proportion to the increased cost during the past two to three years.

It is thus clear that Sillimanite has become an established foreign exchange earner and the potentialities of continuous, also increased earnings are dependent on maintaining supplies to the Export Market. It is with this background that we have been requesting the Government to give priority in allocation for the Export Market and justified incentive.

Some of our foreign buyers have now been advised that in future they should except to get both the raw Sillimanite as well as finished products. On an equal tonnage basis it would mean an increased earning in foreign exchange by 300 to 400 per cent in finished goods as compared to raw material.

In June this year the Company floated a new issue of Rs. 29.00 lacs equity shares, of which the Life Insurance Corporation of India subscribed to Rs. 5.00 lacs and the balance was oversubscribed by the public. In consultation with the Calcutta Stock Exchange the Directors have since allotted these equity shares and the scrips are under issue to the new shareholders, whom we thank very much. Rs. 4.00 lacs worth shares have also been allotted to our Technical Collaborators, Messrs. Vereinigte Grossalmeroder Thonwerke of West Germany for their technical know-how and services for Stage I of the Refractory Project. A further sum of Rs. 6.00 lacs was taken up by the existing share-

holders as Rights Issue, making our total paid-up capital now as Rs. 69.00 lacs out of the total authorised capital of Rs. 1.00 crore. Shares worth Rs. 29.00 lacs have been set aside for International Finance Corporation of Washington, and balance Rs. 2.00 lacs for Vereinigte Grossalmeroder Thonwerke, Grossalmerode, West Germany, as per our agreements with them.

The work on the new project at Ramgarh has commenced and this should be in full swing by the end of this year. As your Directors have indicated in their Report, the Initial Plant's products have been well received by the major and specialised consumers. The Directors had hoped that the first phase of the expansion programme would proceed as scheduled but now with the invasion, the production may be delayed by some time.

I might recall that India has to depend on imports of refractories to the tune of Rs. 3 crores annually and your Company's expansion scheme has been well timed, in the context of the needs of the Country. With the present Chinese aggression, the drain on foreign exchange has increased and your Company has to make its contribution in filling the gap by making the quality refractory products available as quickly as possible as well as for Defence and Civil Industrial requirements. Even with the extreme limitations placed on transport, etc. the Company is proposing to get itself on a war footing and organise to produce more, both the raw material at the mines and finished products at Ramgarh and Paharpur. The ingenuity of the Company's staff is at test and they, I expect, shall rise up to the occasion to meet the threat to the Country and to their own existence. In view of the setback that we might have in the working results of the Company due to reasons beyond our control and foresight and with the likely delay in the implementation of the Ramgarh Project, it has been considered advisable to undertake and diversify our activities in the field of export of minerals and other products to bring additional revenue to the Company in the following year.

I would like to thank, on your behalf, our workers and staff for their sincere services and would appeal to them to increase our production to the maximum. I have also to express my gratefulness to the International Finance Corporation, Washington, and the shareholders who have made available the finance for the expansion of the industry. Thanks are also due to the Managing Agents, the United Provinces Commercial Corporation, for the careful way in which they have been looking after the affairs and the growth of the Company all these years, despite hurdles and setbacks here and there.

S. M. WAHI,
Chairman.

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

ELECTRIC FORK LIFT TRUCKS

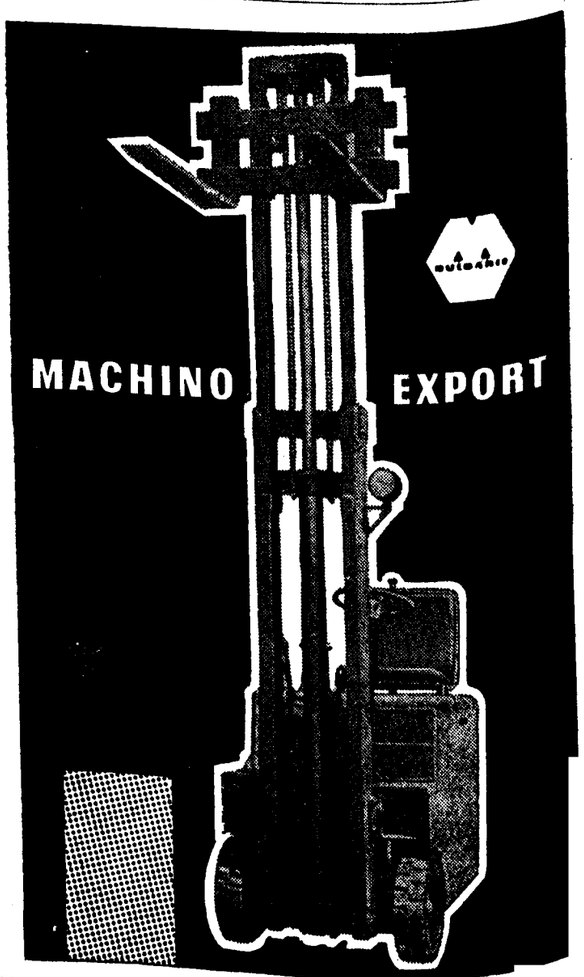
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INTERADS

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
August 1961 ..	124.3	99.9	122.3	144.6	140.9	123.9	126.3	127.5
September „ ..	121.1	99.7	121.4	138.3	140.6	123.1	125.5	124.6
October „ ..	120.9	99.5	121.8	136.0	140.3	124.3	126.5	124.4
August 1962 ..	131.5	99.2	124.5	139.6	143.1	126.7	129.0	131.1
September „ ..	130.0	99.8	124.9	139.8	142.9	127.2	129.4	130.7
October „ ..	129.0	100.3	124.8	138.9	144.2	126.8	129.3	129.9
13-10-1962	128.7	100.0	124.7	138.5	143.6	127.2	129.5	129.7
20-10-1962	129.2	100.5	124.8	139.0	144.9	126.4	129.0	129.9
27-10-1962 ..	129.6	100.5	125.0	139.1	145.5	127.1	129.7	130.4
3-11-1962	130.2	100.5	125.0	137.3	145.1	127.5	130.0	130.5
10-11-1962	130.3	100.5	125.1	137.8	144.7	127.9	130.3	130.7

* Revised

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

Period	Bombay: Bombay	Bombay: Bombay June 1934=100	Ahmedabad July 1927 = 100	Delhi**	Calcutta	Kanpur	Nagpur	Jubbulpur**	Madras June 1936 = 100	Ludhiana**	Jamshedpur**	All India**
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
1962 January	415	436	295	170	399	513	495	180	482	177	174	175
February	417	438	295	170	399	513	492	192	480	177	177*	175
March	418	439	300	170	403	503	493	198	480	179	175*	175
April	418	439	300	170	410	491	492	198	480	182	175*	177
May	422	433	303	167	417	491	496	199	480	180	177*	178
June	426	447	308	171	417	505	497	201	484	182	177*	179
July	427	448	—	175	420	515	501	202	487	185	177*	181*
August	433	454	—	177	431	530	510	204	488	187	179*	182*
September	429	450	—	176	434	525	506	—	488	—	182*	182*
October	—	—	—	173	—	522	—	—	487	—	—	—

** Base 1944 = 100. * Provisional

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

	23-11-1962 High	23-11-1962 Low	23-11-1962 Average	16-11-1962 High	16-11-1962 Low	16-11-1962 Average	9-11-1962 High	9-11-1962 Low	9-11-1962 Average	2-11-1962 High	2-11-1962 Low	2-11-1962 Average
Gold (per 10 grams)	106 00	90 00	99.29	107.00	104.00	105.13	121.65	102.50	109.42	121.10	116.45	118.72
Silver (per kilogram)	212.00	189.10	201.50	215.40	211.80	213.53	224.15	215.25	218.87	224.55	222.00	223.63

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										
August 1961 ..	1,898,63	13,31	1,911,93	117,76	116,86	234,62	12.27	123,85	1,553,46	1,911,93
Sept. „ ..	1,877,38	21,36	1,898,74	117,76	116.86	234,62	12 36	126,45	1,537,67	1,898.74
Oct. „ ..	.,895,94	21,25	1,917,19	117,76	116,86	234.62	12.22	126,23	1,556,35	1,917,19
August 1962 ..	2,040,68	23.91	2,064,59	117,76	89,74	207,50	10.05	121,45	1,735,59	2,064.59
Sept. „ ..	2,029,26	18,74	2,048,00	117,76	88,34	206,01	10.06	123,87	1,718,03	2.048.00
Oct. „ ..	2,055,65	18,84	2,074,48	117,76	88,14	205,90	9.93	122.84	1,745,74	2,074,48
Week-Ending										
12-10-1962 ..	2,071,14	20,12	2,091,25	117,76	88,08	205,85	9.84	122,10	1,763,31	2,091,25
19-10-1962 ..	2,047,88	19,65	2,067,53	177,76	88,08	205,85	9.96	123,38	1,738,31	2,067 53
26-10-1962 ..	2.049,22	17,74	2,066,96	117,76	88,08	205,85	9.96	122.82	1,738,29	2,066,96
2-11-1962 ..	2,063,79	21,48	2,085,28	117,76	88,08	205,85	9.87	121,14	1,758,29	2,085,28
9-11-1962 ..	2,086,96	17,50	2,104,46	117.76	88,08	205,85	9.78	120,32	1,778,29	2 104.46
16-11-1962 ..	2,077,26	13,85	2,091,11	117,76	88,08	205,85	9.89	121,97	1,763,29	2,091,11

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														
August 1961 ..	65,39	16,45	88,09	180,22	350,16	89,86	525,02	13,35	15,21	30,97	47,71	116.37	284,51	16,89
Sept. „ ..	60,81	26,76	83,71	159,06	330,34	96.02	511,36	21,42	16,73	17,47	49,15	131.54	257,92	17,13
Oct. „ ..	60,23	14.40	81,36	147,41	303,39	95,52	483,91	21,30	35,09	20,06	60,56	135,19	193,80	17,92
August 1962 ..	65,16	24,57	94,63	181,32	365,69	115,38	566,08	23,97	69,23	5,45	31,00	136,99	265,68	33.76
Sept. „ ..	83,68	20,13	86,69	161,43	351,93	177,55	554,48	18,79	115,11	6,10	27,81	159,93	192.28	34.46
Oct. „ ..	55,95	16,07	85,02	160,16	317,65	119,09	521,74	18,90	134,17	5,25	39,11	151,72	136,82	35,77
Week-Ending														
12-10-1962 ..	59,49	21,20	83,68	161,45	325,82	115,04	525,85	20,18	155,08	4,58	37,74	157,15	118,79	35 20
19-10-1962 ..	52,42	15,27	89,88	159,86	317,43	125,51	527,90	19,71	139,65	6,27	39,65	144,40	142,91	35,31
26-10-1962 ..	51,01	9,85	80,71	161,05	302,62	120,70	508,31	17,79	105,25	4,49	43,59	153,58	146,09	37,52
2-11-1962 ..	49,95	10,08	74,13	160,15	294,31	128,27	507,58	21,57	96,05	5,54	40,53	151,90	162,65	29,36
9-11-1962 ..	50,43	17,86	82,77	160,07	311,14	124,25	520,40	17,56	103,51	5,92	33,70	150,19	177,08	32 45
16-11-1962 ..	60,77	7,06	92,89	162,36	323,08	139,18	547,25	13,90	106,06	5,14	43,78	148,97	196,97	32,43

*.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 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
1961-62 ..	849,52	1,142,61	1,992,13	47,92	78,11	6.33	1,101.66	185,61†	64.62	585,01
Average of Fridays										
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
April „	927,18	1,240,90	2,132,08	51,77	83,78	6.36	1,198,27	229,73	66.96	592,07
May „	920,22	1,230,84	2,151,06	52,43	83,85	6.34	1,216,77	220,89	66.83	580,32
June „	911,54	1,266,78	2,178,32	53 30	84,92	6.35	1,235,93	197,66	65.81	584,76
July „	909,70	1,288,13	2,197,83	51,28	99,24	6.85	1,240,45	169,86	64.17	613,11
August „	915,52	1,305,73	2,221,21	50.04	90,22	6.30	1,213,47	180,08	62.74	678.24
Sept. „	913.02	1,283,49	2,196.52	48,53	82,13	5.95	1,203.38	197,61	63.79	678,63
Oct. „	927,03	1,292,66	2,219,69	51,65	78,85	5.88	1,186,41	206,90	62.77	697,75
Week Ending										
12-10-1962 ..	932,48	1,288,99	2,221,47	54,76	73,14	5.76	1,190,20	208,26†	62.95	690.15
19-10-1962 ..	933.31	1,293,94	2,227.25	52,69	84,53	6.16	1,177,33	206,57†	62.14	697.13
26-10-1962 ..	921,61	1,296,88	2,218,49	49,94	77,76	5.76	1,183,19	210,49†	62.82	711,16
2-11-1962 ..	934,26	1,280,63	2,214,89	53,31	72.73	5,69	1,180,41	216,22†	63,06	693,65
9-11-1962 ..	932,37	1,289,17	2,221,54	50,61	76,84	5.74	1,189,83	217,37†	62,94	683,61
16-11-1962 ..	920,39	1,298,10	2,218,49	49,77	84,75	6.06	1,162,90	214,60†	62.09	684,75

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(REVISED SERIES)

(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)
1951-52 ..	1,849,96	1,285,51	564,45	544,85	19,60	—159,82
1955-56 ..	2,219,92	1,571,01	648,91	636,90	12,01	+262,53
1956-57 ..	2,345,30	1,622,73	722,57	710,92	11,65	+125,38
1957-58 ..	2,417,00	1,674,07	742,93	723,06	19,87	+ 71,70
1958-59 ..	2,530,27	1,792,02	738,25	719,00	19,25	+113,27
1959-60 ..	2,725,04	1,930,86	794.18	772,39	21,79	+194,77
1960-61 ..	2,874,11	2,098.05	776.06	757,10	18,96	+199,84
1961-62 ..	3,049,45	2,201,79	847,66	824,26	23,41	+175,34
January* 1962 ..	2,900,10	2,105,11	794,99	774,89	20,10	+ 59,62
February* „ ..	2,954,85	2,154,75	800,10	781,08	19,02	+ 54,75
March* „ ..	3,049,45	2,201,79	847,66	824,26	23,41	+ 94,60
April* „ ..	3,105.62	2,255,10	850.52	826.42	24.09	+ 56,17
May* „ ..	3,098.59	2,258,05	840,54	819,27	21,27	— 7,03
June* ..	3,049,32	2,205,25	844,08	823,81	20,26	— 49,27
July* ..	3,027,42	2,171,30	856,12	833,43	22,69	— 21,90
August* ..	3,008,01	2,143,15	864,86	842,56	22,29	— 19,41
September* ..	3,000,05	2,142,16	857,89	836,70	21,19	— 7,96

* Provisional. † Excluding balances held on I.M.F. Amount No. 1 and other extraordinary items.

Source: Monthly Bulletin of Reserve Bank.

AVAILABILITY OF FOOD

(Calories per capita per day.)

	1951-52	1952-53	1953-54	1955-56	1956-57	1957-58	1958-59	1959-60*	1960-61*
1. **Cereals**									
Rice ..	553	578	677	657	672	574	666	674	717
Wheat ..	173	191	175	186	222	210	247	246	244
Others ..	363	398	444	372	365	389	410	391	387
Total ..	**1,089**	**1,167**	**1,296**	**1,215**	**1,259**	**1,173**	**1,323**	**1,311**	**1,348**
2. **Pulses**									
Gram ..	63	78	89	94	108	83	116	91	100
Others ..	110	106	116	112	104	89	114	112	114
Total ..	**173**	**184**	**205**	**206**	**212**	**172**	**230**	**203**	**214**
3. **Roots and Tubers**									
Potatoes ..	6	7	7	6	5	6	7	8	8
Cassava ..	10	13	16	13	13	12	12	12	12
Sweet Potatoes	9	7	10	8	8	7	10	8	8
Total ..	**25**	**27**	**33**	**27**	**26**	**25**	**29**	**28**	**28**
4. Sagar ..	140	112	100	130	141	145	143	153	143
5. **Nuts and Seeds**									
Groundnuts ..	8	5	5	4	5	5	5	4	5
Sesamum ..	6	5	5	3	3	3	3	3	2
Coconut ..	5	5	5	6	6	6	6	6	5
Rapeseed ..	3	3	3	3	3	3	3	3	3
Linseed ..	1	1	1	1	1	1	1	1	1
Total ..	**23**	**19**	**19**	**17**	**18**	**18**	**18**	**17**	**16**
6. **Fish ..**	3	3	3	3	4	3	3	4	4
7. **Oils ..**									
Groundnut ..	38	31	47	43	57	61	59	47	52
Coconut ..	4	6	4	4	8	6	6	6	4
Sesamum ..	9	9	12	9	9	6	9	6	6
Linseed ..	3	3	6	3	3	3	3	3	3
Rapeseed ..	16	14	16	14	18	16	16	16	21
Total ..	**70**	**63**	**85**	**73**	**95**	**92**	**93**	**78**	**86**
Grand Total ..	**1,523**	**1,575**	**1,741**	**1,671**	**1,755**	**1,628**	**1,839**	**1,794**	**1,839**

* Provisional and subject to revision.

Source: Ministry of Food and Agriculture.

LATEST ALL-INDIA CROP ESTIMATES

Crop	Area (000 acres) 1961-62 (Final Estimate)	Area (000 acres) 1960-61 (Partially Revised Estimate)	Percentage change of (1) over (2)	Production (000 tons) 1961-62 (Final Estimate)	Production (000 tons) 1960-61 (Partially Revised Estimate)	Percentage change of (4) over (5)
	(1)	(2)	(3)	(4)	(5)	(6)
I. Foodgrains						
(a) **Kharif cereals**						
Rice	83,669	82,947	+0.9	33,610	33,658	—0.1
Jowar	43,074	42,683	+0.9	7,664	9,215	—16.8
Bajra	27,027	28,230	—4.3	3,502	3,177	+10.2
Maize	11,040	10,774	+2.5	4,000	3,952	+1.2
Ragi	5,710	5,738	—0.5	1,749	1,654	+5.7
Small Millets	11,714	12,101	—3.2	1,877	1,944	—3.4
Total Kharif cereals	182,234	182,473	—0.1	52,402	53,600	—2.2
(b) **Rabi cereals**						
Wheat	33,240	32,047	+3.7	11,620	10,818	+7.4
Barley	8,255	7,965	+3.6	3,067	2,821	+8.7
Total Rabi cereals	41,495	40,012	+3.7	14,687	13,639	+7.7
Total cereals	223,729	222,485	+0.6	67,089	67,239	—0.2
(c) **Pulses**	58,755	57,335	+2.5	11,475	12,450	—7.8
II. Oilseeds						
Groundnut*	15,848	15,461	+2.5	4,682	4,391	+6.6
Castorseed	1,108	1,038	+6.7	101	89	+13.5
Sesamum	5,561	5,360	+3.8	366	316	+15.8
Rapeseed & Mustard	7,598	7,094	+7.1	1,285	1,335	—3.7
Linseed	4,211	4,433	—5.0	391	389	+0.5
Total Oilseeds	34,326	33,386	+2.8	6,825	6,520	+4.7
III. Fibres						
Cotton (Lint)	18,710	18,871	—0.9	4,500†	5,390†	—16.5
Jute	2,259	1,512	+49.4	6,269**	3,982**	+57.4
Mesta	951	689	+38.0	1,705**	1,131**	+50.8
IV Other crops						
Sugarcane (Gur)	5,942	5,789	+2.6	9,732	10,447	—6.8
Black pepper	254.1	253.8	+0.1	27.86	27.90	—0.1
Chillies (Dry)	1,516	1,530	—0.9	363	366	—0.8
Ginger (Dry)	44.3	44.1	+0.5	16.6	16.6	Nil
Potato	911	913	—0.2	2,723	2,704	+0.7
Tobacco	1,025	989	+3.6	339	307	+10.4

† In thousand bales of 392 lbs. each.

**In thousand bales of 400 lbs. each.

* Nuts in shell.

Source: Ministry of Food and Agriculture.

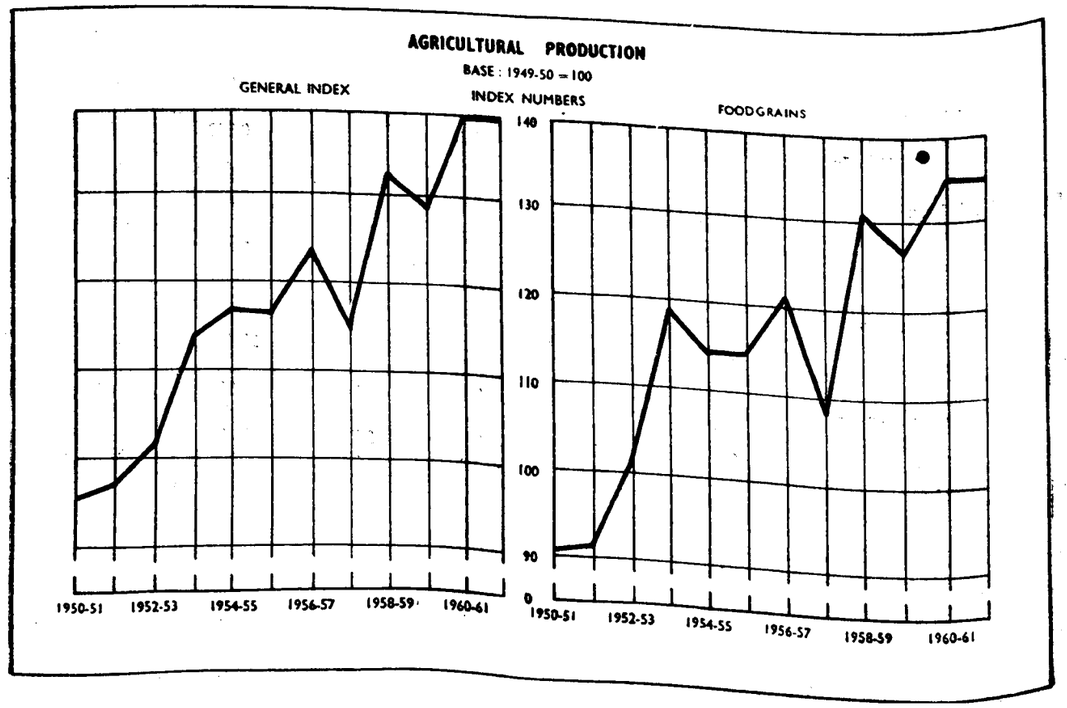
INDEX NUMBERS OF AGRICULTURAL PRODUCTION: 1950-51 — 1961-62

(Base: 1949-50 = 100)

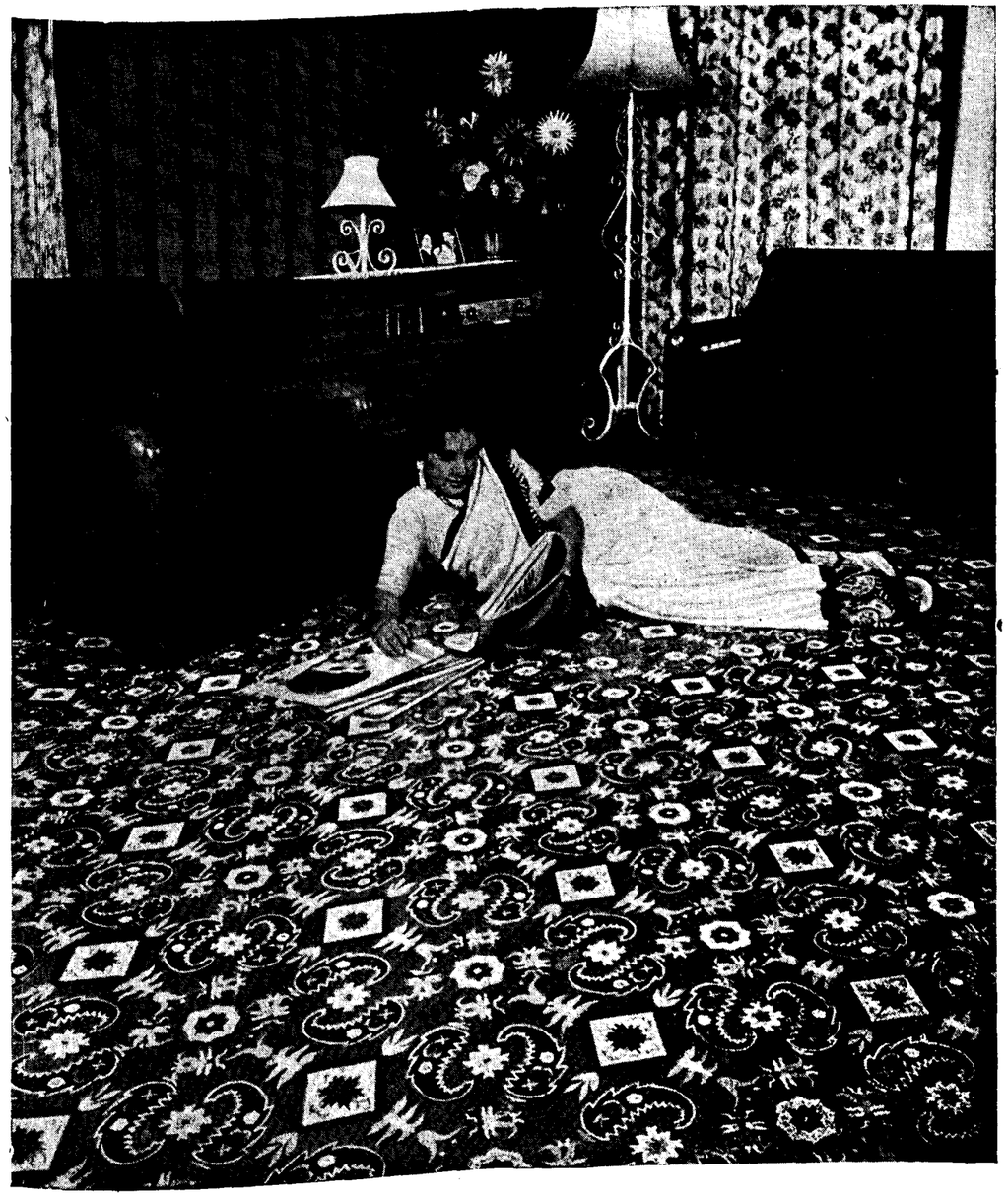
	Weight	1950-51	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62
I. **Foodgrains** ..	66.9	90.5	115.3	120.8	109.2	131.0	126.8	135.6	135.2
a) **Cereals***									
Rice ..	35.3	87.9	114.2	120.4	105.7	128.4	125.3	136.2	136.0
Wheat ..	8.5	101.1	131.3	140.7	118.5	147.4	151.7	162.7	174.8
Jowar ..	5.0	89.8	96.7	105.3	124.1	129.8	116.9	134.6	111.9
Bajra ..	2.7	83.8	108.3	90.1	113.5	121.3	112.1	101.2	111.6
Maize ..	2.1	84.4	112.3	132.8	135.9	135.5	146.5	144.5	146.2
b) **Pulses**** ..	8.6	91.7	118.4	122.9	103.0	136.0	120.0	128.6	121.1
Gram ..	3.7	98.0	138.9	159.8	125.8	180.3	143.5	162.3	152.7
II. **Non-foodgrains** ..	33.1	105.9	119.9	131.5	129.5	139.4	132.0	148.5	149.4
a) **Oilseeds**†** ..	9.9	98.5	108.6	120.3	119.0	136.8	118.3	131.2	136.9
Groundnut ..	5.7	101.4	112.4	127.2	137.5	149.0	122.5	136.5	145.5
Linseed ..	0.8	87.8	97.1	90.3	60.0	104.7	104.9	94.7	95.2
Castorseed ..	0.2	80.5	96.1	95.3	68.7	85.9	82.8	69.5	78.9
Rapeseed and Mustard ..	2.0	94.6	105.8	128.3	114.8	128.3	130.9	166.9	160.6
b) **Fibres**††** ..	4.5	108.6	149.7	170.7	164.4	175.8	141.2	175.7	182.3
Cotton ..	2.8	110.7	153.9	181.2	178.8	175.8	138.5	203.3	169.7
Jute ..	1.4	106.3	135.8	138.7	128.8	158.7	140.7	121.7	191.6
c) **Plantation Crops**	3.6	104.0	113.2	123.0	122.7	127.3	128.4	131.3	138.7
Tea ..	3.3	103.8	107.2	117.2	115.7	119.4	119.6	116.7	130.3
Coffee ..	0.2	112.3	196.1	204.1	229.8	240.8	259.6	355.1	257.6
Rubber ..	0.1	93.8	146.1	152.9	140.1	160.2	154.6	165.2	177.0
d) **Miscellaneous Crops**§ ..	15.1	110.3	120.1	129.2	127.5	133.1	139.1	155.8	150.4
Sugarcane ..	8.7	113.7	119.8	137.2	138.1	141.5	150.3	173.9	162.0
Tobacco ..	1.9	97.3	112.9	113.7	89.4	118.2	106.5	116.4	128.5
III. **All Commodities** ..	100.0	95.6	116.8	124.3	115.9	133.8	128.5	139.9	139.9

* Including Ragi, small Millets and Barley. ** Including Tur and other pulses. † Including Sesamum.
†† Including Mesta. § Including Potato, Pepper, Chillies and Ginger.

Source: Ministry of Food and Agriculture.



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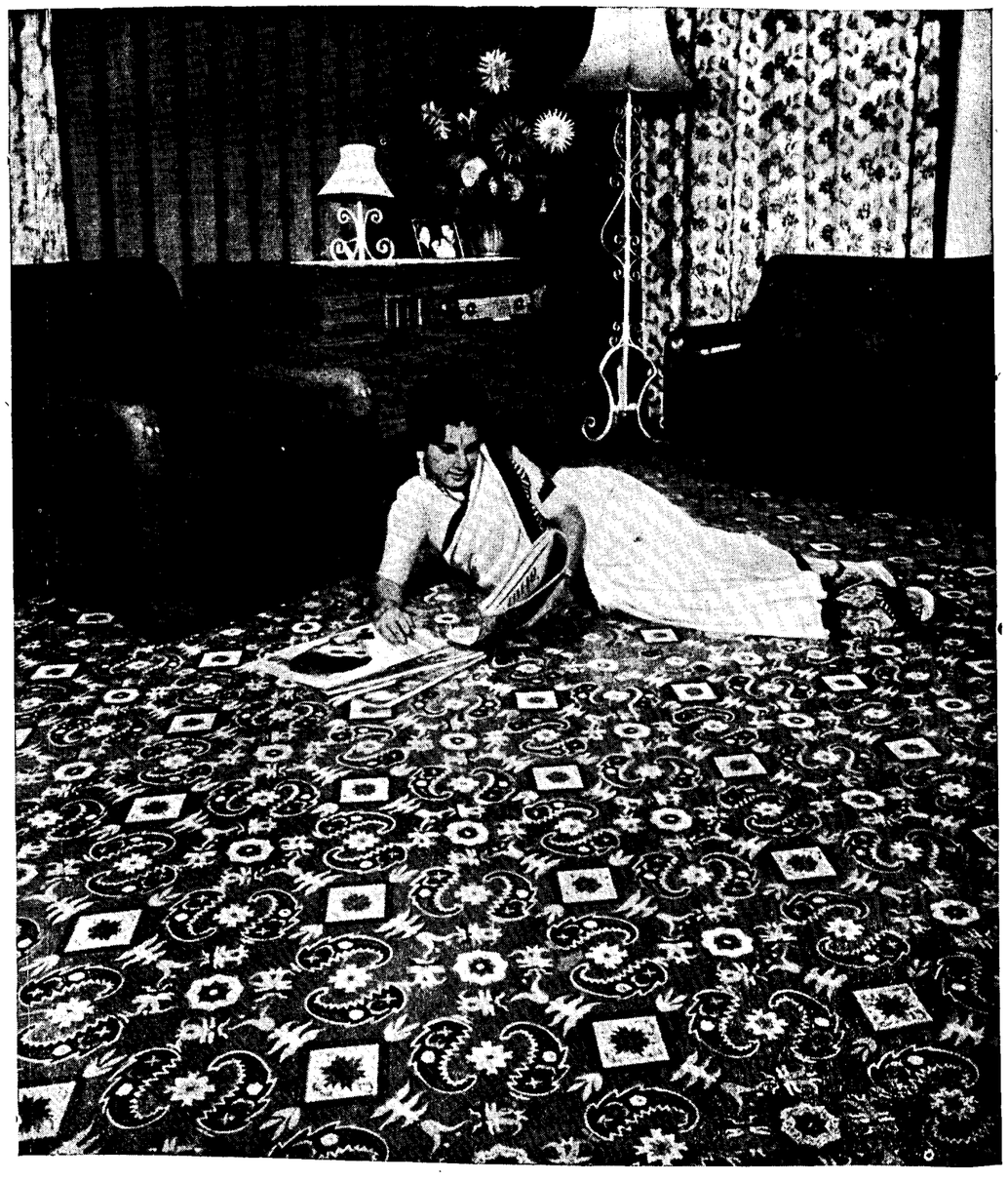
THE EASTERN ECONOMIST

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THE EASTERN ECONOMIST

DECEMBER 7, 1962.

Assam: First Problem

THE implications of the choice of the American and British missions to visit NEFA and Assam at the earliest for a fact-finding assignment are obvious. Ladakh was visited by the military experts on the eve of the departure of the leaders of the two delegations, since the problems of defence in the western sector are more or less crystallized. What is needed is an on-the-spot survey by the veterans to make their own assessment and advise their governments on the basis of it how the defensive strategy in Ladakh will need to be rectified and strengthened. But Assam presents a problem which stands in a class apart. The strategic importance of this State of the north-eastern frontier of India is derived from several vital factors.

It is no disclosure of any secret to state that from the defensive view-point Assam ought to be considered as the Achilles heel of India. Its territorial contiguity with East Pakistan and Bhutan is far more pronounced than it is with India. The contiguity with Bhutan presents no problem either of defensive strategy or communications. But the recent persistence on the part of the Pakistani crew in the joint steamer companies operating the trans-frontier waterways at this crucial time for several weeks on a flimsy excuse is but a revelation of how the export-import economy of this frontier State can be paralysed at the pleasure of the citizens of a neighbouring country, although the neighbouring government may not be involved in it.

Neither the Assam rail-link nor the costly transport by civil aircraft can answer the problems of Assam's communications for uninterrupted contact with India and the export markets. Hitherto in our transport system we were conventionally accustomed to the construction of strategic railways which were a financial burden on the exchequer. Now the crisis period has arrived which is introducing a new type of strategic transport — roads, bridges, etc., linking Assam with the rest of India and giving as much relief to her problems of movement of freight and passengers. This is, however, a medium-term problem, but its importance cannot be underestimated in view of the uncertainty about the prolongation of the war with China.

In the immediate context, the Chinese tactics of cease-fire and the so-called withdrawal of her troops should be a consideration of no consequence to us in the sense that we cannot relax in the defensive build-up. The Brahmaputra valley and the bountiful hill slopes abutting that valley make Assam a rich region to be coveted. The Chinese forces reached before the cease-fire a distance of only 200 miles from Digboi, the spring source of our oil resources. Assam produces nearly three-quarters of our total output of tea and even in the overall scale of our exports it occupies an important rank, never declining below the third alongside jute and cotton textiles.

It would be presumptuous to draw any inferences about the assessment which the military advisers to the two missions made of the defensive requirements of Assam in the light of the actual experience and the shortcomings of the strategy adopted by us in the surprise push of the Chinese forces in this direction. But it would appear to a layman that Assam's problem of effective defence is dependent first on the procurement of mountain warfare weapons and, in the second place, on the conventional but modernised weapons to fight on the plains. In this respect it is different from the problems of NEFA or Ladakh.

The presence of subversive elements in this State and the loss of nerve on the part of the officials combined to inflict a threat to the public morale. But Mr. Lal Bahadur Shastri's agonizing appraisal of the Tezpur disgrace resulted in the adoption of a firm policy. The presence of subversive elements whether of Chinese origin (and many of them seek employment in the tea gardens) or of non-Chinese agents of Peking is not in the least a figment of imagination. It is a cruel fact which came to the surface even after the cease-fire was announced. The public was prompt in apprehending subversive agents found in possession of receiving and transmitting wireless sets. This extensive network of espionage will have to be tracked with the utmost vigilance and ruthlessness. It is a tribute to the courage of the people that even in the midst of the crisis they did not allow their morale to be shaken.

There are heroic accounts pouring forth of plantation labour in the vicinity of Tezpur just refusing to flinch from their posts of duty. Youth is coming forward in large numbers making demands for the use of its services in the defence effort. It was quite appropriate that a large representative team of M.Ps. as well as a number of chosen members of the Congress Party toured Assam, surveyed the situation for themselves and gave the assurance that the rest of India would stand solidly behind the people of the State, who may have to bear the first brunt of a likely aggression. These measures are of the utmost importance in maintaining and boosting the morale of the public. But public patience is likely to be eroded, if active steps are not taken here and now in this strategic State to give training to the youth in civil defence involving a pronounced element of physical resistance. Alongside this effort, it is equally essential to train the other sections of the population in maintaining economic stability with particular reference to the battle against inflation.

This is not to say that there has been any negligence on the part of the Government to examine all these problems and make decisions for immediate action. But it would be necessary to remind ourselves that, while official effort has to give a sustained initiative, voluntary organisations can make a substantial complementary contribution to it.

Accent on Production

THERE seems to be complete unanimity in both the official and the non-official circles in regard to the manner in which the economy of the country needs to be geared to the war effort. The formula which is being advocated by the experts is: retain the essential co-ordinates of the Third Plan, increase production, reduce consumption, encourage savings, economise resources and eliminate waste. In his speech at Calcutta while addressing the Annual General Meeting of the Associated Chambers of Commerce, Mr. Morarji Desai, the Union Minister for Finance, stressed the same line of argument and rightly said that the objectives of defence and economic development were complementary and not contradictory. Earlier Mr. MacKay Tallack, President of the Associated Chambers of Commerce, had also emphasised the role of increased production in the present emergency. He said, "For the greater part we must rely on actual increased production of food, and materials and manufactures within the country." Thus, both the Union Minister for Finance and the President of the Associated Chambers were in complete agreement in that the objective of intensifying the war effort could be obtained only by multiplying output through the successful execution of the important essentials of the Plan and not by scuttling the Plan.

The key to the maximisation of production lies in a judicious use of the available resources so as to raise productivity. All bottlenecks such as shortage of power, transport, raw materials etc. need to be eliminated so as to put the available resources of capital, labour and equipment to the best possible use. Mr. A. R. Foster of the Bengal Chamber of Commerce brought out this aspect of the problem in a telling manner. He cited the examples of the workers at Jamshedpur (TISCO) and the Integral Coach Factory at Perambur to illustrate how the application of the productivity techniques can be instrumental in bringing about far-reaching changes. Here is what he said: "At Jamshedpur, 1954, it took six of Tata's workers to equal the output of one German doing similar work at the Mercedes Plant at Stuttgart; today the ratio is 6:5. When the Integral Coach Factory at Perambur began to produce railway coaches in 1955 it took over 19,600 man-hours to finish one coach compared with the Swiss 8,500. Today the Indian figure is 8,519 hours and it is still falling."

The paucity of resources makes the employment of the improved techniques imperative for all producing units. A rearrangement of the available machinery and re-allotment of workers under the modern principles of "work study" can go a long way in enhancing all round production with the tools currently available. A happy feature of the present situation is that workers have assured complete co-operation to speed up the production machinery at all levels and any innovations pressed into service will bear added fruit.

While the Union Government has, for the current year, come in for an extension in the defence budget by about Rs. 100 crores, it is believed that this volume of finance may not be sufficient and the gap would have to be made up by certain cuts in other directions. For the year 1963-64, the rough figure which is being suggested for stepping up the Defence expenditure of the country borders around Rs. 1,000 crores as against the present level of expenditure at Rs. 380 crores. Any increase in financial resources can emerge only from increased production, implying that the national income must become bigger through acceleration of the productive effort. The problem of finance cannot be solved by mere creation of money through deficit finance though it has its rightful share in the mechanism of war finance. The financial picture at present is reassuring because the response to the new issue of defence bonds, defence certificates, prize bonds and gold bonds has been encouraging except for the gold bonds which have still to gather momentum. The accent on production and voluntary savings coupled with austerity in consumption and elimination of waste will no doubt provide a new vigour to the economy so as to accelerate the output of sinews of war.

Strength in Unity

THE joint statement issued by President Ayub Khan and Prime Minister Nehru on November 29 was undoubtedly one of the most remarkable developments taking place in a rapid succession on the Indian sub-continent. This statement announced the decision of the two statesmen to hold direct talks to resolve the intractable Kashmir problem as well as other outstanding issues. Credit for bringing about this top level meeting goes unreservedly to Mr. Duncan Sandys and Mr. Averell Harriman. The continued deployment of Indian forces on the Pakistan frontier, at a time when every battalion that could be spared was sorely needed on the Himalayan border, was looked upon as a distressing problem here as well as abroad. Any apprehensions which Pakistan, particularly its public and the Press, felt over the supply of massive military assistance to India, was completely dispelled by India's unqualified undertaking to use it only to fight the Chinese aggression and to return all surplus armaments after this task was accomplished. The Indian forces are now being deployed for the China operation. No conditions have been laid down to restrict the scope of the talks and it is earnestly desired as much by the Governments and people of India and Pakistan as by the Governments and people of America and Britain that a satisfactory solution to the Kashmir problem will be evolved by the parties themselves and the unity of the sub-continent will be restored.

The need for accord between India and Pakistan not only on Kashmir but also on all other outstanding issues has all along been keenly felt if for no other reason than in the interest of political stability which is so essential for their economic development. But at the present juncture, when India has been a victim of an unprovoked aggression by China, its significance is all the more heightened. Various explanations have been heard of the Chinese unscrupulous invasion on this country, but the consensus of opinion the world over is that this aggressive act on the part of China is not a stray incident, but a deliberate, premeditated and calculated piece of strategy, in her grandiose plans of domination over Asia and Africa in the first instance and for ushering in World Communism ultimately. The Malayan Prime Minister, Tengku Abdul Rehman, gave a glimpse of Peking's expansionist designs in South-East Asia when early this week he held to the view of his countrymen a Chinese map showing Burma, Malaya, Cambodia, Laos, Thailand and Vietnam as parts of China.

What this cartographic expansion—the Peking warlords would grin and style it only an inadvertent error—means India knows to her cost. And this probably is only the first phase of this imperialist drama. The Chinese claims on others' territories, historians tell us, are based on all that their forefathers or even those—Manchurians and Mongols—who at one time or the other invaded Peking in its long history, held at any period, howsoever brief, even as tributaries. The Indian sub-continent, particularly the area now constituting West Pakistan, has suffered at the hands of the ferocious Mongols. Peking's friendly overtures to Rawalpindi today have a parellel in her slogans of *Hindi-Chini Bhai-Bhai*, and offers of peaceful parleys with New Delhi not long ago. It is not in the least implied that outside powers can arrogate to themselves the role of a preacher to Pakistan. The Pakistan authorities, who entered into military aid pacts with the Western Powers, know it fully well. Their membership of the SEATO and CENTO is indicative of their determination to fight Communism.

What India is fighting for today is not a few miles of territory but her dignity as an independent democratic nation. Democracy in the East lives, if India lives. That is precisely the reason why the United States and the United Kingdom have lent us all their support, both moral and material, in the gravest of our perils. India's hands obviously will be weakened in the fulfilment of this crucial task if her armed forces continue to be deployed on the Indo-Pakistan frontier when they are so urgently required elsewhere. An honourable understanding on the outstanding problems between Pakistan and India will obviously help in releasing these forces for the onerous task of throwing out the Chinese aggression from the sacred soil of this sub-continent. In fact, what is required today is an unqualified appreciation of the fact that the security of the sub-continent vis-a-vis Communist aggression from China is indivisible.

The Kashmir issue is considered intractable because of the rigid positions which passage of time and pressure of public sentiment have imposed on both New Delhi and Rawalpindi. But given some measure of flexibility and statesmanship, this deadlock is not that difficult to break. After all, a solution could be found out for resolving the Canal Waters Dispute through long-drawn negotiations. It is encouraging that the ice is being cut without the complications of any preconditions to determine the nature of the talks. Either party is free to put forth its viewpoint candidly. To soften the attitudes, it is proposed to include in the purview of these parleys the other outstanding issues between the two countries as well. Let there emerge a complete understanding on all the problems in a spirit of give and take. The statesmanship of both President Ayub and Prime Minister Nehru is on trial today. The Sino-Indian conflict would prove a blessing in disguise if it leads to the unity of the two neighbouring countries and their peoples.

A Demoralising Decision

IF it was the share markets that were caught in a panic early last month, today, it would appear, it is the authorities that are panic-stricken without provocation. Otherwise, there can be no valid explanation for the sudden ban on forward trading in shares clamped last Friday. Even the argument that it is the intention of the authorities to ban all forward trading for the emergency as a matter of policy does not hold water, for this has not been done in every case, the important cotton, oilseeds and gur—not to speak of silver—markets being still unaffected. Lack of consistency apart, the imposition of the ban, though hardly of any significance in the prevailing circumstances, where whatever forward business there was was merely confined to transactions of a squaring-up nature, has all but undone the salutary effects of the Government of India's Press Note of November 6, which reassured the investing public that the markets would steady themselves and that normalcy would be restored very soon. One felt greatly relieved by this seemingly—so it would appear in retrospect — realistic appraisal of the situation. And many took it to mean that the authorities were, by and large, appreciative of the voluntary measures taken by the stock exchange organisations in the country to keep their houses in order. True, inasmuch as there was not the requisite lack of uniformity and co-ordinated approach by all the stock exchanges in the country there were still a few loopholes enabling the anti-social elements to exploit the situation, but, over the past few days, even this deficiency may be said to have been overcome. Thanks to the series of measures taken, a sizable portion of the outstandings has been adjusted, thereby greatly reducing the load on the market.

By their decision, the authorities have, for the time being at any rate, occasioned a degree of demoralisation that was quite avoidable. As a result, the pressure to sell below the authorised minimum prices, which has so far been but a tendency, has mounted and this may compel the stock exchange authorities, if only to ensure liquidity, either to further reduce the minimum prices or to wink at sales below these prices. In turn, banks which have advanced money against shares will be obliged to call for more margins, which, again, will force the pace of liquidation to push down equity prices further. The effective way to arrest the deteriorating situation, is, as we pointed out three weeks ago, that the authorities should adopt a well-defined and co-ordinated investment policy through their several financial institutions. This is all the more imperative in the context of the prevailing parlous capital market.

Lest there should be any misunderstanding, we must make it clear that we do not question the propriety of a policy to do away with futures trading during an emergency such as the one we are passing through, but what we are bound to criticise is both the lack of consistency and the lack of time sense on the part of the authorities in dealing with such a sensitive economic mechanism as the share market. Economic stability presupposes not only prudence but also perspective.

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THE WEEK'S NOTES

French Elections

VICTORY OF DE GAULLE

THE FIRST round of the general elections to the National Assembly in France held on November 18 could not be taken as a positive indication of what would follow in the final round fixed for November 25. The provisions of the French Constitution and the party politics in France, with its bane of multiplicity of political parties, have made the election outlook very uncertain. In the first ballot, under the Constitution, the candidate has to poll as much as 25 per cent of the vote on the register and furthermore he has to secure a majority of 51 per cent. This in itself is a very tough task. The real battle was to be waged for the second ballot. The truth of the matter was that there was a vital issue on which the general elections were being contested. The extra-constitutional manner in which President de Gaulle changed the mode of the election of the President by a plebiscite and placed it on a basis of direct vote had provoked genuine resistance. The magnitude of this resistance could be easily gathered from the vote of censure passed by the National Assembly on the Pompidou Government. Thus far the indications were that the opposition to de Gaulle, particularly derived from this fundamental issue of far-reaching consequence to the pattern of political power, would swing the vote.

But none would have been more surprised at the final outcome of the second ballot than the Gaullists themselves. The existence of a large number of parties or groups of various sizes in France has always placed obstacles in the way of the election of any one or at least two parties commanding an absolute majority, which could be relied upon for a sufficiently long period to give the country a stable administration. Shortlived coalitions, in the result, have become an inevitable feature of French politics. But the flexible and varied political creeds, to which parties or even different groups inside one single party subscribe, have made alliances of far less assuring duration than would have otherwise been possible. The one target in the election campaign was to prevent the Gaullists from winning a majority position. M. Mollet on behalf of the Socialists advocated a marriage of convenience with the Communist Party. But this alliance proved brittle and in his own constituency M. Mollet had to assert openly that he had not entered into any such formal and positive union with the Communists. The executive of the MRP who profess a leftist but moderate creed set their face firmly against the Communists. These difficulties of integrated alignments during the election split the opposition vote. The Gaullists came out as the largest single party with a total strength of 231 in the National Assembly consisting of 482 deputies. They are short of 20 for a majority. But the rightist element in the MRP and a few more deputies drawn possibly from independents and so forth will give the Gaullists more than a stable majority. Such a big vote for one party which is an uncommon feature in recent French politics makes the position of President De Gaulle secure.

Education

DEFENCE ORIENTATION

THERE ARE two angles from which the question of a redirection of the system of education at the secondary level for the purpose of orientating it to the requirements of defence in so far as they impinge on the student generation can be looked at. The first and the uppermost that comes to the mind is the direction that can be given immediately in order to satisfy the deep urge of the younger generation to contribute their mite to defending the integrity and honour of the country. The second angle is to lay the long-term foundations of the change in the structure of the curricula for secondary education. The note which has been addressed by the Secretary to the Central Ministry of Education to the State Governments deals essentially with the long-term aspect of this redirection. Looked at from this view-point there is not much on which there is room for divergence of opinion. The consciousness is gaining greater force, particularly after we entered on the phase of planned development of our economy, that scientific education should be given a place of higher priority than what it has enjoyed so far. If science and technology are the very foundations of progress in the modern era, it is simple logic that the basis of knowledge of science during the school training should be quite broad and solid. The Central Ministry has urged that in order to accommodate an increasing number of students taking science courses the facilities with regard to teachers and laboratories should be increased quickly. To this end double shift working in the laboratories has been recommended which is unexceptionable. Similarly, the retirement age of the teachers concerned is sought to be raised. But this device is unlikely to satisfy the demand for a larger number of teachers of the requisite experience. This is quite apparent from the Central Ministry's another suggestion that retired teachers should be called back to take their former posts again. In addition, short teachers' training courses for fresh science graduates have been recommended. When there is pressure of demand, it is likely that full considerations of quality and adequate training may have to be ignored somewhat.

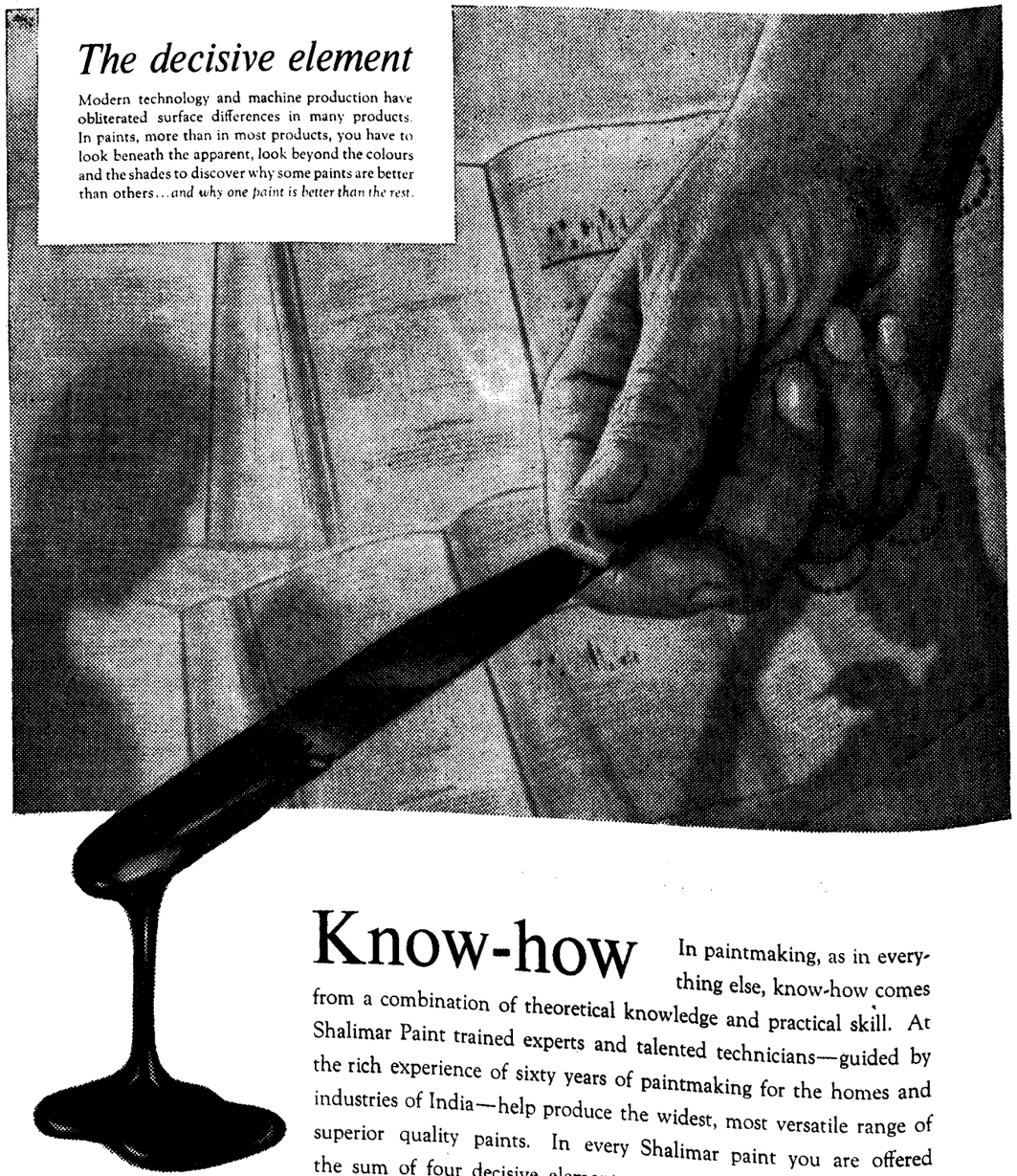
But in respect of the short-term aspect of this problem the Central Ministry's thinking seems far from satisfying. The emergency is upon us as a cruel fact of the existing situation and what is required to harness the urge and enthusiasm of the younger students to serve the motherland is to give them facilities of service not only in the immediate future but directly in relation to the defence emergency. There is the scheme of the expansion of the NCC which should be taken vigorously in hand and as large numbers of students as possible should be encouraged to join it. Furthermore, there is the national discipline scheme in which students should be enlisted in large numbers. This, of course, ought to be without prejudice to the minimum requirements of physical fitness. The point of emphasis is that the students must feel the sense of effective participation in a tangible form in the defence of the country. This can be done not by the long-term planning but by their enlistment in civil defence and the two schemes already referred to. The sense of participation in this specific issue can have no appeal unless it takes a direct physical form.

U.S.S.R.

AN ECONOMIC REAPPRAISAL

DESPITE ALL the grandiose pronouncements hitherto made in regard to the spectacular advancement of the Soviet economy, it is now beginning to dawn on the Soviet leaders that its economic machinery and administration have bogged down in a puddle resulting in a break in the expansion of the economy. The entire economic machinery has to be re-organised with many features of the private-enterprise system fastened on to it. An expression to this realisation was given by the Soviet Premier, Mr. Khrushchev, in his speech before the Central Committee of the Communist Party of the USSR. Among other things, he argued in favour of the adoption of "modern business-like mentality"

(Continued on page 1091)



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The World Abroad

ODYSSEUS IN GERMANY

THE FORTNIGHT'S TOUR of Germany which I have just completed—my eighth since 1957—has revealed conflicting trends, which make diagnosis difficult and forecasts even more so. There can be no doubt that rapidly rising costs are cutting deeply into German profit margins. While the Federal Bank pursues a tight money policy in an effort to keep prices stable, the continuously rising expenditures of the central and state governments counter the Bank's efforts. It is true that budget cuts have been announced, but they are less cuts than curbs on the speed of increased expenditure on defence, building, and social security. Foreign observers have become uneasy about these trends and have been selling D Marks.

Does all this mean that competition and free enterprise, on which post-war Germany's economy has been professedly based, have at last been shown up as phoney?

THE FACTS OF THE "MIRACLE"

Let us recapitulate the facts.

The German gross national product rose in volume by 61 per cent between 1953-60, compared with 37 per cent on average in the OEEC member countries, and 21 per cent in the UK. The volume of private consumption per head has risen in Germany by 58 per cent, compared with 34 per cent in OEEC countries, and 25 per cent in the UK.

How was this record achieved? First, by high levels of productive investment, which between 1950-60 absorbed 21.9 per cent of the GNP at factor cost (cf. 16.6 per cent in the UK). Note that investment in machinery and equipment was as high as 11.2 per cent.

What released such large resources for investment was the readiness of the German masses to spend less on private consumption than their neighbours. Whereas private consumption in the USA and the UK average about 64 to 65 per cent of the GNP, in Germany between 1950-60 it averaged only 59 per cent—the lowest propensity to consume in Europe. This does not mean that consumer expenditure has not been rising. On the contrary, between 1951-59, consumption rose on average 6.09 per cent a year. As against consumption, however, the GNP itself rose on average 6.33 a year.

The first cause of this low average propensity to consume was the currency reform of 1948, the object, and effect, of which was to reduce by nine tenths the real value of everyone's cash in hand. This enforced reduction in wealth spurred the urge to save. A second and even more important cause was the low share of wages and salaries in the national income. During the 1950's, the share of wages and salaries (after payment of taxes on incomes and insurance contributions and the receipt of public transfer payments) in the GNP at current prices averaged just over 47 per cent in Germany, compared with 58 per cent in the UK. This made big profits possible, a very high proportion of which were ploughed back. The distribution of income in Germany thus (a) restrained consumers' demands, and (b) provided liquid funds for heavy investment.

The currency reform not only depleted personal holdings of cash but wiped out the funds of the trades unions, and so reduced their ability to finance strikes, while the steady influx of 13,000,000 refugees from behind the Iron Curtain further weakened their bargaining power. Finally, the German people's profound and understandable fear of inflation has been a further restraining influence.

THE HIGHEST WAGES IN EUROPE

None of this means that money wages have not risen in Germany. Between 1952-62, hourly earnings have risen nominally by 99 per cent, and as retail prices have only gone up by 17 per cent in that period, real earnings have therefore risen by no less than 70 per cent. By 1961, average labour costs per hour in Germany were DM 4.75, the highest in Europe (except for Norway: DM 4.78). British costs were DM 4.45. For the sake of comparison, between 1952-62, British hourly nominal earnings rose 80 per cent, but as retail prices rose 36 per cent, the real British gain was only 32 per cent.

Since, however, the German rate of earnings kept pace with, but did not exceed, the growth in output (until 1961-62), there was (until then) no redistribution of income in favour of wages and salaries.

I need not remind any regular adherent of this column that I do not assert that heavy capital investment necessarily leads to a higher GNP. In Germany's case, however, it has, partly because of the need to replace plant and equipment destroyed by war, and even more because all authorities agree that investment in new technology has been widespread.

If these facts explain the great growth of output in Germany since the war, they do not explain the relative stability of prices achieved. If the exceptional period of the Korean war — when prices all over the world were rising — is omitted, German retail prices rose by only 7 per cent between 1953-60.

Price stability in Germany, as elsewhere, has, of course, been helped by the fall in import prices, but it has been maintained even more by the great rise in output per man hour, partly from the high proportion of GNP devoted to net investment, and partly from the inflow of refugee labour, which, because there is no closed shop in Germany, was allocated to the best possible use in the factories without obstruction from the trades unions.

Another great factor in Germany's expansion and growth has, of course, been her success in exporting. This sprang (1) partly from the lucky chance that the mark was undervalued by the exchange rate arbitrarily chosen at the 1948 currency reform, (2) partly from the growth of productivity within Germany, which meant that the mark became more undervalued as time went on, (3) partly because other countries were inflating much faster than Germany, so that her export prices remained more competitive, (4) partly because German industry concentrated on capital goods, for which in 1950-60 there was an inexhaustible world demand. The resulting export surpluses were not an unmixed blessing, first because owing to the comparative inefficiency of the German capital market, exports of capital rose very slowly, and, secondly, the Bundesbank's faith in orthodox monetary policy meant that when internal boom conditions were held to be threaten-

ing the price level, interest rates were stepped up, so that additional short-term capital was attracted into Germany at times when international considerations required an outflow of German funds. This inflow, when taken in conjunction with the government's steadily rising expenditure on social security and building, frustrated the Bank's efforts to curb domestic liquidity, and accounts in part for the degree of inflation that occurred.

The first obvious solution — a reorganisation of the capital market along the lines of the efficient British and American markets — involves a major evolution, which can only be a long-term development. The second solution — revaluation of the D mark — was forced on Germany when to rising social expenditure was added mounting defence expenditure. From £545 million in 1955-56, defence had risen by 92 per cent to £1,048 million in 1961.

Despite these difficulties, internal inflation was kept within fairly reasonable limits by the government's unforeseen accumulation of cash surpluses, intended for defence expenditure, but which, for practical reasons, could not be spent. These surpluses acted as an anti-inflationary force by withdrawing substantial amounts of money from circulation.

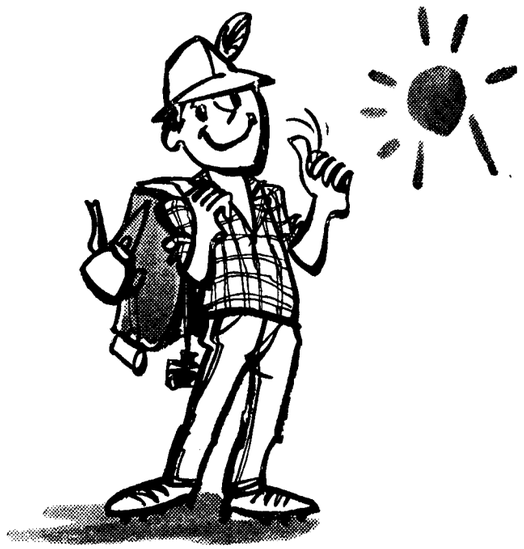
The revaluation of 4.8 per cent in March, 1961, seems to have got the balance of payments into equilibrium, but there are those who argue that it was too little to make its contribution to the new threat of further inflation, largely brought about by the emergence of over-full employment. In 1960, unemployment fell to 2.4 per cent; in 1961 to 1.2 per cent. In June, 1962, there were only 88,000 unemployed, or 0.48 of the total labour force.

Full employment has naturally been followed by demands for higher wages. The index of average gross hourly wages has risen from 115 in 1960, to 127 in 1961, to 141 by May, 1962. In 1961-62, wages rose by only 3.7 per cent in the USA, by 7.5 per cent in France, and by 2.8 per cent in the U.K.

LESSON OF GERMAN EXPERIENCE

Does all this, I ask again, mean that Germany's experience has now revealed competition and free enterprise to be an exploded mythology?

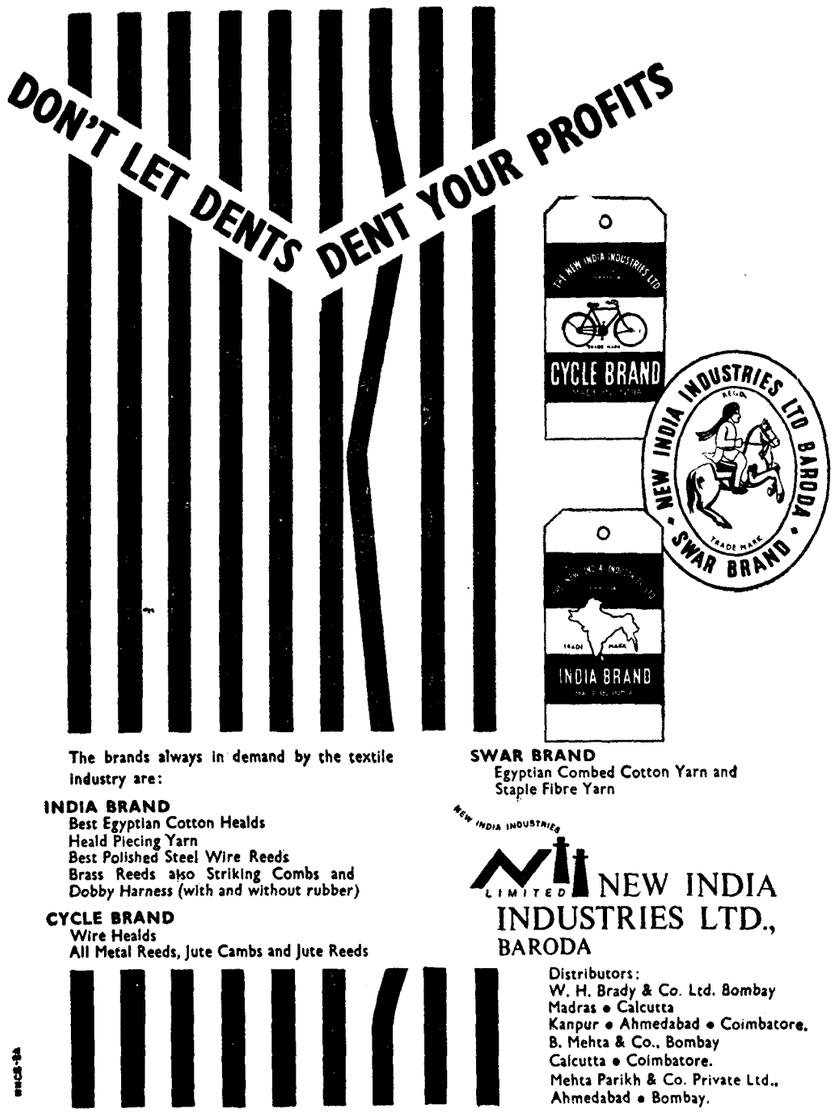
It reveals nothing of the kind. What would have happened if Germany had been handed over to the planners, as the British Socialist government hoped, in 1948? There is no need to speculate. We know, because their plans survive. The experts submitted a Long Term Programme to the Economic Co-operation Administration whereby the index of industrial production was to rise to 110 per cent of 1936 by 1953. They saw no hope of balancing Germany's foreign trade unless free access to the lost agricultural areas of East Germany was restored and unless, by means which they did not specify, Germany could earn $300 million a year from other dollar-short countries. But under the spur of necessity, competition, and enterprise, industrial production had risen by 1953 not to 110 but to 150. No, the lesson of Germany's post-war history is that with free wage bargaining, man-hour productivity must rise fast. The problem that democracy and free enterprise must now solve is how to reconcile full employment with free wage bargaining and lie in Wage policies? Taking a look at what is happening in 18 industrialised countries of the free world, we will have a shot at this problem next week.



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NEW DELHI

The European Scene

THE GAULLISTS' ECONOMIC PROGRAMME

From Our Special West European Correspondent

PARIS, December 2.

THE likely economic consequences of the extraordinary Gaullist victory in this month's French elections will concern, firstly of course, France's own economy and secondly, the evolution and enlargement of the Common Market. On present indications, it does not seem that the impact of the solidly Gaullist house will be very disturbing in either of these departments, except in so far as the existence of a stable government throughout the five-year legislature enables French policy to show more consistency and coherence than we are used to. For the fact is that economic development and European integration (in their purely economic aspects at least) have become, for most Frenchmen, non-party matters, and that is precisely why the electorate dismissed the old parties and gave power to a new formation that has no strongly characteristic economic ideology but promises continuity and stability. In other words, there is so much general agreement about what requires to be done, that voters could be convinced that the eternal and byzantine wrangles of the traditional parties had become irrelevant.

If the majority of the nation still believed that its problems could be tackled (effectively and in practice, not just in "programmes") in a Catholic way, a radical way, a conservative way or a socialist way, the new Assembly would no doubt show the familiar patchwork of French parliaments. It no longer believes any such thing, and that is why the old-style groups have been sent into five-year opposition. It seems to believe, rather, that these nuances are no longer meaningful, or at least could not be translated into practice. Some years ago the English coined the term Butskellism to signify their belief that, on the important economic issues, the Conservatives and the Labour Party were peddling much the same goods—or would, once either was in office and laid aside electoral rhetoric. It would be more difficult to coin a similar portmanteau word in this country where half a dozen groups were contesting for the honour to implement substantially the same programme. The choice, as many French electors saw it, was between entrusting implementation of this programme to one group that offers guarantees of continuity and party discipline; or alternatively to a multi-coloured coalition that is liable to fall out over minor questions that no longer interest citizens as much as they interest old-fashioned party bosses.

This impatience with stale quarrels and this preference for a consistent and effective approach to problems about whose urgency everyone agrees, is described by the defeated parties as "de-politicalisation". The barbarism is meant to suggest that most citizens are culpably becoming indifferent to the profound political issues that shook their grandfathers, and are handing over the power of decision to the General and his band of colourless followers. I see no sign of any such resignation, any such abdication. On the contrary, Frenchmen have lost interest in the ancient class and confessional disputes but they are passionately concerned with questions that they now consider of over-riding importance—as the new government will discover to its discomfiture if it delays or fumbles in dealing with them. European integration, resolution of the festering housing problem, provision of facilities to cope with the demographic expansion (especially educational facilities), full employment at rising real wages, improvement of the peasantry's economic status, are all issues on which the electorate is very much "politicalised" and is, in fact, ready to take direct action if Paris fails to give satisfaction on them.

It may be that the voters have made a mistake in entrusting these problems to a Gaullist majority, in which case the old parties will be able, provided they can sink their outdated differences and see at last what the people want, to take their revenge. It is too early to say that this will happen. The former system of government by shifting coalitions has been tried long enough and found wanting before the new national problems, so it is reasonable to try the very new experience of government by a stable majority and a popular President. The danger is that de Gaulle could take the security of an unchallengeable parliamentary majority as an alibi to neglect the very problems that engross the people, and attend instead to his own preoccupations, which centre around France's military power and international influence. In that event, he would be rudely recalled to his task and the most docile parliamentary majority could not protect him from discontent in a country where direct action retains all its attraction. Supposing he wanted to, the insistent pressure of peasants, students, workers and consumers would not allow him for long to delay the reforms the country is clamouring for. Unlike other Europeans, the French have never regarded parliamentary representation as a substitute for more effective demonstrations of their wishes.

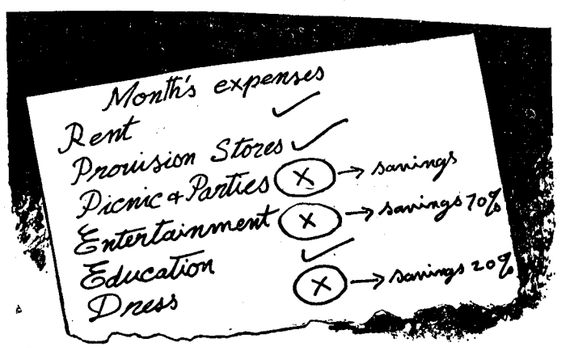
In reality, there is no reason to think that the new majority in the Assembly is insensitive to the demand for economic expansion and modernisation. It is not a "party of resistance" opposing a "party of movement", and in fact contains (along with a complacent conservative wing) elements as progressive and dynamic as are to be found in the country. Only on the issue of European federation—the surrender of national sovereignty in a European super-State—would it be, in so far as it followed its leader, "reactionary" in comparison with the socialists and Catholics, who are ready to go far and fast along that road. Yet this is not nearly as important an issue as the federalists imagine. Further economic integration is possible in the existing institutional framework of the Common Market, and the Gaullists are as prepared as any party to explore that path to the end. Besides, if the progress of the Common Market is taken to include its extension to other countries, as well as closer unification among present members, then the federal doctrine is an obstacle to progress; neither Britain nor, for example, Spain would have any place in a federal Europe but they could join, or be associated with, an economic union having the existing institutions. As for the economic price that will be asked of them for admission to that union, the Gaullists do not have any different an opinion to the other parties, for this is a non-party question. Despite the often obscure theological controversies about supranationalism, the course that European economic unification takes will be decided empirically rather than on doctrinal grounds—granted, of course, that the will to unite

is constant; and it is as well represented by the Gaullists as by the old parties.

On domestic economic policy, the Gaullists are indeed, as the Communist Party harps in all its propaganda, a capitalist party; but there is capitalism and capitalism, and the brand of it that is connected with the Gaullists is a considerably more dynamic and progressive variety than the colonial capitalism, liquor interests and conservative small business that had their heyday under the last republic. One cannot rest content with summary arguments such as the fact that M. Pompidou, de Gaulle's Prime Minister, was taken from the managing director's chair of the Rothschild Bank. The corporate enterprise that is associated with Gaullism is also deeply committed to the planning experiment in France and to the integration adventure in West Europe, and thus represents a type of capitalism that has never before had access to the seats of power. In any case, its influence should not be exaggerated for it is counterbalanced by what is often abusively termed the technocrat strain in Gaullism: the senior administrators from the finance departments, like Baumgartner and Giscard d'Estaing (the last two Finance Ministers) whose career has lain entirely in the public service, with intimate connection with national planning.

Neglecting for the time being the Left Gaullists (a more or less Bevanite wing of the party that is henceforth represented in parliament and in the ministry but has to prove the extent of its influence), these capitalist and technocrat elements plausibly claim to have "socially progressive" ideas that would be seen as Leftist by the Kennedy new-frontiersmen and the Young Tories. Their proposals for labour-capital partnership in industry are familiar, but probably not destined for implementation, as unpractical yet in France. Likely to secure earlier application are their ideas on a new sort of Senate, an upper house that would represent economic interests, and notably the trade unions. This reformed Senate would have as its main task examination and control of the national plan, in much greater detail than the conventionally elected lower house.

Finally, there is the question of international economic policy as this concerns the developing countries. Here, there is no doubt that the Gaullists are the only party in France (and perhaps in the Common Market) with enterprising ideas. The favourable reception the result of the elections had in Africa, where French economic influence is still predominant and likely to determine the pace of economic progress, is instructive on this point. The new ministry will, in the relevant departments, resemble the last one and will thus include the same men as have fought all along in Brussels for effective Common Market support to African development, often against reluctance from West German liberals. It will also include the architects of the Baumgartner - Pisani plan for reform of world markets in foodstuffs, which has the aim of putting an end to competitive dumping financed by export subsidies, in favour of distribution of Western surpluses to developing countries that cannot pay even the artificially depressed dumping prices. The Americans, it appeared at this week's meeting of the Organisation for Economic Co-operation and Development in Paris, are rallying to this scheme, which, for all its admitted difficulties and dangers, constitutes the only suggestion yet made for a humane and global solution of the problem of farm surpluses in a hungry world.



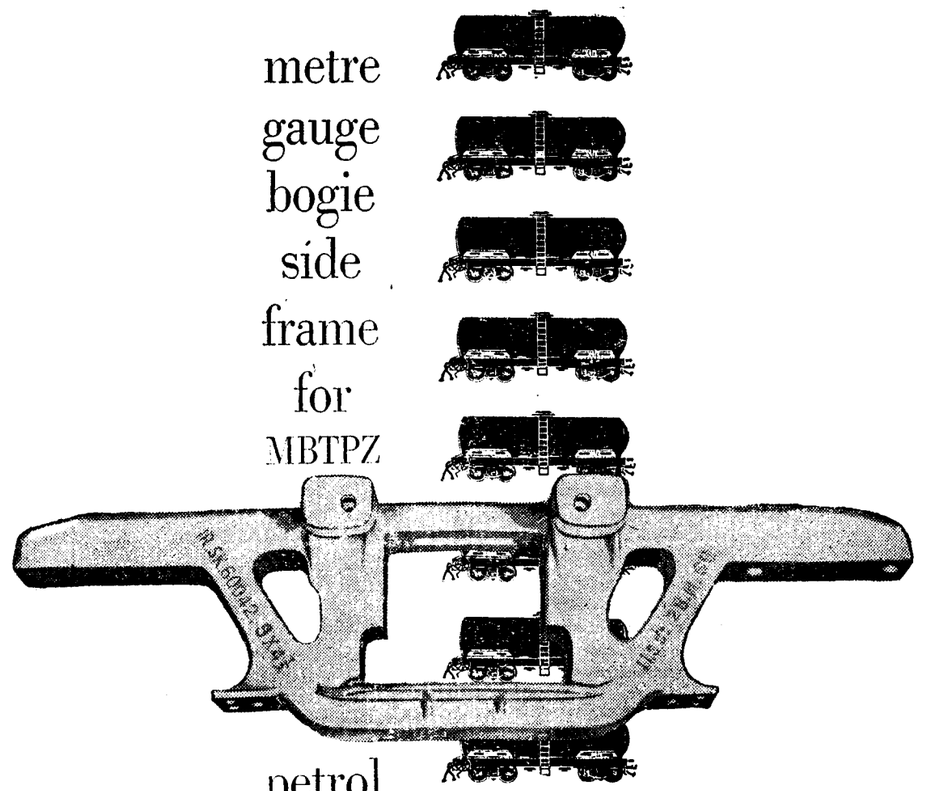
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Economic Report from the U.S.

TAXES AND THE ECONOMY

By GUY SIMS FITCH

WASHINGTON, Nov. 27.

TAX revision has now emerged as a major policy issue in the United States, and next January, when Congress reconvenes, it promises to be the chief economic business in Washington. This much is clear from the avowed intention of the Kennedy Administration to see substantial tax cuts and reforms early next year. The question remains as to why tax slashes are necessary and how they would spur the nation's economic growth.

In good position to answer this question is the Chairman of President Kennedy's Council of Economic Advisors, Dr. Walter W. Heller. As he sees it, a sizable cut in tax liabilities both for households and businesses would push the economy toward more robust activity in three main ways.

(a) It would increase the spendable income of consumers. As consumers spend this income, markets strengthen, production rises, new jobs are created. This leads to added cycles of increased private incomes and spending, in what economists call the "multiplier effect." It produces a rise in the gross national product (GNP), or total output of goods and services, of perhaps two or three times the original reduction in taxes.

(b) By strengthening sales and pushing output closer to capacity, it would spur business investment in inventories and new plant and equipment. This has what is called an "accelerator effect," as it further stimulates consumption, increases business earnings, helps expand the GNP and overcome the deterrent effects of excess productive capacity.

(c) It would enlarge business profit margins and the supply of internal funds available for use. It thus would reinforce the incentive to undertake the risk of new investments and enhance the prospect of larger returns on new productive facilities. In sum, tax reduction would stimulate demand for both consmer and capital goods, thereby boosting the volume of sales and output, and would induce business men to produce, employ and innovate on a larger scale. If the economy were operating at close to capacity levels, tax reduction admittedly would be poor public policy. But this is not the case at present. Despite its encouraging progress of the past two years, which have seen it reach new highs in performance, the economy still is operating below its potential. In fact, it has fallen short of its potential ever since 1957. According to estimates, it would take a GNP rise some $30,000 million to bring the seasonally adjusted unemployment rate down to four per cent from its present 5.5 per cent.

One of the chief reasons for the relatively sluggish behaviour of the US economy over the past five years is the persistent drag exerted by the Federal tax system as now constituted. It is a system that drains off about 30 cents of every additional dollar generated by increased production. As a result, it takes an extraordinary expansionary thrust to keep driving the economy forward. Also, as the expansion develops, the Federal Budget begins to shift strongly from deficit to surplus. This has the effect of pulling larger increments of purchasing power out of the economy than it puts in, and tends to limit the magnitude and extent of the expansion. Thus, the main argument for reducing the tax burden is not that it is a short-term recession cure—hardly a tenable position when there is no recession—but that it is the best way to correct past deficiencies and accelerate long-term growth. It is this long view that motivates the Kennedy Administration and its supporters.

Admittedly, the Administration may face some tough hurdles in having its tax proposals, which have yet to be divulged in detail, translated into legislative action by Congress. One counter-argument the Administration undoubtedly will face concerns the possible enlargement of the Federal Budget deficit, which already is estimated at $7,800 million for the 1963 fiscal year that began July 1. It is well to note, however, that if the economy were operating at or near capacity, that deficit would turn into a surplus of some $2,000 million, according to government estimates. To the extent, then, that a reduced tax burden stimulated the economy to greater growth, it would in time more than pay for itself in added government revenues even at the lower rates. As Dr. Heller points out, a well-structured and well-timed package of tax reduction and reform would help convert today's deficits into tomorrow's surpluses.

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Special Article

CEMENT UNDER PRESSURE

EVEN before the present emergency, the demand for cement far exceeded the supply and the State Governments had instituted a scheme for rational distribution of this vital commodity according to a list of priorities. It is now believed that the demand will increase further under the impetus of the war effort and might aggravate the situation further unless some corrective measures were taken in time. New Delhi has moved fast in the matter by declaring cement as an essential commodity whose manufacture or sale below the standards laid down by the Indian Standards Institution has been prohibited by a special circular of the Ministry of Steel and Heavy Industries. This new measure taken under the Essential Commodities Act, 1952, is intended to prevent "the possible adulteration of cement at a time when the demand exceeds availability within the country". In regard to curbing consumption of cement, West Bengal Government has given a lead to the other States by imposing certain restrictions during the period of the national emergency. According to the rules framed by the West Bengal Government, no cement would be provided for the construction of luxury buildings such as cinemas and hotels, for the construction of houses beyond two storeys and for the construction of both the boundary walls and the driveways. These new curbs, however, do not apply to public and charitable institutions like hospitals, and schools and also not to the industrial housing schemes. It is now presumed that all the other States will also take similar action so as to make a judicious use of this vital product and to make available as much cement as needed for defence industries and defence effort. This Special Article analyses the sectorwise consumption of cement during the last five years along with the proposals which have been set out for the Third Five-Year Plan with an assessment as to how this may have to be rearranged in the present circumstances.

A penetrating analysis of the pattern of cement consumption has been presented by Mr. V. Podder in a recent publication entitled "Cement Industry in India". Because of the strategic importance of cement in the building up of India's defence it is necessary to have a close look at sector-wise consumption during the Second Five-Year Plan and the proposed pattern evolved for the Third Five-Year Plan; drastic changes may have to be made in the Third Plan scheme of cement allocations so as to conform to the new emergency. A fact which has been brought out forcefully by Mr. Podder's study is that the rate of growth in consumption of cement in India on per capita basis in the period 1955-59 was significantly lower than that witnessed in China. As against the rate of rise of 25 per cent per annum in China, the Indian Union recorded a rise of 9.6 per cent only. It is true that the Chinese statistics are dubious and much reliance may not be placed on the official Chinese pronouncements, yet it seems that the estimates presented by Mr. Podder are realistic and much greater effort is needed to catch up with the Chinese rate of expansion in cement output and consumption.

Table I below shows the break-up of consumption of cement during the Five-Year Period 1956-57 to 1960-61. It will be seen that the total consumption at 37.1 million metric tons was shared, by and large, by housing, schools and hospitals, industries, irrigation projects and maintenance of old buildings. Nearly half of the total cement was consumed by "housing", "schools and hospitals" alone while defence claimed hardly 3 to 4 per cent

TABLE I

ESTIMATED CONSUMPTION OF CEMENT DURING SECOND PLAN PERIOD

Consuming Section	Net fixed investment (Rs. million)	% of expenditure on construction	Cement Consumption (Metric tons) Per million of Rs. of investment (2)	Per million of Rs. of expenditure (3)	Cement consumption ('000 metric tons)
(1)	(2)	(3)	(4)	(5)	(6)
1. Mining and oil	1,120	20	..	1,016	228
2. (a) Power - hydro	3,052	..	610	..	1,860
(b) Others	1,438	20	..	1,219	350
3. (a) Industries—large & medium	11,330	35	..	772	3,062
(b) Industries—small scale	2,200	27	..	569	338
4. (a) Railways (excluding buildings)	7,000	15	..	1,626	1,707
(b) Roads	2,211	..	122	..	269
(c) Road bridges	250	..	1,626	..	406
(d) Civil air transport	430	17	..	2,032	148
(e) Other transport	2,010	20	..	1,422	572
5. (a) Minor irrigation	660	..	711	..	469
(b) Irrigation	4,560	..	986	..	4,491
6. Housing	8,062	..	1,168	..	9,419
7. Schools and hospitals	5,011	..	1,321	..	6,618
8. Cement using industries	..	..	..	..	1,983
9. Defence	..	..	..	..	1,176
10. Agriculture excluding irrigation	5,000	13	..	975	627
11. Maintenance @10 % of (1-10)	..	..	..	..	3,382
TOTAL	..	..	..	..	37,105

of the total. From now on, the share of defence in cement consumption must necessarily rise. The estimated consumption of cement during the Third Five-Year Plan is placed at 67 million metric tons. At 1.5 million tons in five years, the allocation for defence seems to be on the peace-time pattern and it is highly likely that this may be increased many times during the remaining years of the Third Five-Year Plan.

The estimate of cement consumption at 67 million tons for the five years of the Third Plan seems to be on the liberal side. According to the performance of the cement factories since the commencement of the Plan and also according to their expansion plans, it is anticipated that total availability would not exceed beyond 55 million tons. In other words, the allocation of cement sector-wise is not likely to be fulfilled in the manner in which it has been set out in Table II. Any shortfall in availability will reflect itself in the two biggest consumers, namely "housing" and "schools, hospitals and other buildings". It also means that the supply of cement is likely to assume a very chronic situation in the coming years and considerable ingenuity will have to be exhibited by the administrators at the State level to allocate this commodity in such a manner as to get the best use out of the available supplies. Some hardship is inevitable and like similar pressures from other sectors, the nation will be prepared to tolerate it in the larger interest of the community. The administrators on their part have to show more alertness and have to cut down red tape and inefficiency for eliminating waste which might result from their careless and inefficient handling.

In keeping with the demand for new housing, schools and hospitals, the Third Five-Year Plan had allocated more than half of the new output of cement in these sectors. Diversion of more cement to industries and for railways, bridges, roads and other essential purposes for hastening defence is now a "must". The housing problem in particular—which, no doubt, is very acute at the present moment — may be deferred for some time; even if the quota for housing is halved to 10 million tons for the Third Five-Year Plan period, the public will certainly extend all co-operation in view of the extraordinary circumstances. Already, it seems, in the major cities the tempo of housing activity has slowed down, and the State Governments are contemplating stoppage of loans for building new houses. That in itself will slacken demand for cement and will allow sufficient volume to be poured into the defence-oriented sectors.

The consumption of cement at ten per cent of the total for purposes of maintenance seems to be on the higher side. This pattern may have been true during the Second Five-Year Plan when the share of new buildings was small, but the manner in which cement has been consumed during the last few years shows that the number of new buildings not needing any repairs will be so large that maintenance may assume a very minor role. Any saving of cement on this account can be availed of for defence.

While it is true that the cement supplies for civil use need to be curtailed, the available limited supplies of cement should be utilised to the best advantage of the nation; at the same time the small consumer should not be inconvenienced to such an extent that even minor repairs should become impossible. Mention here needs to be made of the chaotic condition of cement distribution in Delhi where the small consumer does not know how to fulfill his limited demands. While all new constructions of houses may be stayed, it is necessary that those which have already gone ahead with construction should not be left where they are. This will again mean improper use of resources.

TABLE II

ESTIMATED CONSUMPTION OF CEMENT DURING THIRD PLAN PERIOD

Consuming Section	Net fixed investment (Rs. million)	% of expenditure on construction	Cement Consumption (Metric tons) Per million of Rs. of investment	Per million of Rs. of expenditure	Cement consumption ('000 metric tons)
(1)	(2)	(3)	(4)	(5)	(6)
1. Mining and oil	3,500	20	..	1,016	711
2. (a) Power-Hydro	3,250	..	610	..	1,981
(b) Others	4,250	20	..	1,219	1,036
3. (a) Industries — Heavy	11,300	40	..	914	4,133
(b) Industries — Medium	9,000	30	..	559	1,509
(c) Industries — Small	3,000	27	..	610	494
4. (a) Railways excluding buildings	9,500	15	..	1,626	2,317
(b) Bridges for Roads	1,520	..	1,626	..	2,471
(c) Other Transport (excluding Roads and Railways)	3,500	20	..	1,422	100
5. (a) Irrigation — Minor	2,750	..	711	..	1,956
(b) Irrigation — Large and medium	5,000	..	914	..	4,572
6. Housing	18,000	..	1,168	..	21,031
7. Schools, Hospitals and other Buildings	10,000	..	1,321	..	13,208
8. Cement using Industries	..	..	..	..	2,845
9. Defence	..	..	..	..	1,524
10. Agriculture (excluding irrigation)	8,000	13	..	965	1,004
11. Maintenance at 10% of (1-10)	..	..	..	..	6,089
TOTAL					**66,981**





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THE BUSINESS WORLD

Bonus-Rise Hopes Blasted

By

CROESUS

ALTHOUGH the results of the latest valuation — the third since the nationalisation of life insurance — leave no doubt in the mind of anyone about the bonus-earning capacity of the Life Insurance Corporation's (L.I.C.) business, they cannot be said to be as "gratifying" as the L.I.C. actuaries claim. For, despite the distinct improvement in actual mortality experience, the average rate of interest earned, and the lower renewal expense ratio, a higher rate of bonus has not been recommended by them. In a way, the maintenance of the same rate or rates of bonus as on the previous occasion is no matter for gratification at all, particularly in the context of the assurance held out by the Second Valuation Report thus: "The policyholders will be glad to know that further investigations made by us go to show that the Corporation is not only in a position to maintain the present bonuses in the future, but also to improve thereon, in due course, if the present favourable conditions continue".

That these favourable conditions have not only continued but have, in fact, been better during the valuation period in question is admitted by the actuaries themselves. Indeed, they have declared that, "having regard to the substantial increase in the yield on our investments, there would have been justification for using a slightly higher rate of interest in the valuation." Granting, as the actuaries say, that "this course is not considered advisable on the present occasion, in view of the likely effect on the national economy of a long-drawn Sino-Indian border conflict", one would like to know whether there was not still sufficient margin, provided by the favourable actual mortality experience and the fall in the renewal expense ratio, to allow of a higher rate of bonus. It is true that, under certain heads, "a somewhat, larger provision" has been made, but it is not clear from the Third Valuation Report whether the net effect of this has been such as to offset the beneficial effects of the favourable mortality experience and the lower renewal expense ratio.

Having said this, let me now briefly review the latest valuation results. A comparison of these results with those of the first and the second valuations shows that, as against 56.83 lakh policies assuring Rs. 1,472.81 crores (including bonus and annunity policies) and 69.29 lakh policies assuring Rs. 1,997.15 crores, respectively, the Third Valuation covers as many as 85.81 lakh policies assuring Rs. 2,738.92 crores. The rate of growth in the number of policies and in the total sum assured alike is quite gratifying. The surplus as per the valuation balance sheet is nearly Rs. 31 crores, but, thanks to certain tax adjustments, the surplus available for distribution is actually higher at Rs. 34.35 crores (inclusive of Central Government's share of Rs. 1.72 crores). The comparative figures for the 1957 and the 1959 valuations are Rs. 30.24 crores gross and Rs. 27.56 crores net and Rs. 26.08 crores gross and Rs. 24.47 crores net for participating policyholders, respectively.

No L.I.C. actuary could have wished for more satisfactory valuation data than what they had for the Corporation's Third Valuation. In the first place, the actual mortality experience during the valuation period has been more favourable than during the previous biennium. Even so, the actuaries have adopted the same mortality basis as in the previous valuation, namely Modified Oriental (1925-35) Ultimate Mortality Table, which gives, to quote the Valuation Report of the actuaries themselves, "a sufficient margin to contribute handsomely to the profit in future traceable to this source". Incidentally, it may be presumed, from what has been done in respect of the Third Valuation, that, for at least the next two valuations, the same mortality basis would be used. By then, perhaps, the Corporation would have in hand the results of the detailed investigation of the L.I.C. into the mortality experience during 1961-64, to think of adopting a more up-to-date or appropriate mortality basis. Secondly, the average net rate of interest earned during the valuation biennium has been 4.14 per cent, as compared to 3.81 per cent in respect of the previous valuation. Here, again, in conformity with the cutomary conservative caution of actuaries, the L.I.C. actuaries have used only 2-7/8 per cent, the same rate of interest as was used in the 1959 valuation, thereby leaving "an adequate margin for future profits". Thirdly, the renewal expense ratio has shown a steadily declining trend; from 12.90 per cent in 1960, the ratio fell to 12.42 per cent in 1961.

Although in the matter of the rate of bonus, the L.I.C. actuaries have not been as good as their word, in the matter of separating certain annuity policies from life business and also in valuing them separately, they have implemented the intention to this effect indicated by them in their previous Valuation Report. Consequent on this, a separate fund for certain annuity policies has also been set up and a provision of a little over Rs. 1.11 crores has been made.

Of the total number of assurance policies (85.81 lakh), 65 lakh policies were participating or with-profit policies, while of the latter, again, 62 lakh policies were endowment policies, the remaining 3 lakh policies being whole-life policies.

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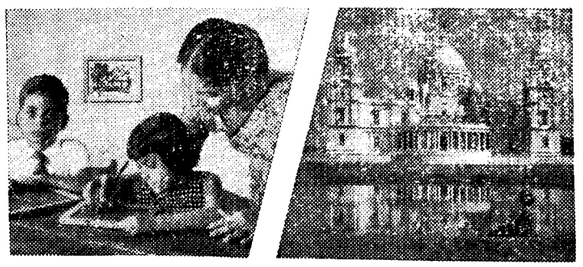
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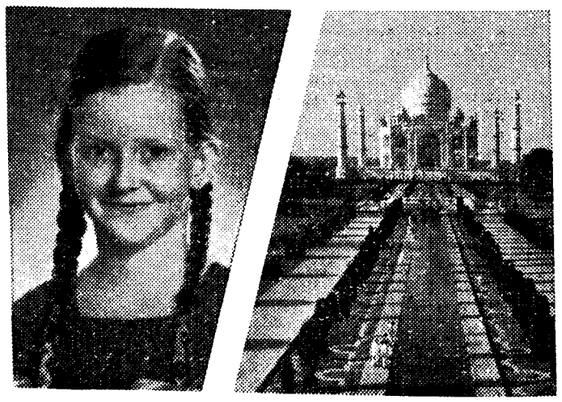


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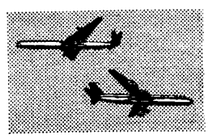
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Business Notes

K.G.F.

CENTRE TAKES OVER

IRONICALLY ENOUGH, even when gold has been the most-discussed subject, both by the authorities and by the public, the formal take-over of the Kolar Gold Fields in Mysore State by the Central Government from December 1, 1962, has evoked little comment. This is, perhaps, because the take-over is in the nature of a fait accompli.

Although the saga of search for the yellow metal in the country was not as spectacular as the Gold Rush in America in the 18th century, the first venture dates back to 1804. Between then and the time that mining at K.G.F. commenced on a commercial scale, there were many individual attempts, but six out of eleven companies that attempted prospecting ceased their operations. It was in 1880 that Messrs. John Taylor and Sons, of London, were approached to undertake the development in certain of the properties of the K.G.F. Despite the fact that the previous attempts had all been disappointing, thanks to the fortitude and perseverence of Mr. John Taylor, the Kolar Gold Fields have turned out to be one of the world's biggest gold producers. After over 70 years, that is on November 29, 1956, the Mysore Government nationalised the K.G.F. But the change-over from private ownership to State ownership did not bring about any change either in the fortunes of the mining company or of the State of Mysore. For barely two years after that, the Government of India decided to take over the entire gold output of the mines at the international price; until then, the Mysore Government used to sell its gold in the open market, mostly in Bombay. While the Government of India did this, so as to fulfil its commitments to the International Monetary Fund as one of its members, the State Government was paid the difference between the international price and the domestic market price by way of subsidy. Perhaps it is the insistence of the State Government for the payment of this subsidy that led to the final take-over by the Centre. This change from the State to the Centre would entail the latter to pay a compensation of Rs. 3.5 crores, which also covers the compensation of Rs. 1.64 crores paid by the State Government to the original owners, Messrs. John Taylor and Sons, for nationalisation and the investments made during the years subsequent to the nationalisation by the State Government.

As regards production, the tonnage of ore milled for 59 months prior to nationalisation was 29,47,212—an average of 5,99,433 tons — whereas for the 52 months subsequent to nationalisation it was 27,42,263 tons giving an annual average of 6,32,830 tons, representing an improvement. Qualitatively, however, there has not been any improvement. In fact, the earlier extracted ore is believed to have been superior in grade to the later one.

Rural Credit

UNEVEN DEVELOPMENT OF CO-OPERATIVES

THE FACT that the problem of co-operative development is one that runs deep into the socio-economic structure of rural India, makes it necessary to have a thorough and periodical study of the growth and impact, as also of the shortfalls, of the movement. It is as a result of one such study in fact that we now know that, in spite of the so-called remarkable growth of credit co-operatives throughout the country, their achievements have been anything but spectacular, the obvious reason being that the forces of transformation were not as powerful as those that were sought to be counteracted. This, in a nutshell, is the conclusion of the General Review Report on Rural Credit Follow-up Survey, 1959-60, — the fourth in the series — released last week by the Reserve Bank of India. The Survey covered nine selected districts (Bijapur, Bilaspur, Tanjore, Krishna, Kanpur, Midnapur, Mohindargarh, Bhagalpur and Barmer). It may be mentioned here that all the districts, except Tanjore and Krishna, had also been covered by the All-India Rural Credit Survey conducted by the Reserve Bank of India in 1951-52, so that the latest Survey has enabled the Bank to make a broad comparison of the rural credit structure between the two periods of time in these districts.

According to the Report, among the selected districts, the better developed credit co-operatives were to be found only in Bijapur district (in the pre-reorganised Bombay State), where attempts had been made at re-orientation of the credit structure, State participation, and also introduction of the "Crop Loan System". In Mohindargarh and Midnapur, on the other hand, the progress was extremely unsatisfactory, but there was hardly any progress in the districts of Bhagalpur (Bihar) and Barmer (Rajasthan). The performance in the other districts remained fairly satisfactory.

CAUSES

Explaining this uneven development of co-operatives, the Survey has listed the following causes: (1) inadequacy of efforts at reorganisation and reorientation of the co-operative structure; (2) weakness of the primary credit structure; (3) weak financial position and liability of the central banks, in the context of arrangements regarding supervision and power of scrutiny of credit limits to play a pivotal role; (4) lack of adequate efforts at reorientation of the loan policy of central banks; (5) unsatisfactory performance of marketing co-operatives; (6) absence of adequate and co-ordinated efforts at setting up processing units in the co-operative sector; (7) weakness of land mortgage banks; (8) domination of co-operatives by vested interests; and (9) inadequate efforts at introducing State participation in the management of co-operatives. Of these, some at least are common to all the four surveys made so far. One would have liked to know the steps taken by those concerned to remedy the shortcomings noticed, as also the precise results thereof. In the absence of such indication, it would be difficult for anyone to say whether those in charge of co-operatives, at least in some places, have really grasped the fundamentals of the noble gospel of co-operation. Evidently, the powers-that-be are content with quantitative progress and are not too bothered about qualitative improvement, even after the defects noticed are brought to their attention.

Be that as it may, according to the Report, the pattern of demand for credit showed that the average debt per family outstanding at the end of the reference period was the highest in Mohindergarh (Rs. 1,219), followed by Krishna (Rs. 733), Tanjore, Bijapur and Barmer (between Rs. 400 and Rs. 500) and Bhagalpur

and Kanpur (around Rs. 235). The lowest debt was reported from Bilaspur at Rs. 52. The incidence of debt, in terms of proportion of debt to total value of recorded assets, was relatively high at 20 per cent and 13 per cent in Barmer and Mohindergarh, respectively. In Krishna, Tanjore and Bijapur, this proportion was between 7 per cent and 9 per cent, while, in the remaining four districts it was 4 per cent or less. The incidence was particularly low in Bilaspur and Midnapur, the respective proportions being 1 per cent and 2 per cent.

The most important purpose of borrowing in six districts was family expenditure; it accounted for 60 per cent or more of the total borrowings in four of them. However, expenditure on agriculture also was of considerable importance as a purpose of borrowing, accounting for about a fourth or more of the total borrowings in almost all the districts; in Bijapur, Krishna, Barmer and Bilaspur, for example, actually, 45 per cent or more of the borrowings were for agricultural purposes. In six of the nine selected districts, capital expenditure on agriculture as a purpose of borrowing was far more important than current expenditure.

Co-operation

A GOOD RECORD

THE CO-OPERATIVE movement in India made a substantial progress during 1960-61. The report for its working released this week shows that the number of co-operative societies of all types functioning in the country rose in a year from 3.13 lakhs to 3.32 lakhs at the end of June 1961. The progress was uniform all through the country except in U.P. and West Bengal where the number declined as a result of certain steps taken to revitalise and reorganise the societies. Still U.P. remained the State with the highest number of co-operatives in the country. Financially too the co-operative societies improved and the working capital during the year increased to Rs. 1,312 crores against Rs. 1,083 crores a year before.

Agricultural credit societies form the most important sector of the Co-operative Movement in India. At the end of the year under review, there were 2.12 lakh such societies with a huge membership of over 170 lakhs and a working capital of nearly Rs. 374 crores. Their performance has been quite dynamic in the sense that loans advanced by them reached a new high of Rs. 202.75 crores as against Rs. 169 crores during the previous year. It is, however, to be added that a large portion of the loans advanced were short-term (Rs. 182.82 crores); medium term loans at Rs. 19.93 crores were much below the expected level. The trend has been towards the elimination of smaller societies which could not sustain themselves. That is why the number of large agricultural credit societies actually decreased in a year from 8,023 to 7,943 on June 30, 1961. Their membership, however, increased from 30.25 lakhs to 33.20 lakhs, which is a measure of strength.

Non-agricultural credit societies comprising urban banks, employees credit societies and other credit societies also improved their working. Their number increased to 11,995 against 11,371 a year before. Co-operative sector continued to make progress in the field of actual productions, particularly in sugar. The number of co-operative sugar factories went up during the year to 66 as against 57 a year before. Comparatively speaking the number of active factories increased, but it is a serious gap; there were only 32 factories mentioned as active. The societies for the supply of sugar cane also increased in number. The number of weavers' societies increased too. It has been estimated that today the co-operative movement touches as large as 39 per cent of the Indian population. If only the machinery that executes them can be simplified and is more realistic, there is no reason why they don't progress still more rapidly.

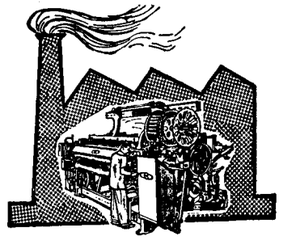
Foreign Trade

INDO-U.K. TRADE

DURING 1962 it is quite likely that India will have a favourable balance of trade with the U.K. This is the conclusion that can be drawn from the figures for the first nine months ending September 1962, that are available now. During the previous two years 1960 and 1961, India has been having a deficit balance. Indian exports during 1961 were around £145 million, while imports were to the extent of £152 million. For the nine months January-September 1962, the exports total up to £95.8 million and the imports remain around £86.1 million. This favourable balance of trade is essentially the product of a lower overall trade level. During the first nine months of 1961, the total trade was of the order of £230 million and during the same period this year it was £192 million. There has, therefore, been a fall of more than 20 per cent. In fact the decline has been more marked in the case of imports from U.K. which were something 30 per cent lower. The fall in the exports from India was nearly of 10 per cent.

There were certain items which continued to figure prominently in the Indian import bill. This could be explained by the fact that Indian industry, or for that matter many other sectors of the economy, depend heavily on British-made capital goods. The import of machinery, therefore, remained nearly the single most important item: as much as £41 million worth of machinery was imported during the nine months of 1962 as against £43 million for the same period of 1961. There were many items like boilers, aircraft engines, electronic apparatus which recorded marginal increases. Then a substantial increase was witnessed in the case of textile machinery which perhaps can be explained by the licences granted recently to several textile mills to import machinery for renovation and expansion. If any substantial decline in this category was recorded, it was in the case of industrial trucks and tractors which were imported nearly half as much during the previous year. The import of chemicals remained at the last year's level at £7.10 million. The import of railway vehicles increased quite substantially and was nearly double the last year's figure. The import of aircraft and road vehicles on the other hand declined to a large extent.

As far as Indian exports were concerned, tea and tobacco did not fair well as compared to the previous year. In fact the same was the case with leather and leather manufactures as well as cotton yarn and other textile manufactures. The only item which recorded a substantial increase was oilseed cake and meal which earned over £10 million during the nine months as against £8 million earned during the same period of 1961. One single factor which has caused decline in the exports of jute goods has been the progressive dependence of consumers in the U.K. on the substitutes like paper bags, plastics and other packing materials.



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Paper has largely displaced gunny bags for the packing of cement in the U.K. The bulk handling methods have also changed to our disadvantage. As far as tea is concerned, Ceylon has continued to increase her share in the U.K. market though India's overall share remains the largest. As yet Great Britain has not joined the Common Market, so there is no particular reason why a substantial decline should have been recorded in many other items. It is time that proper attention is paid so that Indian commodities are not manoeuvred out of the British market.

Leather

GOOD DEMAND IN EUROPE

THE FEARS of the leather merchants were set at rest by Mr. Nagappa Chettiar, Vice-President of the Leather Export Promotion Council, who recently returned from a tour of the Soviet Union and Eastern and Western Europe. He said that there existed a wide scope for the export of our leather goods in those countries. The only thing that we have to do here is a definite reorientation in tanning and finishing methods. Since the demand patterns keep on changing, we will have to prepare from now on for a pattern of demand that would change from time to time and with individual buyers. It is also important that the Indian merchants should co-operate between themselves to keep down competition within reasonable proportions.

Another cause why Indian leather goods will have a great market in European countries is because of the fact that a European worker does not like to do work in a smelly part of curing and tanning leather. Although the market cannot be predicted because of the possibility of U.K. joining the Common Market and what further changes there might be brought about, yet it is felt that subsequent reductions ranging from 6 per cent to 15 per cent in duty on Indian goods would be brought about and that in itself would provide a sufficient encouragement for us to export. So that we may be able to capture the foreign markets, it is equally important for us that we must participate in the international trade fairs. It has been witnessed that in the international trade fairs our goods always commanded a great market.

Complaints have often been heard regarding the poor quality of leather goods supplied to the foreign markets. It is, therefore, important that we must concentrate our attention in producing the right quality of goods and not try to sell those goods the quality of which is below standards. Another member of the Export Promotion Council who also toured the European countries along with Mr. Chettiar, underlined that the European merchants went in for leather from other countries owing to cheaper rates offered. In view of this it becomes imperative that we should see that our goods are not priced out of those markets and we are able to stand competition effectively. No doubt these things have been said time and again, but they need to be reiterated on account of their importance. Surely leather goods will be needed increasingly for defence purposes. But this should only be at the cost of civilian consumption and not at the cost of exports which earn foreign exchange.

Tube Investments

A REVIEW

RISING TO the occasion, the Tube Investments of India Ltd. have placed resources of its factories fully at the disposal of the Government of India meaning thereby that the Government can demand from these factories whatever it wants. In this context the cycle factory and in particular the tube factory need to be mentioned as they will produce such industrial products as may meet the defence requirements of India. In addition to contributing to the National Defence Fund, the Directors of the Tube Investments of India Ltd. have offered to give wholehearted support for the defence effort. This was revealed in a review of the company made by Sir A. Ramaswamy Mudaliar, its Chairman, speaking at the thirteenth annual general meeting of the shareholders on December 3, 1962.

So far as the progress of the company is concerned its record has been fairly progressive and it has taken place in spite of the shortage in raw materials. The raw material shortage has been mostly because of the import restrictions. It is heartening to note that the production of the cold rolling mill which has been installed at a cost of about Rs. 1.25 crores started satisfactorily in March 1962 and no teething troubles had to be faced. In the past the supply of indigenous hot rolled strip has not been adequate and promises made by the Indian suppliers have not been kept up. The Chairman, therefore, dwelt especially on this issue and opined that the products of this mill may particularly be useful at this present emergency period. He was also hopeful that there might be better co-ordination in the supply of such strip as may be required for variegated production which one may expect may be asked for by the Government.

So far as the industrial licence for the manufacture of copper-coated tubing called Bundy Tubing and push rods used for the automobile industry and refrigeration industries is concerned, it was revealed that the licence has been received. Details are now being finalised with Bundy Tubing of America and it is expected that a subsidiary company will soon be registered. The progress made in the two subsidiary companies, T. I. Diamond Chain Ltd., and T. I. Miller Ltd., has also been satisfactory. The operating results of the company on the whole have been quite good and it has been decided to pay the same rate of dividend to the shareholders as in the last year.

The relations between the employers and the employees have been to the satisfaction of both the parties and it goes to the credit of the management and the labour that successful achievement of the company in its various departments has been brought about. The company is in very capable hands and with the coming in of the new Chairman Lord Plowden, it is expected that a new dynamism will be imparted.

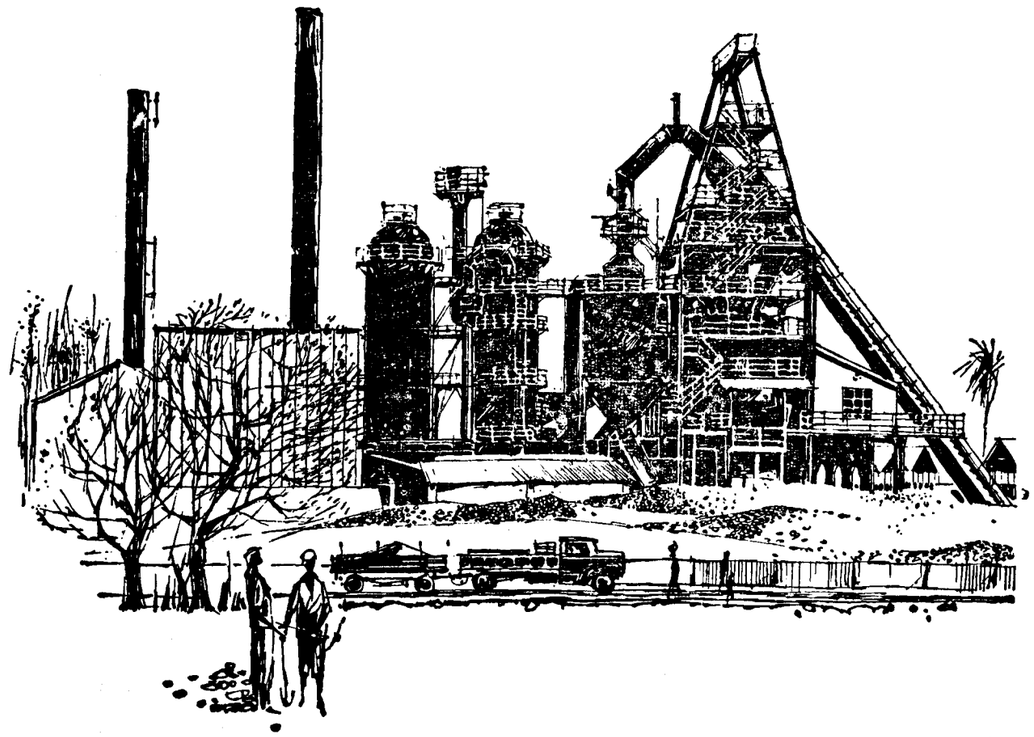
Chemicals

CHEMICAL POTENTIAL IN TIRUNEVELI

CONSIDERING THE industrial potentialities in the form of sea bittern and limestone available in Tirunelveli District, the Madras Small Industries Service Institute has, in its recent survey of the district, recommended the setting up of chemical units for production of potassium chloride, magnesium carbonate, anhydrous calcium sulphate and calcium carbonate. Since anhydrous calcium sulphate can be safely used as a cheap substitute for silica gel now being widely used in packing hydroscopic food products, pharmacenticals, drugs, instruments and machines, there is no reason why its use should not be increasingly resorted to, more so because of the large saving in cost ranging as much as from Rs. 4 to Rs. 6.50 per kgm.

The report states that about 4.6 lakh tons of sea bittern and about 60 million tons of limestone are available in the district. It further estimates the financial investment for a potassium chloride and magnesium sulphate plant with a daily capacity of three tons of potassium chloride and ten tons of epsom salt at about Rs. 7 lakhs with a possible return of about 48 per cent. Other estimates of investments given in the report relate to magnesium carbonate plant Rs. 2 lakhs, anhydrous calcium sulphate plant Rs. 50,000 and calcium carbonate plant Rs. 2.25 lakhs. The report states that rice bran, timber and other resources in the district warrant the starting of factories for manufacturing rice

KRUPP



Illustrated on this page is a low-shaft blast-furnace designed and built by Fried. Krupp Industriebau. Operating in Barbil (India), this unit is producing between 80 and 100 tons pig iron per day and is chiefly adapted for small-size, low-grade fuel unsuitable for use in the conventional blast-furnace process.

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bran oil, shark liver oil and wooden bobbins, a boat building yard and a mobile timber sawing unit. About 2,000 tons of rice bran oil can be produced in the district.

Hotels

ASHOKA HOTEL'S YEAR OF SUCCESS

IF THE total income earned by any hotel is any criterion of success, Ashoka Hotel did quite well during the financial year 1961-62. Its income for the year at Rs. 104.2 lakhs was over 11 per cent more than the last year's income of Rs. 90.8 lakhs. The Directors report made available now substantiates this figure by the actual performance. For instance, the occupancy in the hotel continued to show an upward trend and the number of residents per day increased during the year under review to 367 as against 346 a year before and 305 a day during 1959-60. Taking into consideration the fact that April-September is usually a slack season for the hotels in Delhi, the average occupancy of 367 in a hotel with a capacity of 444 should be considered satisfactory.

During the first 2½ years of its working the hotel had recorded an actual loss of Rs. 55.76 lakhs but during the later two years it has been making profits which wiped out the losses. It is only during the year under review that the Ashoka Hotel earned a record profit of Rs. 33.42 lakhs out of which dividend have been proposed to be paid on A and B class preference shares. The hotel improved its position in another aspect also. The loan liability at the end of the year 1960-61 was around Rs. 87.5 lakhs. During the year under review the company paid to the Government on this account a sum of Rs. 37 lakhs. For 1962-63 again a sum of Rs. 11.5 lakhs has been paid so that the loan liability remained at only Rs. 39 lakhs. The directors expect positively better financial results in the coming years because of anticipated better occupancy and reduction in the loans.

TEXTILE MACHINERY IMPORTS UNDER YEN CREDIT

The Government of India, it is understood, has earmarked a sum of Rs. 4.76 crores ($10 million) out of the yen credit made available by the Japanese Government for the current financial year for the economic development of this country, for import of textile machinery. Of this, Rs. 4 crores worth of machinery is to be imported by the cotton textile industry, Rs. 20 lakhs worth by the art silk industry and Rs. 56 lakhs worth by the woollen industry. Essentiality certificates for the import of part of this machinery are said to have already been issued. Details about the rest are expected to be finalised soon. A Japanese delegation is expected here shortly to assess the future machinery requirements of the Indian textile industry.

(Continued from page 1067)

and of a "scientific scheme of management". It is open to question as to what extent it would be feasible to put this dictum into practice apart from the desire to have the best of the two systems, without losing the essential characteristics of any one. To be precise, if what he means by modern business-like mentality is profit-making, it is reasonable to argue how far it can be assiduously pursued in a Communist economy. What cannot be denied is that the declining trend in the Soviet industrial scene seems to have had a far-reaching impact. Official statistics in the Soviet Union over the last three years in particular have shown a slowing rate of expansion. The index of industrial production dropped to 9.2 per cent in 1961—the lowest since Mr. Khrushchev assumed power—from 10 per cent in 1960 and 11 per cent in 1959. This may have been partly due to the change of emphasis from the capital goods industries to consumer goods industries; in any case, the reappraisal in itself shows that the earlier dynamism of the Soviet economy is now showing signs of petering out.

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FROM THE CAPITAL'S CORRIDORS

BOARD OF TRADE'S FIFTH MEETING

AT its fifth meeting held here last Saturday, the Board of Trade bestowed considerable thought on the likely impact of the present emergency on the country's exports and is understood to have reached a unanimous conclusion that in the context of the current emergency, it was of vital importance to step up exports to earn precious foreign exchange. The resilience of the economy and the increased production anticipated during the emergency period, it was felt, would adequately take care of the defence requirements and leave enough surpluses for export. Even if some restraint in terms of consumption of some commodities had to be resorted to, the Board felt that no objection could be taken to that.

The Board urged the industry to introduce diversification of manufacture for meeting the requirements of defence, civilian consumption as well as exports. It was recognised that some difficulties might be experienced in the transport sector, but efforts should be made, through a continuous vigilence, to ensure that transport bottlenecks did not hamper export trade.

While reviewing the recent trends in exports, on commodity-wise basis, the Board noted that even though export performance had not kept pace with the targets laid down in all the spheres, and although the emergency situation was likely to make the export task a little more difficult, there was no ground for any pessimism or alarm.

The Board took note of the fact that exports of various items such as steel and steel scrap, coffee, cotton textiles, hides and skins, ferro-manganese, cotton waste and fish and fish products, had been going down till lately, but in the case of a few items out of these (cotton textiles, for instance), exports had picked up a little during the past one or two months. To step up exports of items which had not shown any uptrend in the recent past, the Board formulated a number of measures. The Board felt that greater attention should be paid to exports of prime steel, steel structurals and fabrications which could be spared for exports, in view of the big fall that had been registered in the earnings from exports of pig iron as a sequel to the commissioning of the steel-making and rolling capacity in the new steel plants. To step up exports of coffee, the Board considered it desirable that facilities of artificial irrigation, which are at present being made available in tea-growing areas, should be provided in coffee-growing tracts too. As regards ferro-manganese, the Board was of the opinion that the possibilities of the demand for this commodity reviving in the world market being bright, the downward trend in its exports should reverse itself if concerted efforts were made. The need for reviewing at an early stage the export policy in respect of cotton waste was also stressed. In regard to fish and fish products exports, the Board noted that the meeting convened by the Ministry of Food and Agriculture with the Central Board of Fisheries would be taking place on December 12. The various problems of this industry, it was hoped, would be considered fully at this meeting.

The Board expressed satisfaction that exports of tea, jute, sugar, vegetable oils and oilcakes were showing good progress. Iron ore exports were thought to be making a steady headway, in spite of the difficulties of transport. But it was felt that these exports can be stepped up further substantially if rail transport facilities were good. Exports of cashewnuts, pepper, spices, cardamom, plastic goods, engineering goods and various other products, it was stated, had registered satisfactory progress.

Exports to Western Europe: Taking advantage of the presence at the meeting of the Indian Ambassador in Brussels, Mr. K. B. Lall, the Board reviewed the position of exports to West European countries. It was felt that positive efforts should be made by the industry and trade to develop the manufacture of goods for specifically meeting the requirements of the European countries. Over and above the normal flow of export trade to Western Europe, the Board felt that selected competent export firms should contact the important importers there for different commodities and some long-term arrangements should be made with such importing houses for the sale of Indian goods in this wide market. The Board also decided that a study should be undertaken to determine the pattern of utilisation of primary products, which were at present being exported to the European countries, in order to see that increasingly processed and manufactured goods were exported to these markets in preference to export of primary products.

The Board fully recognised the importance of a selective approach in the matter of encouraging exports so that expert assistance could be concentrated in order to produce maximum results with special reference to these sophisticated markets. In this connection, the Director of Foreign Trade in charge of the West European areas, would be undertaking suitable commodity studies and assisting the manufacturers and exporters in India to enter into suitable arrangements with the leading importers in the West European countries. Mr. K. B. Lall emphasised that only the question of competitive prices, as also the need for maintaining steady prices, should be pursued if a satisfactory expansion of Indian exports in these sophisticated markets was to be realised.

India Not a Low-Wage Country: The Board took note of the fact that there was a tendency in the industrialised countries to argue that processing and manufacture in under-developed countries were based on low labour costs. India, it was pointed out, had been telling the industrialised countries and the GATT that this argument was fallacious and that most of the developing countries were neither low-wage countries nor low-labour-cost countries. It was, therefore, decided to institute specific studies in relation to selected commodities to bring to the notice of the industrialised countries the obvious fact that the cost of production of many of the commodities and products in the developing countries, because of various historical and socio-economic reasons, was on the high side, and there was total absence of any sweated labour. The tariffs or quantitative restrictions placed on the entry of goods from under-developed countries into the markets of industrialised countries was, therefore, not justified on that ground.

Since the need for long-range solutions on cost reductions and quality maintenance had been accepted by the industry, the trade and the Government, the Board felt that much more work should be done in this direction on an immediate basis. The Board noted that the appointment of experts for cost reduction studies would be soon announced. It was also necessary that the Committee of the Board of Trade on "Export Sector" should identify individual areas and fields of export promotion and submit comprehensive interim reports on selected groups of industries in a phased manner to enable the implementation of these programmes.

World Trade Conference: The Board also noted that a World Trade Conference was being convened under the auspices of the United Nations for considering the trade and economic problems of the under-

developed countries regarding the flow of their trade into industrialised countries. As India was one of the main sponsors of this proposal, the Board decided to prepare a comprehensive study to place the Indian case and the case of the under-developed countries before the Conference. The Board appointed a Committee under the chairmanship of Mr. L. K. Jha, Secretary in the Union Ministry of Finance, to undertake these studies and submit a comprehensive report which could form the basis for representing India's specific points of view and the practical remedial measures which the under-developed countries would like to place before the World Trade Conference.

Fair Trade Practices: The report of the S. P. Jain Committee on fair trade practices was considered and fully accepted by the Board. The Board was glad to learn that the industry and trade in the country had already started taking steps in this direction on the initiative of the Federation of Indian Chambers of Commerce and Industry. The proposals for the display of price lists prominently, fixing of price tags on individual commodities, selection of 25 main commodities of daily consumption for this purpose and the covering of most of the urban areas with populations of over 50,000 in the first phase of this programme were considered satisfactory. It was decided that the Standing Committee of the Board of Trade on Fair Trade Practices would continue to watch the implementation of this programme and report periodically to the Board.

Free Trade Zones: The Board approved the approach and recommendations of the Committee on Free Trade Zones, headed by Dr. D. R. Gadgil. On the whole, the development of a few selected free trade zones, it was felt, would open up good possibilities of expanding India's export trade, particularly entrepot and processing trades. In view of the national emergency, the Board decided that the implementation of such a programme would have to wait for some time.

Shipping and Freight: Discussion on the problems of shipping and freight was continued at this meeting. Though the progress in the direction of liner trade was somewhat satisfactory, the Board felt that more attention should be paid to the development of bulk and tramp cargoes, and also to the liquid cargo to be carried in tankers. As the country had to undertake increasing exports of bulk cargoes, like iron ore, manganese ore, ferro-manganese, ilmenite, vegetable oils, liquid chemicals and also some import of various other liquid products (including crude oil), it was most essential that the Indian ships should carry the major portion of these cargoes. The Board constituted a small committee of experts which in co-operation with the State Trading Corporation, Ministry of Transport and Communications and the different shipping companies of India and the shippers' interests, would place before the Board an integrated programme containing recommendations on the steps to be taken for handling the bulk cargoes and for a programme of carrying these cargoes in Indian ships at least to the extent of 50 per cent. The Board was happy to note that the Conference Lines, in order to make the price of Indian goods competitive in the world market, had agreed to review, where necessary, the freight charges on the basis of the capacity of different commodities to bear such charges.

The sixth meeting of the Board will be held in Madras on January 19, 1963. The agenda will include consideration India's export trade on country-wise basis.

MR. HODGES ON EXPORTS

Mr. Luther H. Hodges, the US Secretary of Commerce, in a meeting with the representatives of the Federation of Indian Chambers of Commerce and Industry here last week, spelt out his basic philosophy of two-way travel, two-way investment and two-way trade. He felt that dramatic as industrial development has been in India, against a rural background, there was still great scope for all-round development. While the process of development was basically in the hands of the Indian authorities and the people, Mr. Hodges stated that American private enterprise and the US Government would be glad to extend such assistance as could be useful. The solution to the problem of export promotion, Mr. Hodges opined, lay in greater production at competitive prices. It is a matter, which Mr. Hodges felt, should be given the greatest priority by a country like India.

BURMA TO SUPPLY 225,000 TONS OF RICE

A Burmese Delegation led by Col. Chit Myaing, Member of the Revolutionary Council, arrived in New Delhi on November 24, 1962, and held discussions with representatives of the Government of India from November 25 to December 1, 1962. It was agreed that 225,000 tons of rice would be made available by Burma for export to India during 1963.

The representatives of the two Governments also considered the possibilities of a long-term trade agreement. Information about the commodities which either country can export to the other was exchanged. The talks will be concluded at Rangoon towards the middle of December when an Indian Trade Delegation is expected to visit Burma.

PRICE SUPPORT FOR RICE

Since zonal restrictions are in operation on the movement of rice within the country, the Union Ministry of Food and Agriculture has decided not to fix, for the current agricultural year, a uniform support or purchase price for this commodity as was done in the case of wheat. It has been decided to fix different purchase prices in the various regions, at which the State Governments will be prepared to buy any quantity of rice that is offered. Such prices are being worked out for various States and are likely to be announced shortly, along with the arrangements to be made for making the purchases.

It is believed that these steps would provide the paddy-growers an opportunity to get for their produce a price in reasonable relationship with the prices to be fixed for rice. If, however, it is not found to be so in any particular area, the State Government there will be asked to fix the corresponding price of paddy, which the rice mills will pay to the producers. The rice procured under this scheme is intended to be made available, to the extent required, to meet the local needs in the lean seasons; the balance would be placed at the disposal of the Central Government for meeting the emergency needs of the country and the requirements of the deficit areas.

The question of fixing a uniform minimum price for rice or different prices for various regions for the 1963-64 crop would be taken up in advance of the season. The Government hopes to make an announcement in this regard well before the sowing season begins.

COAL TRANSPORT

The Union Minister for Transport and Communications, Mr. Jagjiwan Ram, told the Informal Consultative Committee of Parliament attached to the Department of Transport, that the pilot scheme for movement of coal by road upto Makameh and then by river to Allahabad was expected to be launched towards the middle of this month. This pilot scheme is a part of the larger programme of harnessing inland waterways for the movement of coal in areas where there are terrible railway bottlenecks. It is intended to carry about 1,000 tons of coal per month under the pilot scheme whose first stage is estimated to cost Rs. 4.5 crores and involve conservency works, improvement of roads and purchase of craft and trucks.

Mr. Jagjiwan Ram also revealed at this meeting that the Union Government had decided to relax restrictions about permits in the case of trucks engaged for the purposes of defence and operating on inter-State roads. Motor vehicles transporting goods or personnel for defence, however, will have to carry a certificate signed by the District Magistrate or the Area Commanding Officer so as to entitle them for this exemption.

The Minister also declared that no difficulty would be allowed to stand in the way of movement of goods to and from Assam by road.

FOUNDRY/FORGE PLANT

Mr. Jan Rottenborn, Export Director of Skoda Works, Czechoslovakia, stated at a press conference here last week that the work on the Foundry/Forge Plant at Ranchi, being set up by the Heavy Engineering Corporation of India in collaboration with Czechoslovakia, was now in full swing. The initial difficulties had been fully overcome.

The initial production at this plant is expected to start in the second half of next year—more or less according to schedule. The plant will have a total capacity of producing 2,50,000 tons of castings, forgings and ingot rolls per year, to be achieved in three stages. So far as supply of machinery and construction is concerned, all the three stages are expected to be completed in about three years' time. The first two stages, which will prepare this project for producing heavier castings, will be running to their full capacity by the end of 1965.

The total cost of the machinery and equipment required for the project, including some machinery to be procured from indigenous sources during the third stage, is estimated in the neighbourhood of Rs. 25 crores. There is no technical fee involved, but the technicians to be loaned by the Czechoslovak company are to be paid for by the Government of India.

According to Mr. Rottenborn, this Foundry/Forge Plant will be the largest project of its kind in Asia and one of the largest complete plants ever exported by Czechoslovakia. It will supply castings and forgings to the Heavy Machinery Building Plant at Ranchi (being established in collaboration with the USSR) and the Heavy Machine Tools Plant, also at Ranchi (being built with collaboration from Czechoslovakia).

Paying a tribute to the Indian technicians and workers, Mr. Rottenborn observed: "The Indian technicians and workers have taken keen interest in getting all experience from their Czechoslovak co-operators and have shown unfathomable talent in mastering it in the shortest possible time. One of the most significant features is the working out of all working drawings and further designing by the Indian technicians themselves with the co-operation and advice of Czechoslovak experts, which should mean that in future the Indian friends would be able to plan and prepare any project of this kind on their own".

Skoda Works have over 100 years' tradition and reputation in the manufacture of machinery and equipment of varied types, including sugar mills, breweries, power stations, cement factories, rolling mills, foundries and forges, mining equipment, coal washeries, engineering plants, chemical plants etc. They have supplied nearly 500 complete plants to almost all the countries of the world. Apart from collaborating in setting up the Foundry/Forge Project and the Heavy Machine Tool Plant at Ranchi, they are co-operating with some Czechoslovak concerns for supplying machinery and equipment etc., for various other projects in India, including the Heavy Power Equipment Plant at Hyderabad.

COLLABORATION WITH FOREIGN FIRMS

The United Kingdom, the United States and West Germany have been in the forefront in extending collaboration in general and to the private sector in particular, for economic development of India. In 1959-60, as many as 171 collaboration arrangements were entered into by India. Out of these, 51 were with British companies, 27 with American enterprises and 29 with West German industrial units. In 1960-61, the number of collaboration arrangements entered into increased to 428. Of these, 137 were with the United Kingdom, 85 with West Germany and 69 with the United States. In 1961-62, the number of collaboration arrangements totalled 425. These included 129 collaboration arrangements with Britain, 97 with the United States and 62 with West Germany. During the first six months of the current financial year, 123 collaboration arrangements were finalised, Britain still retaining the lead with 31. Next came West Germany with 29 and then the United States with 16. During the past 3½ years, thus, India has entered into 1,147 collaboration arrangements with the friendly countries. As many as 348 of these have been with Britain, 209 with the United States and 205 with West Germany.

DEVELOPMENT OF MANGALORE PORT

The team of Italian and West German experts, which had been in India recently for conducting a survey in the Mysore State for the development of the Mangalore Port, is expected to submit to the Government of India shortly the blueprint for this development programme. The leader of the team, Dr. Paolo Tradardi, disclosed in New Delhi last week that the Mangalore Port after its development would be the most modern and well-equipped one in India. It would be capable of receiving 45,000-ton ships and will have a loading capacity of 4,000 tons per hour. It will compare favourably with the best ports in Africa, Brazil and Canada.

The project is likely to take at least four years for completion. The machinery and technical know-how will be provided by the West German and Italian manufacturers whom this experts team represented.

The railway authorities have also made a careful survey of the mining areas in the hinterland of this port with the purpose of laying a 200-kilometre track connecting Mangalore with Western Ghats.

NEW PILOT VESSELS FOR CALCUTTA PORT

A sum of Rs. 1.6 crores has been sanctioned by the Government of India for the purchase of two new pilot vessels by Calcutta Port. These vessels will replace the pilot vessels "Bengal" and "Hoogly".

The contract for the construction of the new vessels has been awarded to a British firm—Blith Dry Docks and Ship-Building Company.

WAR RISKS INSURANCE

A legislation is proposed to be introduced and enacted during the current session of Parliament in respect of insurance against war risks. The scheme drawn up in this regard covers industrial plants, both in the private and the public sectors, goods in stock and inland navigation. The risks will be covered all over the country.

The financial liability of this scheme, which is envisaged to be administered by a general insurance

subsidiary of the Life Insurance Corporation of India, will be that of the Government of India, upto the extent to which it cannot be covered by the premium income. The premium rates are expected to be different for the three types of property to be afforded cover.

CONTROL OF ENEMY FIRMS

The Defence of India Rules, 1962, have been amended to control enemy firms and prohibit trading with them.

The enemy, as defined by the Government notification, is any person or country committing external aggression against India or any individual resident in enemy territory or any person declared by the Central Government to be an enemy, etc.

According to the amended rules, the Government has assumed powers to appoint controllers, deputies or inspectors for enemy firms to prohibit trade with them, to inspect their books, to enter their premises, etc. No person is to pay or advance money, directly or indirectly, to them or to enter into any contract for their benefit.

A person will be considered to have traded with the enemy if he has had any commercial, financial or other dealings with such country or individual. Transactions on behalf of the Government or those already completed are exempted.

The Government is authorised to issue a "restriction order" to subject the business to such conditions as may be specified. A "winding-up order" can also be issued requiring the business to be wound up.

With a view to preventing the payment of money to an enemy firm and preserving enemy property, the Government is authorised to appoint a custodian of enemy property for India.

INDIA JOINS COFFEE AGREEMENT

India has joined the International Coffee Agreement and has been allotted an annual basic quota of 21,600 tons of coffee for export to member-countries. Since the countries of the East European bloc are not members of this agreement, India will be allowed to export any quantity of coffee to these countries in addition to the stipulated quota. Normally, India's exports of coffee amount to about 20,000 tons. The quota allotted under the ICA is, therefore, considered to be quite reasonable.

AGRICULTURAL REFINANCE CORPORATION

The Government of India intends to set up in the near future an Agricultural Refinance Corporation, mostly on the lines of its counterpart for industries.

The Corporation is likely to have an authorised capital of Rs. 25 crores and will be an affiliate of the Reserve Bank. It will help co-operative societies in launching programmes to boost the output of specific agricultural commodities.

If time permits, legislation to set up this Corporation will be considered during the current session of Parliament.

BAN ON FORWARD TRADING IN SHARES

With a view to prevent undesirable speculation, the Government of India has, with effect from November 29, 1962, banned forward trading in shares throughout the country. The existing contracts, entered into upto November 29 and remaining to be performed on that date, have been permitted to be liquidated in accordance with the rules, by-laws and regulations of the concerned stock exchanges.

NON - FERROUS METALS FUTURES ALSO BANNED

All forward trading in non-ferrous metals, namely, copper, zinc, lead and tin, has also been banned with effect from November 29, 1962, excluding, of course, the non-transferable specific delivery contracts. All the outstanding forward contracts in these metals have been ordered to be closed at the rates prevailing at the time at which forward markets in respective metals were closed on November 29.

AID FROM SWEDEN

An agreement has been signed between the Governments of India and Sweden under which the latter would be providing 8,000 tons of paper per annum for the next five years for production of text-books for the Indian school children. This assistance has been made available by the Swedish Government under the UNESCO Programme of helping spread of literacy in the under-developed countries.

IN BRIEF ...

Mr. Ambrose Congreve, head of the well-known firm of international consultants, contractors and engineers, Humphreys and Glasgow Limited, will be shortly visiting New Delhi for discussions with the Government of India and some leading industrialists for exploring possibilities of extending the services of this firm in this country. He arrived in Bombay a few days ago to review the progress made by his firm's Bombay branch which has on hand at present contracts valued at Rs. 8 crores, from various pharmaceutical manufacturers, included in which are Atul and Cibatul. Atul is setting up with assistance from Humphreys and Glasgow, a plant to manufacture dye-stuffs intermediates and allied products and Cibatul a plant to manufacture plastics and sulpha drugs.

*

The all-India first estimate of mesta for 1962-63 shows that the area under this crop during the current year is nearly 55,000 acres or 7.8 per cent higher at 7,58,000 acres, compared to the corresponding estimate for 1961-62.

*

Cement has been declared an essential commodity under the Essential Commodities Act of 1955. Under the Cement (Quality Control) Order, 1962, the Government of India has prohibited manufacture or storage for sale or distribution of cement which is not in accordance with the relevant Indian Standards laid down for this commodity by the Indian Standards Institution.

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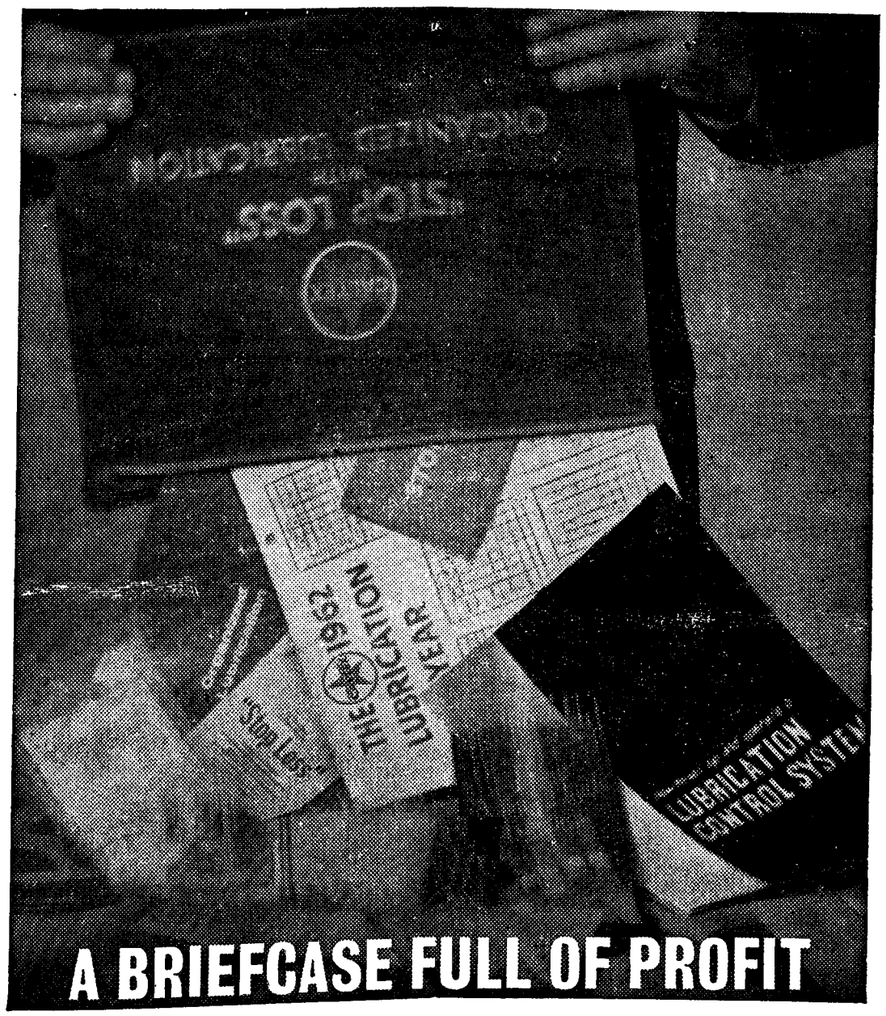
The Union Government proposes to set up a Mineral and Metal Trading Corporation in the public sector.

*

The State Trading Corporation has acquired all the shares, totalling Rs. 12 lakhs, of the Indian Handicrafts Development Corporation. A new corporation, named the Handicrafts and Handloom Export Corporation of India Ltd., is being set up as a subsidiary to the STC. This organisation will take over the work of export of handicrafts and handloom products.

*

Mr. Ratanlal Kishorilal Malviya, at present Parliamentary Secretary to the Union Minister of Labour, Employment and Planning, has been appointed Deputy Minister of Labour and Employment.



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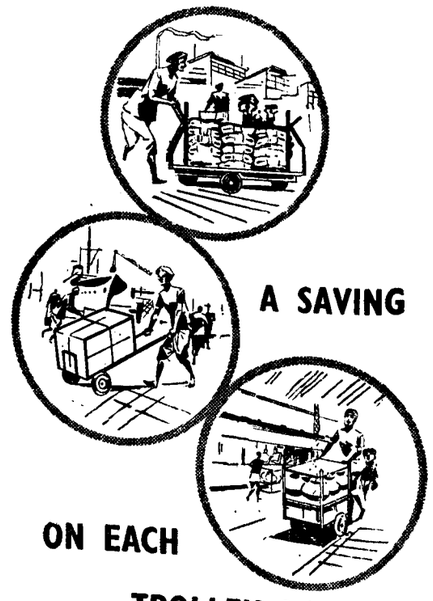
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Royal Exchange Assurance.

NEWS IN BRIEF

INDIAN

A preshipment inspection scheme of the Cashew Export Promotion Council has been approved by the Central Government and will be implemented from April 1, 1963.

*

The US Department of Agriculture has granted a sum of Rs. 1,31,500 to the National Chemical Laboratory, Poona, for research in tung oil, and the Indian Institute of Science, Bangalore, for research on fermentation of cereal grains.

*

The Union Government intends to set up a fisheries corporation to process and export better quality products.

*

The Kerala Government has constituted a State apprenticeship scheme to expedite the programme of industrial training.

*

The Sabarigiri project of Kerala State, to be constructed with United States aid at a cost of Rs. 25 crores, will, when completed, supply 30,00,000 kW. power and irrigate about 40,000 acres.

*

The Indo-Japanese Prototype Production and Training Centre for small-scale industries at Howrah, West Bengal, was declared open on November 17.

*

The Union Government has decided to take over the Kolar Gold Mining Undertakings from the Mysore Government with effect from December 1.

*

The Punjab Government has constituted a 39-member board to examine problems facing the small-scale industry in the State.

*

The Export Promotion Council for Finished Leather will start functioning from Kanpur shortly.

*

The Union Government has decided to raise the age of retirement of Central Government employees from 55 to 58.

*

India can supply to the United States 20,332 short tons of sugar under the quotas announced for 1963.

*

The National Coal Development Corporation will shortly open a coal-mining project at Kathkona in Surguja district, Madhya Pradesh. The exploitation of the estimated reserves of 30 million tonnes, would cost over Rs. 2.6 crores.

*

The Overseas Communications Service has provided additional radio-telephone facilities to the United States, Australia, Japan and the Philippines.

*

Loading and unloading facilities at the Bombay Port will be considerably improved with the installation of a floating crane capable of lifting loads upto 125 tons. The crane has been designed by Indian engineers and built by a Japanese firm.

*

The Union Government has decided to set up an agricultural trading corporation with a view to exercising more effective control over the distribution and prices of both the internal and external markets.

*

The annual business turnover of the State Trading Corporation has increased from Rs. 10 crores in 1956-57 to Rs. 80 crores in 1961-62.

FOREIGN

The French Government has decided to grant a credit of $50 million to Syria for development projects, including a new international airport at Damascus.

*

An agreement has been signed in Ottawa providing for the supply of paper-making machinery worth $6.3 million from Canada to Pakistan.

*

The Spanish Government proposes to introduce a series of measures to liberalise her economy in an effort to speed up agricultural and industrial production .

*

The Allied Chemical Corporation, of USA, has entered into agreement with the Costa Rican Government and industrialists to set up an oil refinery at Puerto Limon at an estimated cost of $7.5 million. It will have a capacity of 3,000 barrels per day.

*

The British Air Ministry will study plans for the manufacture of super-bombers designed by Dr. Wallis, Chief of Aeronautical Research at Vickers. These bombers will have a speed of 15,000 miles and can fly at an altitude of 47 miles.

*

The South Korean Government has entered into a $16 million arrangement with the Fluor Corporation, USA, for the construction of an oil refinery with a capacity of 35,000 barrels per day.

*

A Japanese exhibition of modern electronics and laboratory equipment is scheduled to be held in Moscow from July 19 to August 1, 1963.

*

The University of Mainz, West Germany, has decided to establish an Institute of Medical Statistics and Documentation.

*

The Inter-American Development Bank and the International Finance Corporation will jointly contribute $19 million to the Compania Manufacturera de Papeles Y Cartones, S.A., of Chile, which has an expansion programme estimated to cost $31.5 million.

*

The United Nations Special Fund and the World Bank signed on November 16, an agreement covering $710,000 with the Government of El Salvador, Guatemala, Honduras, Nicaragua, and Panama, providing for a study of tele-communication needs in these countries.

*

The Government of Burma has banned all trade with South Africa from November 15.

*

The Shell B.P. Todd Oil Services have announced the discovery of natural gas reserves at Kapuni, New Zealand. It is estimated that production of natural gas at a daily rate of 60 million cubic feet will be possible.

*

The International Chamber of Commerce has urged banks throughout the world to adopt uniform custom and practice for documentary credits.

*

Trans World Airlines reports an increase of 44 per cent in its international cargo-ton-miles, 30 per cent in international economy travel, and 26 per cent in international revenue passenger-miles during October, compared to figures for the same period in 1961. The report attributes this remarkable progress to the reliability of schedules and the new terminal facilities, particularly the Trans World Flight Centre at New York.

COMPANY AFFAIRS

GREAT EASTERN SHIPPING

The Great Eastern Shipping Company Limited recorded an improvement in its working during the year to June 30, 1962. Against a net profit of Rs. 12.32 lakhs, after providing for fleet depreciation of Rs. 60.93 lakhs this year, the company had shown an actual loss of Rs. 3.19 lakhs during the previous year. The record would have been still better if the recommendations of the one-man Commission of Mr. R. G. Abbhi, on the basis of which the Government of India granted an increase of 15 per cent in coastal freight rate (excepting on the shipments of coal from Calcutta to destinations upto Cochin where the increase applied was 10 per cent), had come into effect earlier. Now these enhanced coastal freight rates came into effect on June 1, 1962, the last month of the financial year.

The annual report indicates that the average deadweight tanker under operation increased from 1.15 lakh tons to 1.17 lakh tons during the year under review. The two cargo ships ordered by the company from Japan were delivered in February 1962 and March 1962 respectively. The fleet and charter hire earnings during the year under review increased from Rs. 2.84 crores to Rs. 3.24 crores. The Directors of the company indicated that they have decided to operate cargo services on a regular basis from the West Coast of the U.S. and from Canada to India. The fleet of the company has been maintained in the highest class of Lloyd's. During the year old S.S. "Jagshanti", built in 1941, was sold to breakers. The Directors have also decided to discard and break up S.S. "Jag Mata" built twenty-two years ago.

The Directors have recommended the payment of a dividend at the rate of 10 per cent subject to tax on fully paid equity shares.

MORARJEE GOCULDAS

During the year to June 30, 1962, the Morarjee Goculdas Spinning and Weaving Company Limited, recorded a gross profit of Rs. 73.43 lakhs which was considerably more than last year's profit of Rs. 63.34 lakhs. Provision for depreciation and taxation is considerably higher than last year with the result that net profit is nearly at the last year's level. A sum of Rs. 8.25 lakhs has been transferred to General Reserve. The Directors have recommended the payment of a dividend at the rate of Rs. 6.43 per share subject to tax on 4½ per cent free of income tax Cumulative Preference Shares. The dividend on equity shares for the year under review has been proposed to be paid at the rate of Rs. 24 per share subject to tax which will absorb Rs. 12.42 lakhs.

The annual report reveals allocation of a huge sum on plant and machinery so that additions were made in that item to the extent of Rs. 51.25 lakhs. This, in a way, is a reflection of the fact that company is carrying through its programme of expansion to modernisation. Further orders on this score have been placed to the extent of nearly Rs. 60 lakhs and new machinery would be arriving soon. The company also purchased land, buildings, plant and machinery of the textile unit of B. R. Cotton Mills Limited at a price of Rs. 98 lakhs. The company has also taken over their stocks of cotton, stores and stores in process. The possession was taken over by the company on October 22, 1962. This mill is equipped with 49,312 spindles and 1,021 looms and also has a dye house. The company has also received a sanction for the installation of 22,800 spindles for balancing process out of which 3,392 spindles have already been received and installed and the remaining are on order. The company has received recently the sanction for the installation of 12,817 spindles orders for which will be placed very shortly.

PARKSIDE ESTATE

A peak level of output was achieved by the Parkside (Neilgherry Hills) Estate Company Limited during the year to June 30, 1962. This year's crop at 9.09 lakh lbs. was nearly 7 per cent more than last year's output of 8.46 lakh lbs., which again was the maximum during the last decade. The average sale price was also substantially higher. The result, therefore, has been that the company has shown very flattering results. Profit at Rs. 9.73 lakhs was the highest in history. After providing Rs. 4.55 lakhs for taxation, the Directors proposed the payment of a dividend at the rate of 27½ per cent on equity shares. 7½ per cent dividend was paid on interim basis on May 1, 1962 and remaining 20 per cent is proposed to be paid now. This provision compares quite favourably with last year's dividend of 22½ per cent.

The estimated cost of production per lb. of tea for the financial year under review was Rs. 1.33 against the estimate of Rs. 1.47 a year before. The lower cost of production is mainly due to higher crop harvest. The average sale price realised in the season improved to Rs. 2.92 per lb. against Rs. 2.68 per lb. realised last year. The company executed certain important improvements and the capital expenditure incurred was to the extent of Rs. 1.03 lakhs.

NEW ISSUES

Three companies including a new one have been authorised to issue capital totalling Rs. 1 crore. A fourth company has been conditionally allowed to postpone the date of redemption of its debenture.

Tata-Finlay Private Limited, Bombay, is to issue capital of Rs. 50 lakhs divided into 50,000 equity shares of Rs. 100 each for cash at par. Out of this shares of the value of Rs. 24.50 lakhs will be issued to James Finlay and Company Limited of U.K. and their associates. The consent is valid for 12 months.

Elect-O-Mech. Limited, Bombay, a new company, is raising capital of Rs. 35 lakhs in equity shares of Rs. 10 each for cash at par. The proceeds of the issue would be utilised for the manufacture of electrically operated hoists, battery/diesel operated industrial trucks, geared motors and spare parts, etc. The consent is valid for 12 months.

Bharat Fertiliser Industries (Private) Limited, Bombay, proposed to be converted into a public limited company, has been allowed to issue capital of Rs. 15 lakhs divided into 15,000 equity shares of Rs. 100 each, for cash at par. The consent order is valid upto September 16, 1963.

Shree Madhusudan Mills Limited, Calcutta, has been granted consent to the postponement of the date of redemption of its debenture issued in 1957 upto 1972. This is subject to the conditions, among others that any debenture holder who expresses his disagreement to the postponement shall be paid in cash.

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Company Meeting

TUBE INVESTMENTS OF INDIA LIMITED

Chairman's Review

Speaking at the Thirteenth Annual General Meeting of the Shareholders held on December 3, 1962 at the Registered Office of the Company at 52/53, Jehangir Street, Madras, the Chairman, Sir A. Ramaswami Mudaliar, K.C.S.I., D.C.L. (Oxon), said:

Gentlemen,

I extend to you a cordial welcome to the Thirteenth Annual General Meeting of the shareholders of Tube Investments of India Limited. The Directors' Report, the Audited Balance Sheet and Profit and Loss Account for the year ended 31st July, 1962, have been in your hands for some time and with your permission I shall take them as read.

Before dealing with the work of the Company during the year, I feel I must refer to the emergency that has been declared in the Country following the aggression by China on India's borders. The whole Country has been shaken out of its complacency. The Country has realised that every effort must be made by all sections of the people and by every interest concerned, to preserve the independence and safeguard the integrity of the Country. The enthusiastic response that the Country has witnessed, the solid and massive support that has been given to the Government enjoining on themselves to fight till the finish, till the enemy is cleared out of Indian soil, has been a manifestation of the great unity of purpose in the Country and of the determination of the people. Your Company has already contributed its mite to the National Defence Fund and I am sure, with your full approval, it will continue to do whatever is necessary in this direction. Our officers and staff and our workers in the factories have shown an equal determination to help in this emergency. Above all, realising that the demands of war, while requiring sacrifices from everyone, casts a special obligation on industrial units and factories, your Directors, anticipating your desire in the matter, have placed the resources of your factories fully at the disposal of whatever the Government choose to demand from them. The cycle factory and in particular the tube factory may be called upon and will be most readily anxious to produce such industrial products as may supplement the defence requirements of India. I am certain I am voicing the wishes of all shareholders and the sentiments that they hold in this regard.

The Report of the Directors gives a fairly comprehensive view of the progress in manufacture that has been made during the year and refers to the setbacks we had in reaching our target—setbacks due to want of power, want of adequate water supply during certain months of the year and to the inadequacy of certain raw materials due to import restrictions. Taking all these factors into account, the financial results are fairly satisfactory.

COLD ROLL MILL: It will be heartening to you if I state that the production of cold roll mill which has been installed at a cost of about Rs. 1.25 crores was started satisfactorily in March, 1962 and that we have had no teething troubles and no serious difficulty in regard to the technique of the production. However, the supply of indigenous hot rolled strip has not been adequate and promises made by the Indian suppliers have not been kept up. The products of this Mill may particularly be useful at this present emergency period and I look forward to better co-ordination in the supply of such strip as may be required for the variegated production which one may expect may be asked for by the Government.

The Directors' Report refers to the industrial licence for the manufacture of copper-coated tubing, called "Bundy Tubing" and push rods used for the automobile industry and refrigeration industries. Since the Directors' Report was issued to you, the industrial licence for the manufacture of "Bundy Tubing" has been received. I may explain that the "Bundy Tubing" is double walled steel tubing manufactured from copper-coated steel strips by what is known as the "Bundy Process". The raw material required for this purpose is mainly copper-coated and tin-coated steel strips which, it is hoped, will be indigenously available before long, when the increased demand for such strip will make indigenous production economical. Until then the strip will have to be imported. Your Directors are now finalising details with Bundy Tubing of America and soon hope to have a subsidiary Company registered.

SUBSIDIARY COMPANIES: The progress made in the two subsidiary Companies, T. I. Diamond Chain Ltd., and T. I. Miller Ltd., has been adequately described in the Directors' Report and I need not add anything further to this.

OPERATING RESULTS: As I have already stated, the operating results of the Company have proved to be fairly satisfactory and the Directors, following their cautious policy, have decided that the same rate of dividend may be paid to the shareholders, transferring certain amounts to the various reserves.

BOARD OF DIRECTORS: You will notice from the Agenda that Sir Ivan Arthur Rice Stedeford, G.B.E., who is one of the founders of this Company is due to be re-elected this year. Sir Ivan has expressed a desire that he may retire as he will shortly cease to be the Chairman of Tube Investments Ltd., of Birmingham, but will hold the position of President of all the group of Companies. The Rt. Hon. The Lord Plowden, K.C.B., K.B.E., who will succeed him as Chairman will naturally be elected as one of your Directors representing Tube Investments Ltd., of Birmingham. I have no doubt he, with his wide experience both as an administrator and an industrialist, will be an invaluable asset to the Company. The Indian Directors were reluctant to part with Sir I. A. R. Stedeford on the Board. His sympathy, advice and guidance have been, in an exceptional measure, of help and value to the Company and to the Indian Directors. The Lord Plowden has been to India recently and the Indian Directors are glad to have him on the Board. We, however, hoped that both Sir I. A. R. Stedeford and The Rt. Hon. The Lord Plowden would continue as Directors though the former would not be as closely associated as before. I am glad to inform you that our request has been acceded to by Sir I.A.R. Stedeford and you will, therefore, be requested to elect both Sir Ivan Arthur Rice Stedeford and The Rt. Hon. The Lord Plowden to the Board of Directors. This would necessitate an increase in the Indian Directorate and you are being requested to elect Mr. D. K. V. Raghava Varma, as one of the Indian Directors. Mr. Varma has been the Secretary of the Company for several years now. His integrity, his personal character and his devotion to duty have shown themselves in several ways in the management of the Company's affairs and your Directors have, therefore, come to the

(Continued on Page 1104)

(Continued from Page 1103)

conclusion that it would be most appropriate if he were elected as a Director of the Company. Mr. Raghava Varma, whom I have personally known for over forty years, has, I am glad to say, consented to be a Director of the Company.

I should like to record my deep thanks and appreciation for the ready help and valuable advice that the Company has continued to receive from our Associates, Messrs. Tube Investments Ltd., of the United Kingdom and other companies in their group. The new foreign collaborators of our subsidiary Companies have given us their best advice and placed their technical know-how at the disposal of our factory without reserve. We are grateful to the Government of India and to the State Government of Madras, for the interest they have shown in the development of the Company, the facilities they have extended and the advice that they have given in its expansion programme.

Our relations with all our employees including factory workers have been cordial and I have great pleasure in acknowledging with thanks the co-operation that they have extended and the enthusiasm they have shown in the successful working of the factories. The officers and staff both in the head office and in the factories and the workers in all our factories have been exceptionally enthusiastic in placing their full co-operation and support in this emergency and we are deeply grateful to them for their patriotic response.

I hope and pray that by the time we next meet at an Annual Meeting, the war clouds would have disappeared and the cunning of a treacherous and unscrupulous enemy would not only be exposed but equally frustrated and punished and India will once again be in a position to enjoy peace and happiness.

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

THE CALCUTTA ELECTRIC SUPPLY CORPORATION LIMITED

(Incorporated in England)

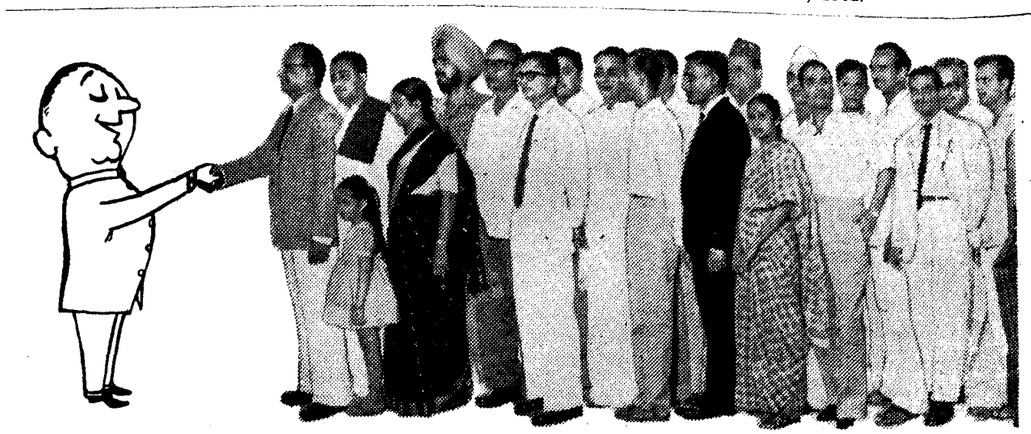
5½ RUPEE DEBENTURE STOCK, 1970
INTEREST FOR THE HALF-YEAR ENDING 31ST DECEMBER, 1962

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 1st January, 1963 to Debenture Stockholders registered in the books of the Company on 20th December, 1962. Applications for transfers received at the Company's Office at Victoria House, Post Box 304, Chowringhee Sq., Calcutta, upto 20th December, 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 21st December, 1962 to 31st December, 1962, both days inclusive.

By Order of the Board,
H. C. BOWKER
AGENT.

Victoria House,
Calcutta, 28th November, 1962.



WE WISH TO SHAKE HANDS WITH A MILLION PEOPLE

THIS YEAR, the Indian Overseas Bank completes twentyfive years of its service to the people. We feel so proud about it that we wish we could shake hands with everyone of our customers and well-wishers, here in India and abroad, whose understanding and support made it possible for us to grow.

The success of a Bank depends essentially on the confidence of the people—confidence in its stability and in its efficiency. The growth of the I.O.B. is a measure of the confidence it has been able to create in the minds of the people. Founded in 1937 by the late Mr. M. Ct. M Chidambaram Chettyar, the Bank has today grown into a mighty institution and is known throughout India, Burma, Ceylon, Hong Kong, Malaya, Singapore, Thailand and the rest of the world for its friendly service.

It was our earlier intention to celebrate this happy occasion in a fitting manner at each of our major branches in India and South-east Asia. Since then, India has had to face one of the greatest challenges in its recent history. We have, therefore, decided to cancel the formal celebration of this event, however important it be, and instead extend our fullest support to the mobilisation of the country's resources in this hour of emergency.

On this occasion of our Silver Jubilee we wish to say how deeply we appreciate the co-operation and support that we have throughout received from our clients and correspondents everywhere. We owe them a deep debt of gratitude and we rededicate ourselves to the ideal of greater service.

25 *Years of Friendly Service*

THE INDIAN OVERSEAS BANK LIMITED

Central Office: Madras M. Ct. Muthiah, *Chairman* • S. R. V. Arasu, *General Manager*

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
August 1961 ..	124.3	99.9	122.3	144.6	140.9	123.9	126.3	127.5
September „ ..	121.1	99.7	121.4	138.3	140.6	123.1	125.5	124.6
October „ ..	120.9	99.5	121.3	136.0	140.3	124.3	126.5	124.4
August 1962 ..	131.5	99.2	124.5	139.6	143.1	126.7	129.0	131.1
September „ ..	130.0	99.8	124.9	139.8	142.9	127.2	129.4	130.7
October „ ..	129.0	100.3	124.8	138.9	144.2	126.8	129.3	129.9
13-10-1962	128.7	100.0	124.7	138.5	143.6	127.2	129.5	129.7
20-10-1962	129.2	100.5	124.8	139.0	144.9	126.4	129.0	129.9
27-10-1962 ..	129.6	100.5	125.0	139.1	145.5	127.1	129.7	130.4
3-11-1962	130.2	100.5	125.0	137.3	145.1	127.5	130.0	130.5
10-11-1962	130.3	100.5	125.1	137.8	144.7	127.9	130.3	130.7

* 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**
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
1962 January	415	436	295	170	399	513	495	180	482	177	174	175
February	417	438	295	170	399	513	492	192	480	177	177*	175
March	418	439	300	170	403	503	493	198	480	179	175*	175
April	418	439	300	170	410	491	492	198	480	182	175*	177
May	422	433	303	167	417	491	496	199	480	180	177*	178
June	426	447	308	171	417	505	497	201	484	182	177*	179
July	427	448	—	175	420	515	501	202	487	185	177*	181*
August	433	454	—	177	431	530	510	204	488	187	179*	182*
September	429	450	—	176	434	525	506	—	488	—	182*	182*
October	425	446	—	173	—	522	513	—	487	—	—	—

** Base 1944 = 100. * Provisional

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

	30-11-1962 High	30-11-1962 Low	30-11-1962 Average	23-11-1962 High	23-11-1962 Low	23-11-1962 Average	16-11-1962 High	16-11-1962 Low	16-11-1962 Average	9-11-1962 High	9-11-1962 Low	9-11-1962 Average
Gold (per 10 grams)	99.75	86.00	92.75	106.00	90.00	99.29	107.00	104.00	105.13	121.65	102.50	109.42
Silver (per kilogram)	196.20	187.80	192.63	212.00	189.10	201.50	215.40	211.80	213.53	224.15	215.25	218.87

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										
August 1961 ..	1,898,63	13,31	1,911,93	117,76	116,86	234,62	12.27	123,85	1,553,46	1.911,93
Sept. „ .	1,877,38	21,36	1,898,74	117,76	116,86	234,62	12 36	126,45	1,537,67	1,893.74
Oct. „ .	1,895,94	21,25	1,917,19	117,76	116.86	234.62	12.22	126,23	1,556,35	1,917.19
August 1962 ..	2,040,68	23.91	2,064,59	117,76	89,74	207,50	10.05	121,45	1,735,59	2.064,59
Sept. „ ..	2,029,26	18,74	2,048,00	117,76	88,34	206,01	10.06	123,87	1,718.03	2.048.00
Oct. „ ..	2,055.65	18,84	2,074,48	117,76	88,14	205,90	9.93	122.84	1,745,74	2.074,48
Week-Ending										
19-10-1962 ..	2,047,88	19,65	2,067,53	177,76	**88,08**	**205,85**	9.96	123,38	1,738,31	2,067,53
26-10-1962 ..	2,049,22	17,74	2,066,96	117,76	88,08	205,85	9.96	122.82	1,738,29	2,066,96
2-11-1962 ..	**2,063,79**	**21,48**	**2,085,28**	**117,76**	88,08	205,85	9.87	121,14	1,758,29	2,085,28
9-11-1962 ..	2,086,96	17,50	2,104,46	117,76	88,08	205,85	9.78	120,32	1,778,29	2,104,46
16-11-1962 ..	**2,077,26**	13,85	2,091,11	117,76	88,08	205,85	9.89	121,97	1,763,29	2,091,11
23-11-1962 ..	2,067,90	15,09	2,082,99	117,76	88,08	205,85	9.88	123,86	1,753,29	2,082,99

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														
August 1961 ..	65,39	16,45	88,09	180,22	350,16	89,86	525,02	13,35	15,21	30,97	47,71	116,37	284,51	**16,89**
Sept. „ ..	60,81	26,76	83,71	159,06	330,34	96,02	511,36	21,42	16,73	17,47	49,15	131,54	257,92	**17,13**
Oct. „ ..	60,23	14,40	81,36	147,41	303,39	95,52	483,91	21,30	35,09	20,06	60,56	135,19	193,80	**17,92**
August 1962 ..	65,16	24,57	94,63	181,32	365,69	115,38	566,08	23,97	69,23	5,45	31,00	136,99	265,68	**33.76**
Sept. „ ..	83,68	20,13	86,69	161,43	351,93	177,55	554,48	18,79	115,11	6,10	27,81	159,93	192.28	**34.46**
Oct. „ ..	55,95	16,07	85,02	160,16	317,65	119,09	521,74	18,90	134,17	5,25	39,11	151,72	136,82	**35,77**
Week-Ending														
19-10-1962 ..	52,42	15,27	89,88	159,86	317,43	125,51	527,90	19,71	139,65	6,27	39,65	144,40	142,91	**35,31**
26-10-1962 ..	51,01	9,85	80,71	161,05	302,62	120,70	508,31	17,79	105,25	4,49	43,59	153,58	146.09	**37,52**
2-11-1962 ..	49,95	10,08	74,13	160,15	294,31	128,27	507,58	21,57	96,05	5,54	40,53	151,90	162,65	**29,36**
9-11-1962 ..	50,43	17,86	82,77	160,07	311,14	124,25	520,40	17,56	103,51	5,92	33,70	150,19	177,08	**32,45**
16-11-1962 ..	60,77	7,06	92,89	162,36	323,08	139,18	547,25	13,90	106,06	5,14	43,78	148,97	196,97	**32,43**
23-11-1962 ..	65,32	5,71	83,18	163,46	317,67	139,51	542,18	15,14	91,72	6,06	42,43	148,17	206,18	**32,46**

*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 Rs. 3 crores from July 4, 1958. §Includes cash and short-term securities.

INDEX NUMBERS OF WHOLESALE PRICES — IMPORTANT COMMODITIES

(Base: 1952-53 =100)

Average of months/ Average of weeks	Rice	Wheat	Jowar	Bajra	Gram	Groundnut Oil	Mustard Oil	Sugar	Gur	Tea
1955-56 ..	78	72	67	84	49	74	104	94	88	170
1956-57 ..	97	88	123	122	71	104	176	95	100	165
1957-58 .	105	88	114	126	68	105	164	110	107	164
1958-59 .	105	105	105	126	96	107	148	121	131	169
1959-60 ..	105	96	119	126	75	118	150	124	161	186
1960-61 ..	108	90	122	130	87	138	168	127	136	206
1961-62 ..	105	91	112	132	83	144	177	125	116	193
June 1961 ..	106	86	113	141	81	159	169	127	122	206
July „ ..	108	88	118	145	81	160	175	127	121	220
August „ ..	110	89	113	142	82	149	174	127	123	218
September „ ..	110	87	107	128	81	141	173	127	122	190
October „ ..	108	89	110	130	82	129	176	125	118	205
November „ ..	106	92	108	128	86	135	183	125	118	180
December „ ..	102	94	109	126	88	134	187	125	109	164
January 1962 ..	101	98	115	130	91	136	187	122	108	177
February „ ..	102	100	120	131	90	140	186	122	108	181
March „ ..	103	94	120	126	82	136	179	124	118	163
April „ ..	106	92	122	123	81	135	171	131	121	155
May „ ..	109	88	126	125	84	132	176	131	129	166
June „ ..	110	88	131	128	86	132	179	130	161	169
July „ ..	112	91	137	135	89	135	187	131	165	172
August „ ..	114	93	141	137	95	138	193	134	161	170
September „ ..	115	91	141	136	93	137	193	131	168	174
October „ ..	114	91	139	126	95	133	192	129	174	N.A.
13-10-1962 ..	114	91	140	124	95	136	191	129	171	N.A.
20-10-1962 ..	114	91	136	123	96	133	191	129	177	171
27-10-1962 ..	115	92	136	123	95	132	192	129	175	176
3-11-1962 ..	116	92	135	125	94	135	193	128	176	178
10-11-1962 ..	117	92	137	123	93	133	191	128	170	188

Average of months/ Average of weeks	Spices & Condiments	Tobacco Raw	Coal	Cotton Raw	Jute Raw	Groundnut	Cotton Manufactures	Jute Manufactures	Silk & Rayon Manufactures	Machinery
1955-56 ..	110	77	101	97	117	79	105	96	91	102
1956-57 ..	97	80	116	111	126	111	116	95	88	104
1957-58 ..	96	92	128	106	133	108	116	95	86	107
1958-59 ..	127	93	133	99	118	117	112	87	93	109
1959-60 ..	152	98	135	106	125	131	117	91	96	111
1960-61 ..	128	111	141	112	210	146	128	131	104	116
1961-62 ..	140	96	142	109	178	155	128	122	120	120
June 1961 ..	151	95	141	110	208	167	126	125	117	118
July „ ..	145	93	141	107	215	171	126	131	119	118
August „ ..	143	95	141	105	180	167	128	121	118	118*
September „ ..	143	95	141	104	155	156	128	114	119	119
October „ ..	145	95	141	107	150	143	128	119	119	119
November „ ..	143	93	141	108	149	143	128	116	121	123
December „ ..	140	89	141	109	145	144	128	118	123	122
January 1962 ..	141	92	143	110	146	145	128	116	122	122
February „ ..	140	94	143	112	148	149	128	113	125	122
March „ ..	140	95	145	113	148	149	128	117	127	122
April „ ..	143	94	145	112	141	149	128	115	129	123
May „ ..	149	95	145	113	139	145	129	113	129	124
June „ ..	152	92	149	113	144	144	130	118	130	124
July „ ..	152	91	152	115	149	146	129	117	130	124
August „ ..	154	92	152	114	146	151	129	111	131	124
September „ ..	156	92	152	112	151	151	129	113	133	124
October „ ..	158	93	152	111	151	144	130	108	135	124
13-10-1962 ..	158	93	152	110	151	144	130	110	135	124
20-10-1962 ..	158	93	152	110	150	144	129	105	135	124
27-10-1962 ..	159	93	153	111	150	142	130	109	135	124
3-11-1962 ..	162	93	153	110	149	136	130	110	135	124
10-11-1962 ..	162	93	153	111	149	135	130	114	135	124

* Estimated.

AVERAGE RATES OF INTEREST EARNED BY SCHEDULED BANKS ON INLAND AND FOREIGN BILLS

Year	Average rate of interest earned on advances (per cent per annum).	Inland Bills			Export Bills			Import Bills		
		Amount earned (Rs. '000)	Average (weekly) amount of outstandings (Rs. lakhs)	Average rate of interest (per cent per annum)	Amount earned (Rs. '000)	Average (weekly) amount of outstandings (Rs. lakhs).	Average rate of interest (per cent per annum)	Amount earned (Rs. '000)	Average (weekly) amount of outstandings (Rs. lakhs).	Average rate of interest (per cent per annum)
1957 ..	5.438	564,94	89,31	5.654	260,34	29,22	8.910	313,75	26,17	11.939
1958 ..	5.589	555,02	87,18	6.366	255,85	29,30	8.732	173,31	14,25	12.162
1959 ..	5.641	619,35	95,95	6.455	261,65	31,58	8.285	125,34	11,12	11.272
1960 ..	5.890	675,56	104,46	6.467	291,04	35,69	8.155	186,20	15,95	11.674
1961 ..	6.325	855,80	127,65	6.704	280,60	32,82	8.550	199,23	15,68	12.706

AVERAGE RATES OF INTEREST PAID ON DIFFERENT TYPES OF DEPOSITS

Year	Fixed Deposits		Savings Deposits		Current Deposits		Other Deposits	
	Interest Paid (Rs. lakhs)	Average of week end balances (Rs. crores)	Interest Paid (Rs. lakhs)	Average of week-end balances (Rs. crores)	Interest Paid (Rs. lakhs)	Average of week end balances (Rs. crores)	Interest Paid (Rs. lakhs)	Average of week end balances (Rs. crores)
1957	13,44.9	3,85.6 (3.488)	3,41.6	1,95.2 (1.750)	71.0	4,59.3 (0.154)	5,77.4	1,64.6 (3.508)
1958	21,53.9	5,95.7 (3.617)	4,07.2	2,12.4 (1.918)	86.0	4,73.8 (0.181)	6,45.4	1,80.3 (3.580)
1959	26,40.5	7,89.9 (3.343)	4,52.6	2,35.1 (1.925)	61.6	4,98.4 (0.124)	5,13.2	1,53.4 (3.345)
1960	26,59.1	8,98.4 (2.960)	4,91.9	2,57.8 (1.908)	65.1	5,30.3 (0.123)	4,96.1	1,57.4 (3.153)
1961	27,14.6	8,56.8 (3.168)	6,61.3	2,93.8 (2.251)	65.1	5,46.6 (0.119)	4,71.8	1,46.5 (3.219)

Note: Figures in brackets are average rates of interest per cent per annum.

MARGIN BETWEEN ADVANCES AND DEPOSITS RATES

Year	Deposits			Advances			
	Interest paid (Rs. lakhs)	Average of week-end balances* (Rs. crores)	Average rate of interest (% per annum)	Interest earned (Rs. lakhs)	Average of week-end balances (Rs. crores)	Average rate of interest (% per annum)	Spread between the rates on advances and deposits (6—3)
1957 ..	23,35	12,05	1.938	40,35	7,42	5.438	3.500
1958 ..	32,92	14,62	2.252	43,82	7,84	5.589	3.337
1959 ..	36,68	16,77	2.187	47,61	8,44	5.641	3.454
1960 ..	37,10	18,44	2.012	56,43	9,58	5.890	3.878
1961 ..	39,12	18,44	2.121	69,70	11,02	6.325	4.204

* Average of week-end balances in Current, Fixed, Savings and other accounts such as Call Deposits, recurring deposits, cash certificates etc. including P.L. 480 and P.L. 665 deposits with the State Bank of India.

Source: Reserve Bank of India.

OUTSTANDING FOREIGN BUSINESS INVESTMENTS IN INDIA

(Industry-wise)

(Rs. crores)

Industry	As at the end of					
	1955	1956	1957	1958	1959	1960
1. **Plantations**	87.2	87.9	86.6	96.0	95.1	99.5
2. **Mining**	9.6	10.8	9.3	12.4	13.0	13.7
3. **Petroleum**	104.0	116.4	134.1	118.4	120.9	152.4
4. **Manufacturing**	131.8	147.6	184.0	218.6	250.6	289.4
Food, Beverages, etc.	29.3	30.0	30.4	30.7	31.8	34.5
Textile Products	*21.8*	*21.9*	21.1	21.1	24.5	29.1
Transport Equipment	4.1	5.2	5.6	6.4	13.9	21.8
Machinery and Machine Tools	5.0	5.4	5.6	6.0	8.3	11.0
Metals and Metal Products	11.1	20.5	51.5	76.2	85.0	*93.8*
Electrical Goods and Machinery	14.6	15.8	16.5	*17.1*	*18.4*	*20.5*
Chemicals and Allied Products	20.9	22.7	23.5	26.5	32.1	38.2
Miscellaneous	25.0	26.1	29.8	34.6	36.5	40.6
5. **Services**	123.5	130.3	128.5	127.2	130.9	135.5
Trading	*27.1*	*29.3*	27.4	30.0	28.4	30.2
Construction, Utilities and Transport	42.7	48.9	52.6	50.0	52.3	54.1
Financial	27.8	27.5	24.2	22.9	25.1	25.8
Miscellaneous	25.9	24.6	24.4	24.3	25.1	25.3
TOTAL	456.1	493.0	543.0	572.6	610.5	690.5

OUTSTANDING FOREIGN BUSINESS INVESTMENTS IN INDIA

(Country-wise)

(Rs. crores)

Country	1955	1956	1957	1958	1959	1960
U.K.	376.8	392.5	398.8	398.8	400.3	446.4
U.S.A.	39.8	47.1	57.5	60.0	84.2	112.7
Switzerland	6.6	8.2	6.7	6.7	7.6	8.9
Germany, West	2.5	2.8	3.5	3.8	5.4	6.8
Canada	2.9	1.7	4.0	4.6	4.7	5.2
Japan	0.2	0.2	0.6	0.6	1.4	3.4
Malaya	2.1	1.0	1.2	1.2	1.2	1.3
I.B.R.D.	2.7	14.8	46.9	72.2	80.4	78.1
TOTAL (including others)	456.1	493.0	543.0	572.6	610.5	690.5

Source: Reserve Bank of India.

INDIA'S OVERALL INVESTMENT POSITION ABROAD

(Rs. crores)

	1956	1957	1958	1959	1960	1961
Liabilities						
Private*	493	543	573	611	691	761**
Banking	61	48	52	60	73	61
Official	225	463	693	944	1,205	1,470
TOTAL	779	1,054	1,318	1,615	1,969	2,292
Assets						
Private*	..	..	..	..	..	..
Banking	52	62	54	59	59	51
Official	956	726	592	645	585	565
TOTAL	1,008	788	646	704	644	616
Net Position						
Private*	—493	—543	—573	—611	—691	—761**
Banking	— 9	14	2	— 1	— 14	— 10
Official	731	263	—101	—299	—620	—905
TOTAL	229	—266	—672	—911	—1,325	—1,676

*Non-banking. **A tentative estimate.

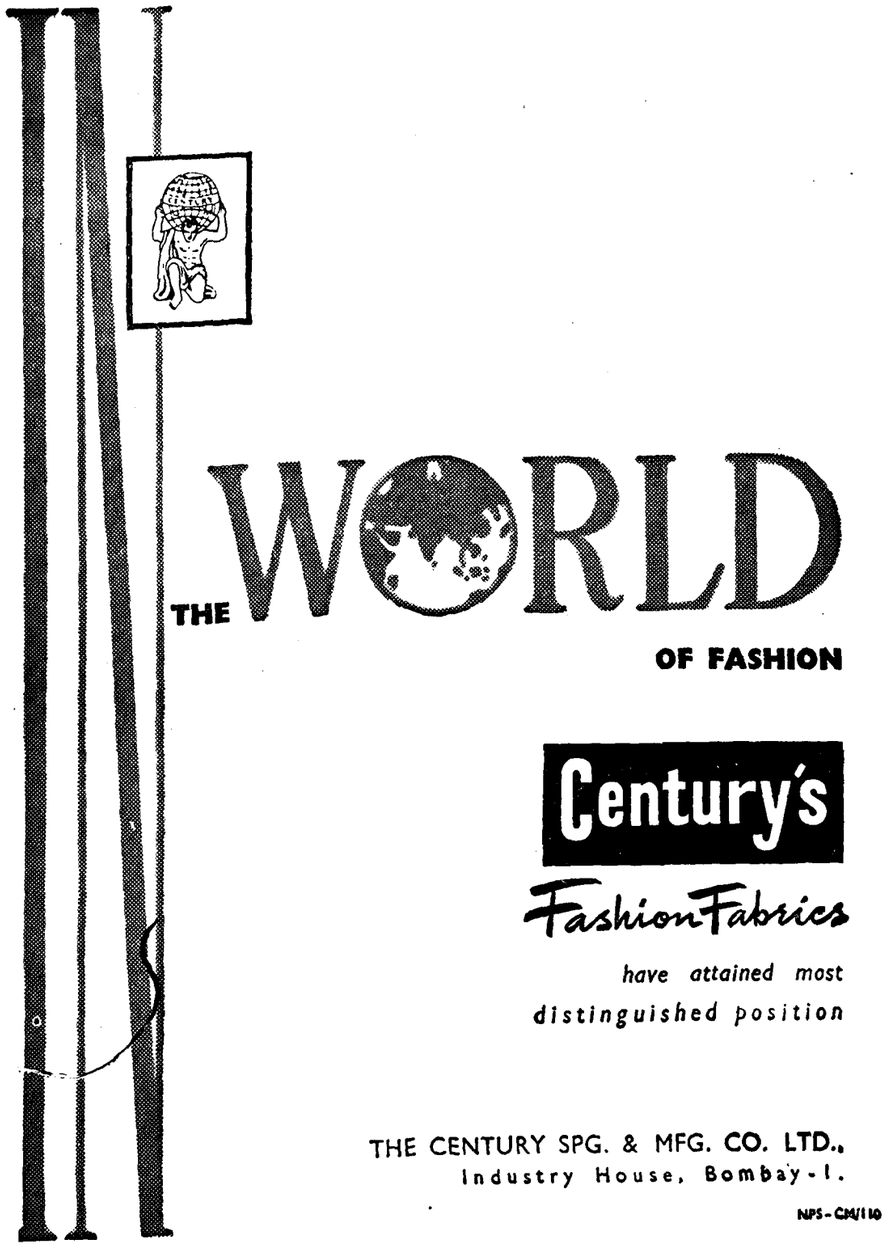
PROFITS OF FOREIGN CONTROLLED COMPANIES*

(Rs. crores)

Business Activity	Earned				Distributed				Retained			
	1956	1958	1959	1960	1956	1958	1959	1960	1956	1958	1959	1960
Plantations	10.7	4.9	5.7	6.7	9.0	6.3	4.8	6.4	1.7	—1.4	0.9	0.3
Mining	1.2	1.2	1.2	1.4	1.1	1.1	0.1	0.6	0.1	0.1	1.1	0.8
Petroleum	16.6	11.0	10.8	10.0	6.9	5.4	4.5	3.9	9.7	5.6	6.3	6.1
Manufacturing	12.4	12.9	16.1	17.8	6.8	7.8	9.0	11.5	5.6	5.1	7.1	6.3
Services	5.9	5.2	4.7	5.0	3.6	4.8	4.8	4.1	2.3	0.4	—0.1	0.9
TOTAL	46.7	35.2	38.6	41.0	27.2	25.4	23.3	26.5	19.5	9.8	15.3	14.5

* Figures refer to proportionate profits.

Source: Reserve Bank of India.



ATUL

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• CHEMICALS

• PHARMACEUTICALS

THE ATUL PRODUCTS LTD.
Atul, via. Bulsar,
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THE EASTERN ECONOMIST

DECEMBER 14, 1962.

Colombo: The First Round

NO judgment of a final nature can be formed about the achievement of the conference of the six non-aligned Afro-Asian powers at Colombo for the obvious reason that there is no basis available at this stage on which it can be attempted. The communique, nevertheless, gives the encouraging assurance that the mediating powers have desisted from resting content with a platitudinous appeal to India and China to undertake peaceful negotiations. They mean to place their good offices at the disposal of the two parties to bring them together for rapprochement. They are aware that matters have been aggravated and pushed to such an extent and the area of divergence between the two has been so grossly enlarged that efforts on their part to touch the heart of the issue of a solution of the conflict even in a remote manner would amount to making a beginning at the wrong end.

It was not expected of the mediators that they would fix responsibility for the conflict. But their embarrassment is apparent from the fact that even in keeping to the fringe of the problem, they had to summon great effort to preserve unanimity. The UAR has made no secret of its conviction and forthright attitude that India has gone a reasonable way in agreeing to accept the position of September 8, 1962. But the rest are obviously keen on steering a cautious neutralist course. However, they seem determined to maintain optimism about their mission of mediation and persevere in functioning on a continuing bas's by holding more meetings at appropriate occasions to strive for progressive success. This would only imply that the attitude of the Colombo powers would be one of hesitant caution and their labours would be modestly conceived.

The approach of the mediators is to delimit the cease-fire line. Normally, when fighting is stopped to negotiate a peaceful settlement, the line of cease-fire presents little difficulty since it is bilaterally agreed. But in this unilaterally announced cease-fire, the dogma of the line of actual control has introduced a highly complex element of controversy in place of the possibility of ready concurrence. It is, therefore, to the task of "consolidating" the cease-fire that the mediating powers are said to have addressed themselves. The nature and alignment of this "consolidation" have been kept a closely guarded secret, lest disclosure prior to consultation with the parties might seriously mar the chance of the success of the mission or render adjustments well-nigh impossible. But it goes without saying that any proposals in this behalf ought to meet the viewpoints of each party in an equitable manner without discrimination, if an acceptable basis for talks with honour is to be evolved. Has unanimity, or rather compromise, fulfilled this test? Apparently, hardly so.

Available indications show that the Colombo formula, tentative as it is, seeks to maintain the *status quo* in Ladakh, leaving China in possession of the territory recently occupied by her and asking India not to advance. In the middle sector the situation is vague. The insistence seems to be again on the *status quo*. In the eastern sector the position is to revert to what it was on September 8 last, India being free to occupy the territory up to the limit roughly corresponding to the McMahon Line. But there is vagueness here too. The position as regards Longju and Dhola is anything but clear, while still more vagueness surrounds the control of the Walong area. Is consolidation of the cease-fire line on this basis devised with reference to the root of the conflict in Ladakh?

Whether there are variations from this version in the formula unanimously hammered out by the mediators by means of a compromise, no one outside can venture to affirm. But to accept the proposition that the consolidation of the cease-fire as thus suggested deals fairly and properly with this limited issue is to ignore at least some vital issues of permanent interest to all the countries that may be similarly situated at any time in the future. As non-aligned nations, upholding peaceful methods to solve international disputes, the Colombo powers were expected to take the attitude that aggression cannot be acquiesced in. The opposition to the UAR's move to restore the position of September 8 last, as an indication that the gains of aggression cannot be endorsed, was reportedly led by Burma. Did China's menacing statement on the eve of the conference influence the anxiety of the mediators to reach a compromise in the form that has emerged?

The proposals are to be tendered to the two parties and to be recast, if necessary, in the light of their response. Mrs. Bandaranaike has been entrusted with the diplomatic assignment of explaining to the Prime Ministers of the two countries the mediators' background deliberations to seek their acceptance or to adduce from them their suggestions for modifications. India can convince her why the formula ought not to lean on the side of the Chinese claims as it tends to do now.

Faith in the earnestness of the mediators' self-imposed task demands that a fair chance should be offered to them. Since India has made her goal in this conflict clear and declared her determination to vindicate her territorial integrity, weakness cannot be attributed to her in showing willingness to accept proposals for giving a chance to peaceful negotiations. No loss of dignity is involved here and there can be no implication of compromise of the national interest by agreeing to the talks for a settlement, unless, of course, the terms are varied to her detriment. A rigid posture by us, while the aggressor makes a show of flexibility, may land us in a diplomatic lapse. And we have not proved that we can match our opponent at this strategic level .

The Debate on Emergency Powers

THE tone of the debate on the Defence of India Bill in the Rajya Sabha could not but produce the dominant impression that several participants tended to look upon it as a piece of a highly controversial legislation. Perhaps the purpose of the Bill and the extraordinary situation which it is intended to meet were not as fully kept in view as they ought to have been. There is another aspect to the background against which the debate on the Bill may be assessed. The original Ordinance and the subsequent Bill were hastily drafted and undoubtedly they erred on the side of too drastic provisions in several places. But, in the course of the passage of the Bill in the Lok Sabha, quite a large number of amendments were incorporated by the Law Minister who piloted the Bill and the severity of the provisions was ironed out. When the Bill, therefore, came up for discussion before the Rajya Sabha, there was hardly anything exceptionable in its character as an emergency measure. Even so, an unusually large number of amendments, one and a half times as many as the Clauses in the Bill, were moved in the Upper House. A majority of these 77 amendments were tabled on behalf of the Communist Party. The entire lot was finally thrown out.

Mr. Lal Bahadur Shastri was responsive to valid criticism. The assurances which he gave in the course of his reply to the debate went to meet the really outstanding demands raised in both the Houses. Easily, the greatest concession which Mr. Shastri made was to agree to the appointment of a compact special committee to review the working of the Defence of India Act in operation after a sufficient period of initial trial. The committee is expected to function in a business-like manner to watch the progress of this emergency legislation to safeguard against any excesses in its enforcement. Another noteworthy concession he made was about the composition of the special tribunals invested with extraordinary powers that do not belong to the normal courts of law. A persistent demand was made that High Court Judges should be appointed to these tribunals. Mr. Shastri promised the House to consider this counsel of caution after a reasonable period to tone up, if need be, the actual functioning of the tribunals.

Another pertinent criticism related to the right of criticism of the Government, in particular of the State Governments to whom the responsibility for administering most of the provisions of the Defence of India Bill has been delegated. Provisions for special powers, likely to impinge on the right of free expression of opinion, are inescapable in an emergency legislation. But the intention of the Government cannot be presumed to be to suppress the exercise of expression of responsible opinion or to stifle reasonable criticism. Criticism which tends to undermine the solidarity of the nation or results in creating a mood of defeatism alone is likely to come within the clutches of executive action. Experience since the introduction of the original Ordinance has shown that the right of criticism has not been abrogated but carefully preserved within the limits permissible under the exigencies of the situation.

It was astonishing that the provisions relating to preventive detention should come in for severe and elaborate criticism in the course of the debate. The normal provisions obtaining under the Preventive Detention Act have been suspended precisely because subversive elements need to be clamped in an emergency to prevent any activities calculated to undermine the security of the State. The demand made for disclosure of the grounds of detention and review of individual cases by a Board are understandable in normal times, but they cannot be pressed during the emergency. Mr. Bhupesh Gupta seemed much obsessed with the purpose and consequences of this particular provision. He went to the extreme length of branding it as an instrument of oppression. His grievance was about a crusade having been launched under this special power against the Communist Party of India and he made the specific charge that mass arrests of its members were carried out which paralysed the party, in spite of its official policy to fight the Chinese aggression.

A plausible argument of such a variety can deceive none. Subversive elements have been dealt with under preventive detention on the individual basis and, if a majority of them belong to the CPI, it speaks for the utter vacillation of the leadership to set its house in order. The kind of intolerable propaganda which its pro-Chinese section carried out with a zest is clear from the calculated attempts to hold out the forces of aggression as the forces of liberation. If this rebel section of the CPI refused to give up its recalcitrance, the plain course for the Party Executive was their expulsion which it did not dare adopt. The paralysis of which Mr. Gupta speaks bears out the effective influence of this group in several parts of the country, if not everywhere. To water down the provision of preventive detention is to give a lease to subversive elements to undermine the security and integrity of the State.

The Age Pattern of Company Directors

SOCIOLOGISTS in this country have always been intrigued in regard to the background information of the leaders in industry and trade. They have wondered whether the expansion in industry, commerce and trade has been brought about by old and experienced brains or by young and enthusiastic entrepreneurs. They have also not been very sure whether a competent and successful industrialist or business man emerges from the field of business, law, accountancy or a similar profession. Answers to these queries are attempted by the Research and Statistics Division of the Department of Company Law Administration in a recent study in regard to the company directorships of big-sized firms. This survey of the directors of leading companies throws light, among others, on the age pattern of the directors and also illustrates their technical background.

The statistics collected by the Department relate to 1,320 directors out of which 1,110 are Indian directors and 210 are foreign directors. The average age of the Indian directors, according to this survey, turns out to be slightly higher than that of the foreign directors. The Indian directors' average age is placed at 48 years and 2 months as against the foreigners' average age of 47 years and 1 month. The marginal increase of the Indian directors' age is, however, of not much significance indicating that, on the average, the age pattern of the Indian directors closely follows that of the foreign directors in this country. It is, however, revealing that the proportion of foreign directors above the age of 60 is very small as compared to the corresponding ratio for Indian directors. The foreign directors in Indian companies above the age of 60 constitute 11.5 per cent of the total, while the Indian directors in Indian companies constitute nearly double that percentage at 22.9 per cent. Again, at the lower end, the percentage of Indian directors below the age of 40 is slightly higher than that of the foreign directors in Indian companies; the percentage of Indian directors in Indian companies under the age of 40 is 26.1 as against the percentage of foreign directors in Indian companies at 21.4 per cent. Thus, at both the extremes, the Indian companies offer a unique age pattern of the directors.

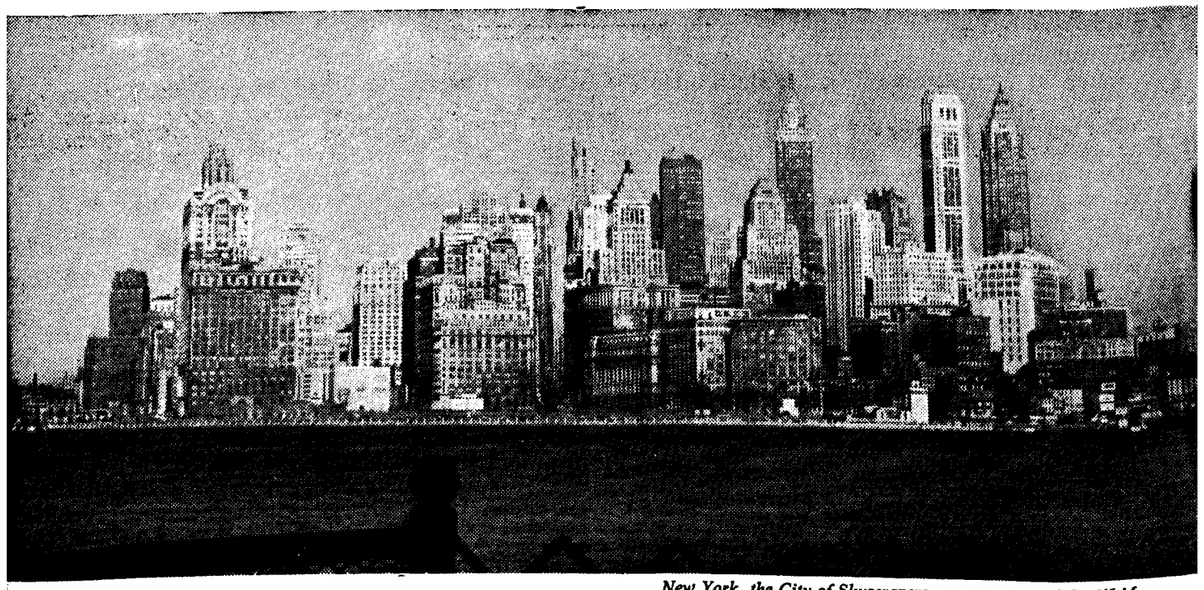
At the upper end, the proportion of older people is large; similarly at the lower end, the proportion of the younger people is also large. Consequently, Indian companies have utilised the mature experience of the older directors and have also offered opportunities to the younger generation to shoulder the new responsibilities. According to the current trend, it is believed that the new pressure will be shouldered by the younger generation and, therefore, the proportion of older people is likely to decline. The Indian Companies Act prescribes the maximum age of the director at 65 years. That in itself shows that the Government places a cautious premium on age in the administration of industry, commerce and trade. It is true that the experience of the older people should be made adequate use of, but in the changing world of today, the younger generation has to shoulder much greater responsibility because of the complexities in the techniques of production as well as management. The outgoing generation is likely to falter under the challenge of new and dynamic patterns of management which are unfolding themselves.

Another interesting comparison made in the survey relates to the age pattern of directors in Indian companies with their counterparts in the United States of America and the United Kingdom. American directors are overwhelmingly above the age of 60; nearly 63 per cent of all American directors are older people having enjoyed 60 summers or more. The corresponding percentage of British directors is only 30. At the lower end again, the figures thrown up by the British and American companies make very interesting reading. In America, to be young is a disqualification for holding the directorship of a company because not more than one per cent of the American directors are below the age of 40. The corresponding percentage for British directors is 9. It is noteworthy that while foreign directors below the age of 40 in Indian companies constituted nearly 21.4 per cent of the total, the British directors in their own country were placed at about 9 per cent. To a certain extent, to be young is again a disqualification in Britain. The disparity is possibly explained by the pressure at home and the demand abroad for managerial talent. In this comparison India comes out with a vigour showing more confidence in its younger people. It is also true that the acceleration of industrial expansion has made recourse to the younger element inevitable.

The overall explanation offered by the Research and Statistics Division of the Department of Company Law Administration in regard to this wide divergence is that "the higher average age in the case of American directors is mainly accounted for by the fact that the administrative structure in American corporations is very different from that of the Indian or British companies. The board of directors of American corporations tends, more often, to be a supervisory body of elderly statesmen of industries including bankers with representatives of leading stockholding families, while the boards of directors in the U.K. and India tend to be more often an active policy-making body."

For an accurate analysis of the occupational pattern of directors in Indian companies, it is necessary to conduct a comprehensive research. With the limited information available with the Department, the study under discussion threw some light on the occupational distribution of the company directors. By and large, the directors in Indian companies had business background while accountants, lawyers, technical men and administrators constituted nearly one-fourth of the total. Out of 1502 directors who constituted the sample for the survey, 116 belonged to services of specialized and technical nature, 173 came from services of administrative and executive nature and 103 from established professions such as accountancy and legal practice. The remaining 1,110 directors had no technical qualification except that they or their families had been in business — in some cases extending over decades. The preponderance of business men as directors is a legacy of the past because the industrialists of today had nearly 25 to 30 years ago strong moorings in business. It is only when they saw the dominating and prosperous character of British companies that they turned their attention to industry and in the process changed over from the family-business-type-organisation to the corporate, shareholders' pattern. It is, however, reassuring to note that the business families are taking into their fold some technical people as well, who have the capacity to face the new complexities of law, accountancy and production techniques.

While the age pattern of the directors in Indian companies shows a healthy trend, the occupational pattern of the directors needs much to be desired. The hold of the family needs to be loosened to a good extent to invite talent from other technical fields. The family tradition is unlikely to measure up to the new problems and the pace of the expansion of industry, business and trade. It is in the interest of the country that more and more trained young men from various fields should be provided opportunities to participate in the growing economy of the country.



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THE WEEK'S NOTES

China

THE REPLY AND AFTER

THE GOVERNMENT OF INDIA'S reaction to China's latest menacing attitude, amounting to issuing an ultimatum to this country to hold negotiations on its three-point proposal and on no other basis, was the only appropriate and honourable course left open to it. It is becoming clearer from the successive statements issued from Peking that Mr. Mao Tse-tung has reached a stage when he is out-Hitlering Hitler. Peking's vituperative language and branding India as the aggressor are not the methods which can induce India to enter into negotiations. If it is Peking's intention to break the nerve of the Government and the people of this country, it is an idle dream. In polite but firm language, Mr. Nehru announced in the Lok Sabha that the basis of negotiations can only be the restoration of the position as it was on September 8, 1962, and no other. He has also expressed the Government's readiness to refer the dispute over the frontier territory to the International Court at The Hague after China vacates aggression. Howsoever appealing this rational course may be, China is neither going to vacate aggression nor has she shown the least respect for international law, obligations or authority.

If India has been firm in her reaction to China's more menacing postures, it is because she finds the consequences ensuing from the acceptance of China's three-point proposal basicaly unthinkable. To concede outright the Chinese claim over the Indian territory between Sinking and Tibet and to accept the 'actual line of control' in the eastern sector, with its sinister implications regarding China's assertion of the traditional and customary border south of the McMahon Line, would amount to allowing China to entrench herself south of the entire Himalayan border. This would give her the easy advantage of striking at India at any moment of her choice on any pretext. It would be no solution to the issues involved in the war, but a weak-kneed compromise yielding to the enemy a perpetual base of military operation.

But the immediate effect of the rejection of China's offer needs to be fully grasped. The cease-fire may vanish any moment as soon as China finds herself free from her internal difficulties to devote full-scale attention to mobilization and further thrusts across our border. First attention needs to be paid to safeguarding the security of Assam.

Non-alignment

PROCUREMENT OF ARMS

THE PROLONGED suspense over the supply of MIGs to India by Russia and over Russia's technical collaboration in setting up a factory for their manufacture in this country has been positively terminated. Mr. Nehru's statement in Parliament makes it clear that the delivery of the initial instalment of the MIG supersonic fighters to India will be effected during the current month of December, while the balance will continue to pour in over the next year and perhaps thereafter. The Russian Government is standing by its original offer to provide co-operation to our aircraft building technicians in setting up a plant for the manufacture of the MIGs for the future expansion of the Indian Air Force.

Meantime the Hindustan Aircraft Limited is going ahead with the manufacture of the selected design of HF-24. HAL has established a tradition, during its brief span, of research and invention and it is no doubt devoting necessary technical skills and outlay on this key sector of the plant. The progress of domestic manufacture of military aircraft has its basic significance from the angle of the long-term defensive preparations. But the problems posed by the Chinese invasion cannot wait over the long term and they demand a solution here and now. Even assuming that the surface war may not be lifted into the air in the near future, the deficiencies in our military air fleets are sufficiently big to demand immediate procurement of aircraft from abroad. In the mountainous terrain where the war started and where it still holds a threat of breaking out abruptly, our requirements of transport planes and helicopters acquire priority importance. Apart from this, there is the standing need for planes for reconnoitring operations. Canadian planes are eminently suited for the mountain operations by reason of their capability to dispense with the conventional airstrips for landing. Canada, therefore, is a strategic supplier to fill our gaps, although in terms of quantity her supplies may not measure up to what we are seeking to obtain from Britain, America and France. These three countries will remove our shortages in respect of transport.

The MIGs are unlikely to make much impact on our requirements in the near future of aircraft to strengthen the defensive effort. This would mean that they do not possess, according to present reckoning, a direct bearing on the Chinese invasion. But the supply of MIGs to India and, what is much more important, Russian co-operation in setting up a factory for their manufacture have been made a root cause of a major controversy and a heated protest by China. In China's view, Russia is guilty of strengthening the air force of the bourgeois and reactionary Government of India. But Russia has her own and correct view of the matter and in a telling manner she has given a retort to China that she cannot be dictated as to how she should direct her policy of arms assistance. This is also a further and unmistakable warning to China to mend in time her adventurous course of aggressive expansionism, in which Russia sees a great threat to the interests of the Communist Bloc itself.

A very heartening aspect of the supply of Russian MIGs (and military stores are also to be procured from Russia by us) is that this policy of non-alignment in the matter of obtaining arms and military equipment has been unreservedly endorsed by Mr. Averell Harriman. Apart from the fact that it signifies Russia's dogged refusal to toe the Chinese line, Mr. Harriman, undoubtedly speaking on behalf of the US Administration, sees in it encouraging signs of India being able to strengthen Russia's attitude of aloofness and neutrality in the India-China warfare. This is of vital importance in the context of the present rift between Russia and China on a number of issues.

Assam Waterways

THE END OF A STRIKE

AFTER A painful and protracted period of over seven weeks of the paralysis of its main water transport services, Assam finds that the way has been cleared for the resumption of normal traffic for export as well as import across the Pakistan territory to Calcutta port. The grounds on which the Pakistani crew of the joint steamer companies, which play an important role in the inland water transport system of Assam, struck work were flimsy. The service conditions of the crew had not been changed to their detriment nor had anything serious happened to the cost of living or other governing circumstances to justify any claims for their alteration. The question of the nationality of the crew was basically objectionable. If the principle of exclusive or majority employment of the crew of a particular nationality is sought to be enforced in international water transport, not only will investment and efficiency of the services be affected but this type of transport will lose its international character. It is of the essence of this transport that the personnel should be selected for their technical skill and merits and not for their nationality. But it is everybody's knowledge that this strike was political to its core. Its timing cannot be explained on any other hypothesis.

Large stocks of tea chests (as well as of raw jute) had accumulated at the gardens and different transit points because of the strike. Their value has been variously estimated, but the important point is that over 50 per cent of the consignments of Assam tea are destined for Mincing Lane, where they earn considerable foreign exchange. The importance of waterways in the transport system of Assam is easily guessed. About 66 per cent of the freight traffic is water-borne, while rail and road carry the remaining 34 per cent at a higher cost and with greater delay. This strike has vividly revealed the serious gaps in Assam's transport system and its vulnerability in relying upon water transport where the collaboration of transport operators from the neighbouring country is indispensable. The Government has now made a decision, not merely in the light of the defence emergency but from the long-range view-point, to strengthen the existing road bridges and to construct new ones in the hills and across the ravines and also to build roads to the extent it is practicable. It is openly recognised that this is going to be a high cost system of transport. But where the considerations are transport under our own control and cheaper transport with the goodwill (with its counterpart of illwill sometimes) of the operators from the neighbouring country, the decision to opt for strategic roads and bridges is certainly advisable.

Brunei

THE NEW TROUBLE SPOT

SINCE THE armed insurrection, led by the secret 'North Kalimantan (Borneo) National Army' broke out in Seria in Brunei and the oil installations were seized by it, events have moved in rapid succession. The insurrection took the Sultan's government completely by surprise and precisely the same was the predicament of the British Government, which, under the agreement of 1959, is responsible for the protection of the Government and the State of Brunei as well as for its defence and external affairs. The actual control of the captured territory and in particular of the air strip by the rebels was not expected to last long in view of the inevitable airlift of British forces to help the Sultan.

The real issue raised by this rebellion goes much deeper than the spread of the insurrection. It has a profound impact on the projected Federation of Malaysia. North Borneo and Sarawak have endorced the proposal to join the Federation along with Malaya and Singapore and the present indications are that the Federation would be launched around the end of August 1963. But Brunei has not yet made her decision, although the available indications show that the Sultan is convinced of the advisability of throwing the lot of his state and people with the Federation.

It is this likely intention of the Sultan to join the Federation that is opposed by certain elements in Brunei of which the secret army is a manifestation. But opposition to the Federation is not a new development emerging from the rebellion. The Rakhyat Party, led by Mr. M. Azahari, which has captured all the sixteen elected seats in the Legislative Council of Brunei (with a proponderance of nominated members) has led the opposition to the federation. This Party's contention is that there should be a federation of North Borneo, Sarawak and Brunei. Mr. Azahari was in Manila at the time of the outbreak of the insurrection, already engaged in an attempt to plead his case at the United Nations. It will be recalled that the Philippines has revived a far-fetched claim, based on some tenuous past historical evidence, to parts of North Borneo, but the Philippine Government does not seem to be fully aware that the opposition to the federation derives real inspiration from Peking acting through the Communist Party of Indonesia and the pro-Communist Socialist Front in Singapore. The composition of the population in Brunei is also stated to be a factor in Indonesia's sympathies for the rebel elements. Many of the Brunei-born Malays have close family ties with Indonesians. Indonesia's moral support to the rebels is not limited to the Communist Party. President Soekarno and his Information Minister have made public pronouncements welcoming the new movement in Brunei for full independence. There is no evidence to assume that the rebels have a broad base or countrywide support and the project of the Malaysian federation may well be achieved as contemplated. But Brunei may be strengthened and developed as a Communist trouble spot.

The Press

CARE AND CAUTION

MR. LAL BAHADUR SHASTRI'S address at the Standing Committee of the All-India Newspaper Editors' Conference has received the careful attention it deserves in the Press throughout the country. The tone of Mr. Shastri's speech can readily be appreciated when the fact is fully borne in mind that the role which a Home Minister has to play during a war emergency is very difficult to fulfil. The Press in India has always enjoyed a wide latitude in the expression of its views and comments as well as in the reporting of news and current events. But there is the equally important aspect of this latitude which is that it has been richly merited by a consistently creditable performance. This does not, of course, refute Mr. Shastri's point that in some sections of the Press there has been an improper use of this latitude. It was in a mood of a mild warning, rather than of resentment, that he made a specific reference to the editorial comments in a few papers having produced the effect of impeding the war effort. It is here that strict warning for initial lapses and appropriate action under the Defence of India Bill may have to be resorted to by the Home Minister.

Mr. Shastri also dilated on the place of prominance assigned by the Indian Press, by and large, to our military unpreparedness and reminded his audience that its effect could not but be to undermine the morale of the public and also of the armed forces. This criticism can hardly be accepted. Unpreparedness on the part of the Ministry of Defence was an undisputed fact and our initial reverses have been explained mostly in terms of lack of preparation as much as in terms of the sudden and massive invasion launched by the enemy. Now after the right steps have been taken to obtain armaments and equippment, the issue of unpreparedness has become a thing of the past and a reference to it was not called for at this stage. In a democracy the role of the Press is really difficult, since it cannot discharge its functions, unless it is candidly but honestly critical of the actions and policies of the Government. The bona fides of the Press must be presumed, unless the presumption can be rebuted in particular instances.

The Press is, of course, wide awake to its responsibility during the emergency and it fully realizes that it has to exercise due caution and care both in the presentation of news as well as in the expression of views. National defence requires that there should be, as far as possible, unanimity in approach and action and this is what the Press has actively sought to expound since the outbreak of the Chinese war. The anxiety of the Press in the matter of exercising restraint and caution is fully borne by the proposal mooted by the AINEC to appoint a Central Committee to assist the Government in taking appropriate action against defaulting newspapers. It will be the task of this committee to offer advice and to attempt to rectify the wrong attitudes of any particular newspaper, in the first instance. But when it comes to any governmental intervention, it will not be found wanting in placing its full co-operation at the disposal of the Government.



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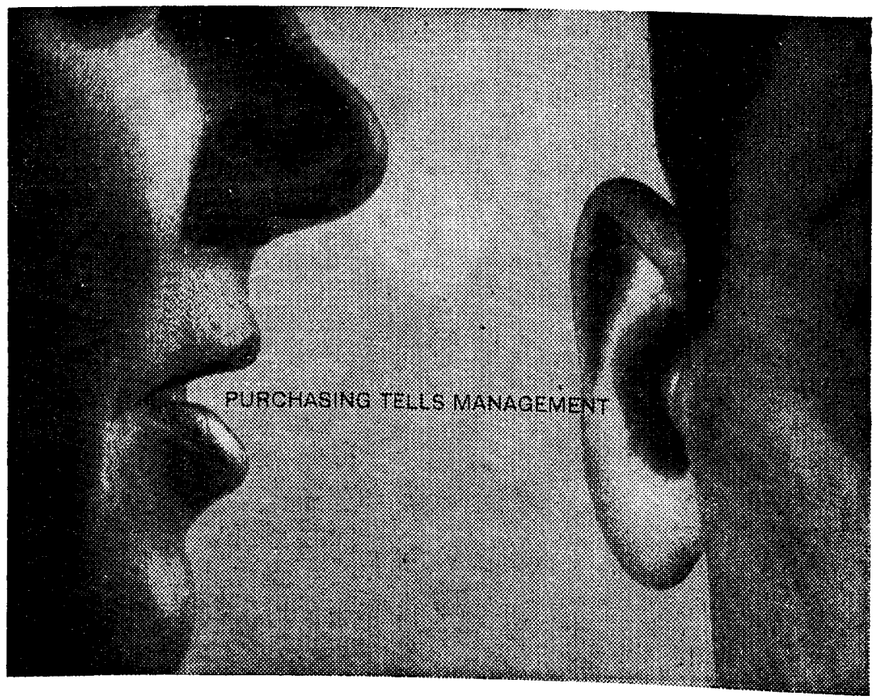
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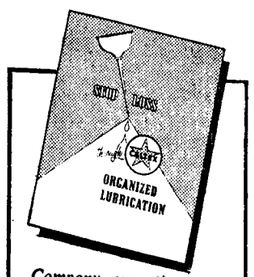
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The World Abroad

WORKING DAYS LOST IN EUROPE

By ODYSSEUS

MOST INDUSTRIALISED COUNTRIES are struggling with cost-push inflation. They attribute their troubles largely to rising labour costs. This had led to a spate of studies of Wages policies. As the November issue of the "Westminster Bank Review" (41 Lothbury, London. E. C. 2.) points out, the term "Wages Policy" has several meanings.

One, which covers both wages and other forms of income, such as dividends, is better described as an Incomes policy. A second is the limitation of wages in accordance with government policy. A third emphasises the machinery for settling wage disputes, and the way in which it can be improved. We will here discuss the second and third senses.

There are 18 industrialised countries in the free world, in all of which the machinery for securing wage agreements and dealing with disputes is broadly similar. Most labour forces are normally covered by collective agreements between employees and employers. Disputes arise either (a) because of differences in the interpretation of an agreement or (b) during the negotiation of a new agreement.

Most of the differences in national procedures are in the way of settling disputes. The distinction between (a) disputes over the interpretation of an existing agreement and (b) those arising from the negotiation of a new agreement is incorporated in the labour laws of the Scandinavian countries, where strikes or lock-outs are prohibited as means of settling disputes over interpretation—called "conflicts of right". Failing agreement in such cases, an award is made by a labour court, whose decision is binding. Several other countries, including Australia, France, and the Netherlands, also follow this procedure.

It is normal for industrial action in defiance of the provisions of a collective agreement to be illegal (though not in the UK, Israel, or Japan). Perhaps the most important variation in the form of collective agreements is that in some countries they are valid for the same period and expire simultaneously, say, every other year. This leads to a regular succession of wage rounds as new agreements are negotiated. This is usual in Denmark, Norway, Sweden, Germany, the Netherlands, Eire, and Japan, where, since stoppages usually occur between agreements, strikes and lock-outs are concentrated in certain years.

Table I compares time lost by stoppages in 18 countries. To even out bad and good years for stoppages, combined figures are given for five successive years. The absolute total of man-days lost in stoppages means little but, when related to the number of working days

TABLE I.

	Employed civilians (average 1956-60) millions	Total annual holidays days	Working days per man per annum	Total working days (1x3) (average 1956-60) millions	Days spent on holiday (1x2) (average 1956-60) millions	Working days lost in stoppages (average 1956-60) thousands	Days lost in stoppages per million days worked (average 1956-60)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Switzerland	2.5*	135	230	575*	338*	1.4	2.4
2. Sweden	3.5†	137	228	798†	480†	23	29
3. Austria	3.5	122	243	851	427	73	86
4. W. Germany	24.4	133	232	5,661	3,245	707	125
5. Netherlands	4.1	113	252	1,033	463	148	143
6. Ireland	1.1	97	268	295	107	94	319
7. Japan	43.2	76	289	12,485	3,283	5,440	436
8. France	18.8	135	230	4,324	2,538	1,938	448
9. Israel	0.7	115	250	175	81	89	509
10. Denmark	1.6	106	259	414	170	237	572
11. Norway	1.4	132	233	326	185	220	675
12. UK	23.8	123	242	5,760	2,927	4,450	773
13. Australia	2.9	128	237	687	371	656	954
14. Italy	18.9	105	260	4,914	1,985	5,581	1,136
15. Canada	5.8	125	240	1,392	725	1,757	1,262
16. Belgium	3.4	130	235	799	442	1,270	1,589
17. U.S.A.	65.2	127	238	15,518	8,280	32,320	2,083
18. Finland	2.1‡	141	224	470‡	296‡	1,553	3,304

Sources: Mainly ILO 'Year Book of Labour Statistics', 1961; OECD 'Manpower Statistics', 1950-60. See also sources for Table II.

Notes: *Average of 1955 and 1961. †Average of 1955 and 1960. ‡Average 1958-60.

in each country, an international "league table" of proficiency in avoiding stoppages emerges.

Noting that the UK stands twelfth out of 18 countries in this table, the "Westminster Bank Review" points out that any effort to reduce the number of UK stoppages is worthwhile only if they have in themselves a serious effect on the economy, and are not simply symptoms of deeply rooted labour conflicts, which ought to be tackled at their sources. Table II shows the stoppage problem in perspective by comparing the number of days lost in stoppages with the number lost as holidays. Column D shows that the ratio of holidays lost to stoppage losses ranges from nearly 250,000:1 to 191:1. Even in Finland, the reduction of public holidays by one day would secure far more work done than would a reduction in the number of stoppages. Another way of presenting the same truth is to show that an average worker in Finland spends 141 days on holiday and less than one day in a year on strike (See column 2 and E). In some countries, however, such as the UK, where there are fewer public holidays, it would be difficult to reduce them without public clamour, and even less practicable to suggest that other forms of holidays be reduced.

WHAT ABOUT INDIA ?

It would be instructive to draw up similar tables compring working days lost in strikes and in holidays in India, where the Government of India recognises no fewer than 23 national holidays in the year and individual states recognise many more. In Bombay, for example, special holidays covering Hindus, Parsees, Sunni Muslims, Shia Muslims, Jews, Jains, Hindus from Sind, Sikhs, and Christians add on another 30 days. Allowing for week ends and conservatively assuming ten days paid holiday in the year, that would make a total of 141 non-working days in the year in Bombay. How much would the Five-Year Plan gain if, for the duration of the present national emergency, holidays were halved ?

It is also possible to show statistically that absence on sick leave causes infinitely more days to be lost than strikes. In Germany, for example, it is estimated that, in 1961, on any one working day as many as 1,300,000 insured workers were absent sick, which means that the working population was reduced by over 6 per cent. The "Westminster Bank Review" suggests that steps taken to improve public health would reduce sickness absence. Possibly. But this has not been established in Germany, where since the practice has been inaugurated of granting sickness benefits on full pay from the third day of absence, instead of from the fourth day and on half pay, the number of absentees has risen by nearly 500,000 workers. May be some of these added 500,000 did not previously report sick when they were. But to combat this unforeseen rise in sickness in Germany, proposals are being discussed that each insured patient should make some contribution to his medical costs. Needless to say, these proposals are being fiercely resisted.

However, speculations about increasing efficiency by imprving national health or by reducing public holidays should not divert us from the problem of loss of production by strikes.

We will return to this next week. It will make next week's article clearer if you would be good enough to keep by you the tables published this week.

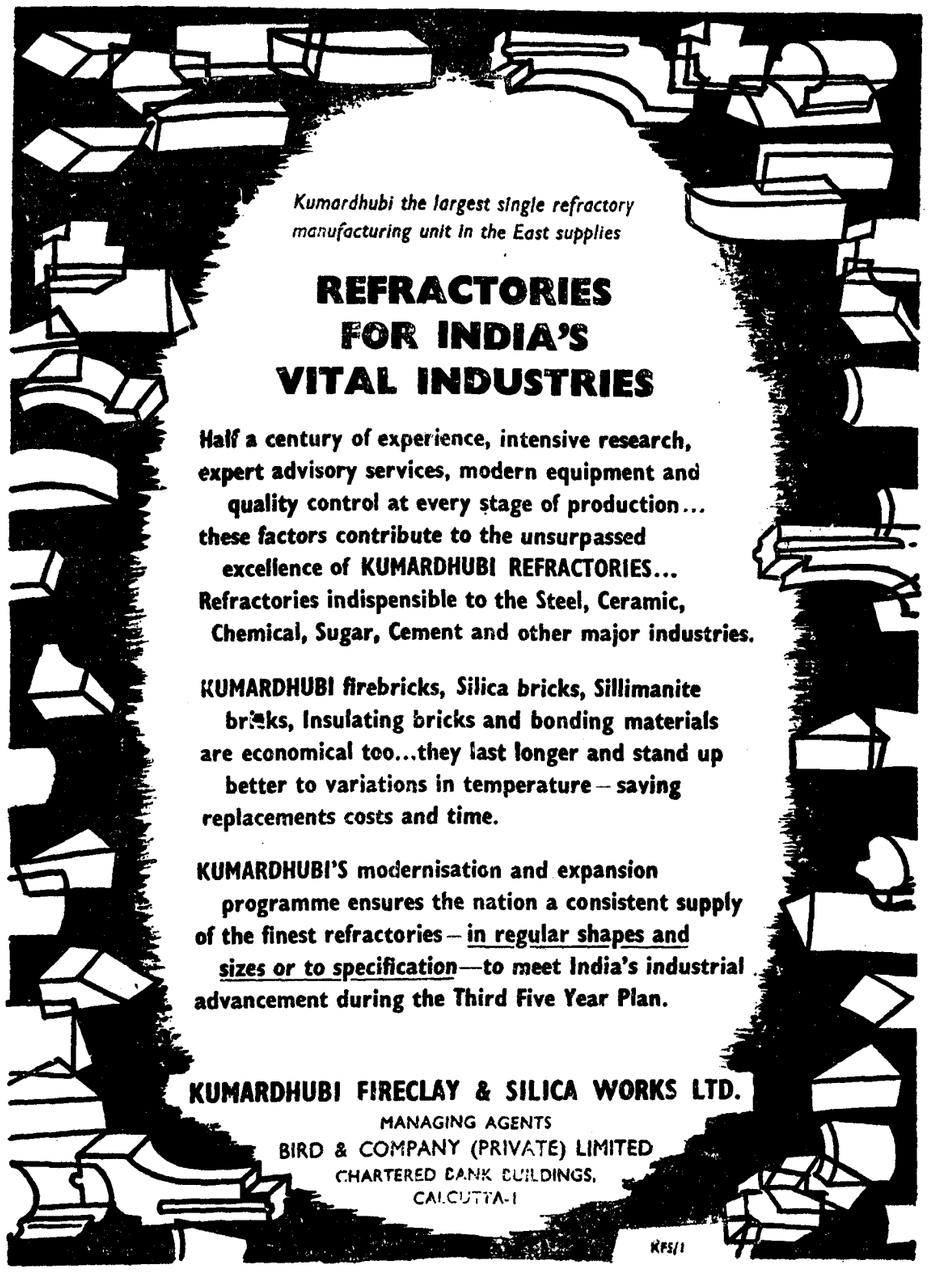
TABLE II.

DAYS PER ANNUM

	Public holidays	Weekends	Annual holidays from employer	Spent on holiday for every one day's stoppage (Table I Col.5 ÷ Col. 6) average 1956-60	Lost by stoppages per 1,000 persons employed (Col. 6 ÷ Col. 1) average 1956-60
	A	B	C	D	E
Switzerland	10*	104	14-28	241,429	0.6
Sweden	15*	104	18	20,870	6.6
Austria	13	78-104†	12-24	5,849	21
W. Germany	11	104	12-24	4,590	29
Netherlands	8	78-104†	12-15	3,128	36
Ireland	8	78	11‡	1,138	85
Japan	9	52	12-18§	603	126
France	10	104	18-24	1,310	103
Israel	22	78	12-17‡	910	127
Denmark	10	78	18	717	148
Norway	10	104	18	841	157
UK	7	104	12+	658	187
Australia	11	104	10-15	566	226
Italy	17	78	10+	356	295
Canada	11*	104	5-15	413	303
Belgium	14	104	12	348	373
USA	8*	104	12-20	256	496
Finland	19*	104	15-20‡	191	740

Sources : Mainly Board of Trade and Ministry of Labour Gazette.

Notes : *Average for country. †Changing during the period 1956-60. ‡Embassy sources. §Bank of Tokyo.





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The European Scene

PLANNERS AND LIBERALS IN THE ECM

From Our West European Correspondent

PARIS, December 8.

A CONFERENCE that closed in Rome on Sunday had for its theme "European economic programming and national economic programming in the Common Market". Its purpose was far from academic; it was the first full-dress effort to sound out member-governments' reactions to the suggestions of the ECM Commission regarding a Common Market plan. ('The Eastern Economist', Nov. 9). On the dais were M. Pierre Masse, Commissioner General of the French plan; Baron Kervyn de Lettenhove, Administrator of Belgium's Bureau of Economic Programming, set up three years ago; M. Tims, from the directorate of the Central Plantbureau that has been at work in Holland since 1945; and professor Pasquale Saraceno, vice-president of the National Economic Programming Commission established in Italy last August. In short, the chief agents of planning in those Common Market countries that are now writing plans, under whatever name. The absence of West German representatives holding similar responsibilities is normal, for Bonn is still dogmatically opposed to planning, but M. Langer, director of the Federal Republic's Commerce Ministry, and professor Meinhold of Heidelberg were there to present the official German case. These two gentlemen were indeed the stars of the show, because the audience of officials, industrialists and trade union leaders were waiting for their version of Dr. Erhard's regular, angry outbursts against planners.

There was no outburst and in fact the measure of agreement that emerged was surprising. So much so that M. Robert Marjolin, the French socialist who is the author of the ECM Commission's proposal for a European plan, could say at the end, "There is a lot of work that we can do together and in complete unanimity in the next two years". In other words, the Commission drew the encouraging conclusion that its general programme has been well received, so that it is free to begin putting up specific proposals to the Council of Ministers of the Six as from next month. Agreement was possible because both sides tried to break down the simple contrast of planning versus free enterprise; this black-and-white dogmatism is a caricature of their real positions, although it is obvious that differences of opinion remain between the German "liberals" and the rest of the Europeans. M. Marjolin began by saying, "in order to remove all misunderstanding", that he accepted the basic thesis of the liberals: "In a free economy, wherever competition is not too imperfect, the market mechanism ensures the best utilisation of available resources". The Germans met him half-way. M. Langer declared, "In actual practice we are not very far from each other", and Professor Meinhold said, "We are in agreement about a certain minimum" which he went on to define generously enough to leave open the prospects of a European economic "programme".

This is a suitable point at which to emphasise that the controversy about planning that now engrosses the Common Market is by no means a Germans-versus-the-rest match. There are planners and "programmers" in West Germany and some of them happen to be at the head of the country's biggest businesses; and, while the liberals have their most eminent spokesman in Dr. Erhard, they are well represented in France, the home of democratic planning. It was M. Jacques Rueff, principal architect of de Gaulle's 1958 stabilisation operation, who teased the planners during the Rome symposium by comparing them with Chantecler, the rooster who thought he made the sun rise by crowing at dawn. The performance of the French economy, he said, could be explained by the working of the market mechanism much more than by the interventions of the planners. And on Tuesday of this week M. Pierre Bercot, boss of the Citroen automobile company, delivered in the Sorbonne an attack on planning that Dr. Erhard would have signed with both hands.

"There is", declared M. Bercot, "total incompatibility between planning and the automobile industry". You cannot plan in our industry, he went on, unless you plan the consumer's choice for him and unless you plan all foreign motor car manufacturers too—"so are you going to plan the whole world?" What's more, he added, you cannot fiddle about with a plan in course of implementation, if it goes wrong, unless you show how manufacturers are going to amortise the cost of previous wrong decisions; and your plan has to be open enough to leave room for the manufacturer who upsets the apple cart by discovering some new improvement in automobile engines. Actually the planners are not as ignorant of these facts as M. Bercot pretended to believe. More important, two developments this week show that, in turn, the automobile manufacturers are not as indifferent to programming as all that. Firstly, the French car makers managed for the first time in their history to form an industrial association, to be presided over by M. J.-P. Peugeot. After ignoring each other for several generations, they will henceforth have a common meeting ground. Merely to form an industrial association does not show a drift to planning, but in this case it is obviously dictated by anxiety about the consequences of unlimited competition in a market that is getting dangerously chaotic. Secondly, the motor car firms have just received the ECM Commission's study on the likely evolution of their industry and its market between now and 1965—a report they helped prepare and which will be of great use to them in deciding investments in the next few years. Association and joint market research happen to be what the adversaries of the liberals mean by planning, so one understands why M. Langer could say that in practice the two camps are closer than might appear.

For example, in Rome last weekend there was little disagreement when M. Marjolin, after accepting the superiority of the free market mechanism in many situations, went on to say that four things nevertheless made some sort of planning necessary. The first was the existence of domains where the market mechanism could not work: agriculture, house-building, power supply and transport. No European government leaves these sectors "free" and it was only reasonable to coordinate intervention, both as between these non-competitive sectors and between them and other free parts

of the economy. Related to this was the appearance of monopoly in other sectors, which were thus virtually removed from the operation of free markets; there, M. Marjolin favoured tougher anti-trust legislation. The second was the role of the State (which is just as extensive in West Germany as elsewhere, despite some official hypocrisy about liberalism); no liberal theory can justify the absence of co-ordination between governmental administrations and agencies which play a dominant role in the economy whether we like it or not. At the present pace of expansion of the national product (around 5 per cent yearly), the State's revenues will double by 1970 in the Common Market countries and it is rational to look ahead and ask how these immense resources will be used.

The third factor is the universal desire to avoid the cycle of boom and slump in Western economies, to which economic prevision could contribute. The fourth and last is the prospect of extensive social consequences flowing from the reorganisation of European industries as the Common Market comes into effect. A new international division of labour is being brought about and no democratic government will want to leave to chance the impact of this on employment and on regional development. The free movement of capital between the six countries will make ineffective existing national controls over the flow of investment; this introduces a new element of insecurity which programming should seek to reduce. This point alone, incidentally, was regarded by the bankers present in Rome as sufficient reason to attempt some sort of European programming.

The Germans did not so much disagree with all this as insist on the distinction between flexible, short-range planning, which they accept, and attempts to decide the longer-range (over two years) development of an economy in the framework of a unique plan. Even for this longer term, they accepted the practice of "projections" into the future, such as the Uri group's forecasts of West Europe's evolution up to 1970 ('The Eastern Economist', Nov. 30). They were anxious, however, that such projections be prepared by independent economic experts and not commit the government, and that they be put forward in the shape of several alternative hypotheses between which entrepreneurs be left free to choose. They did not dispute the need of programming in sectors dominated by government, and in fact gave examples of the disastrous consequences of rigid, unco-ordinated adminstrative action in West Germany (in housing notably). Their main idea was that planning should be kept short-range and supple; there should be no one fixed plan, but a series of plans that could be brought out of the cupboard depending on the evolution of business activity and foreign trade from year to year.

From this meeting of minds, M. Marjolin claimed to be able to extract the European consensus on the issue. Everybody, including the West Germans, he said is agreed on the following points. Short-term previsions are possible and desirable. There should be long-term programmes for public investment and for all sectors where government intervention makes the free market an illusion. There should be long-term programmes, too, for agriculture and for regional development (depressed areas and the like). The ECM Commission should go ahead drawing up long-range projections for the Common Market economy as a whole, given that it adopts the system of alternative hypotheses. These hypotheses should not differ too much from one another; that is, the programmers must be fairly definite about the range of possible development curves, so that when entrepreneurs chose the one that seems most likely in their eyes they will not be acting on wildly conflicting assumptions. There was no formal vote on this concluding synthesis, but if M. Marjolin is correct in saying that all the Common Market capitals are agreed about so much, then there is plenty of room for an empirical beginning with a European plan as from next year.

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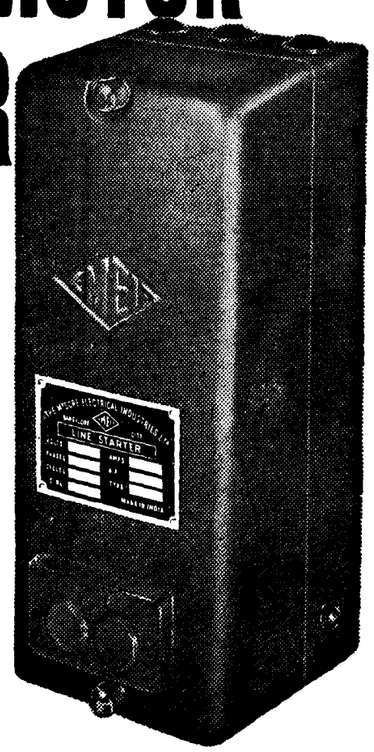
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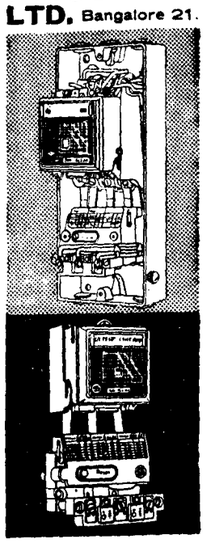
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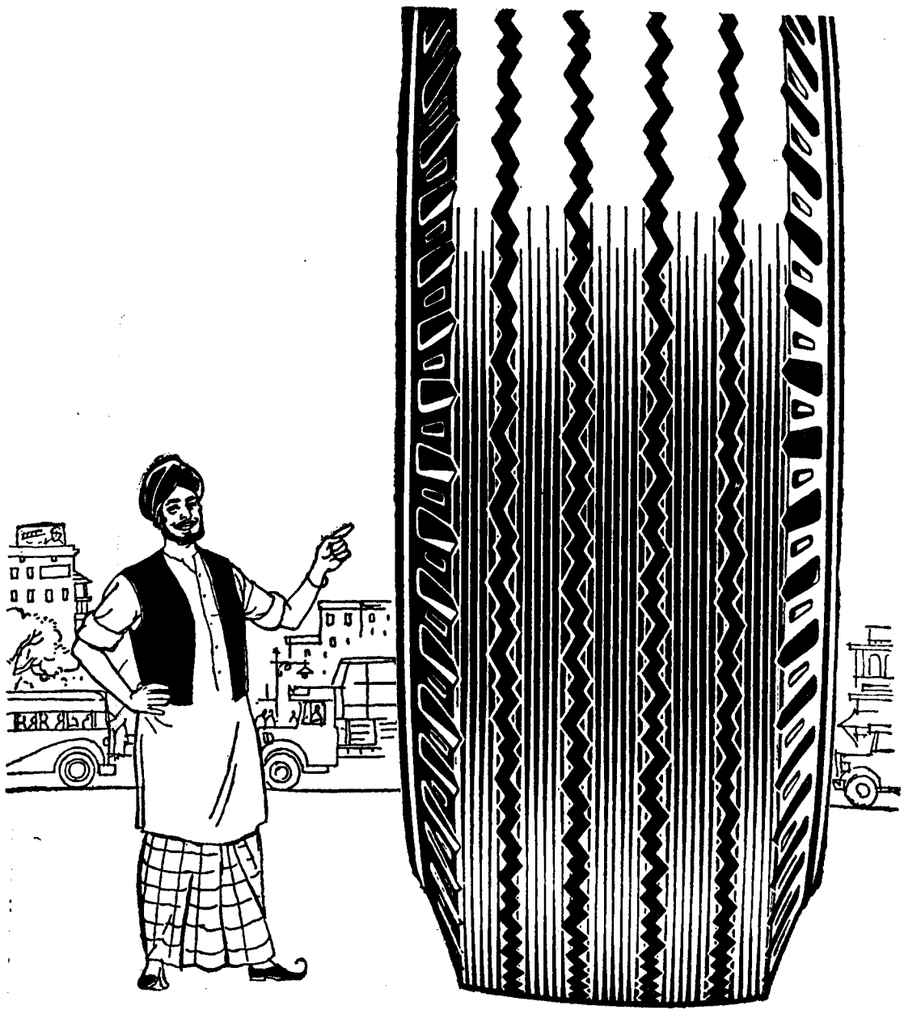
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TRADE WITH AID

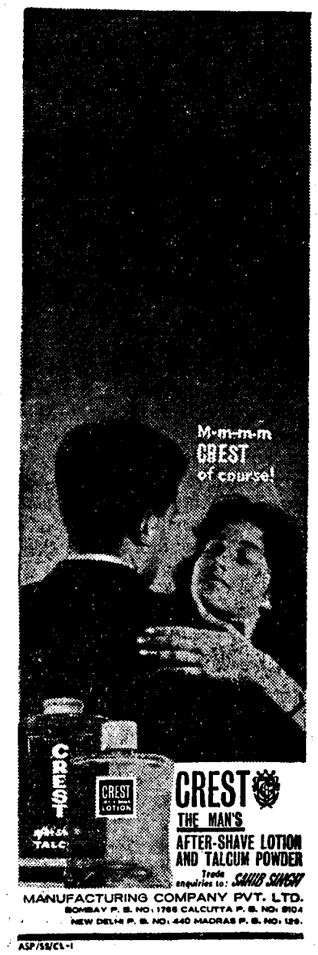
By GUY SIMS FITCH

WASHINGTON, Dec. 5.

THE inter-relationship between aid and trade is vital. This is a statement that has particular relevance to the economic growth of less-developed lands which are heavily dependent on both. It is of more than passing significance, then, that the governing ministerial council of the Organization for Economic Co-operation and Development (OECD) has adopted a resolution stressing the inter-dependence of aid and trade. The resolution, sponsored by US Under-secretary of State George Ball, unanimously recommended that the organization's 20 member-states formulate concerted policies in these two fields. What can be called the "trade with aid" approach emerged in a communique from Paris last week winding up the two-day ministerial session of OECD, which comprises the United States, Canada, and the countries of Western Europe. The communique in effect proposed that OECD nations take action to increase the volume and effectiveness of their aid to less-developed countries, and widen their markets to the exports from those countries. As Mr. Ball pointed out, it hardly makes for enlightened public policy to help newly developing lands expand and diversify their production, and then maintain trade restrictions that tend to frustrate those efforts and exclude that production from the expanding OECD markets.

The amount of assistance involved is quite substantial. A compilation by OECD's Development Assistance Committee (DAC), of which Japan also is a member, shows that free industrial nations last year handed out no less than $8,700 million in foreign aid, of which more than half—some $4,600 million—came from the United States. Just what the OECD nations, as a group or individually, can or will do to improve the export possibilities of less-developed areas remains to be determined. But the importance of their unanimous resolution as a statement of principle is not to be depreciated—especially since together they account for nearly two-thirds of the world's import trade. What has been said may have special reference to present and potential markets for light manufactured goods, but it applies also to primary products, which contribute importantly to the export earnings of many newly developing lands. It is with this in mind that the US has been interested in trying to assure greater market stability for these products, as in the case of the recent coffee agreement, even while stressing the need for diversification of production. The US interest in market access extends with equal force to the common agricultural policy now being drawn up by the European Economic Community (EEC), or Common Market whose six members also are members of OECD. Mr. Ball took the occasion of the OECD Ministerial meeting to reinforce the views expressed in Paris a week earlier by US Agriculture Secretary Orville Freeman, calling upon the EEC to adopt an agricultural policy that will be liberal rather than restrictive in its effects. A common agricultural policy is recognized as an integral part of the Common Market mechanism, of course, but by the same token, a policy that widens rather than narrows the channels of trade is viewed as properly in keeping with the EEC's growing strength and international responsibilities.

This is important not only to the United States, but to all countries both industrial and less-developed, with sizable agricultural exports. It is clear from all this that OECD is a body with wide-ranging international rather than strictly regional interests. It began its operations only little more than a year ago, yet it already has emerged as an organization with considerable current and even greater potential significance to the advancement of countries throughout the world. OECD is not without its internal activities, of course, particularly in the examination of the economic positions and policies of its members. Thus, its communique also noted that no substantial production slow-down is imminent in Western Europe, but recommended that if the need for expansionary policies should arise, member countries act promptly and in concert. The communique also gave full support to measures to accelerate the economic expansion of the US, whose production of goods and services represents 60 per cent of all OECD output. This is in line with President Kennedy's avowed intention to boost US economic activity through early tax cuts and other steps.



Special Article

WHEN DOES THE OVERHAUL OF A VEHICLE BECOME UNECONOMICAL?

By Brigadier K. PENNATHUR, B.E., M.I.S.E., M.B.I.M, F. Inst. W.S.

THE economics of overhaul of vehicles is a very vast subject. In my survey, lasting over a year, the scope was limited to the critical analysis of three factors. Firstly, the basis for the frequency of overhauls was examined (whether it should be after a fixed period of time or fixed number of kilometres or after a specified fall in operational efficiency or a combination of these). Secondly, the optimum extent of work to be carried out in progressive overhauls was studied. Thirdly, the progressive stage beyond which an overhaul becomes uneconomical was scrutinised. This article deals with the third aspect of my survey: When does the overhaul of a vehicle become uneconomical?

People have diverse views on the number of progressive overhauls that may be carried out on a vehicle. Some people believe in changing their vehicles after a relatively short period of use.

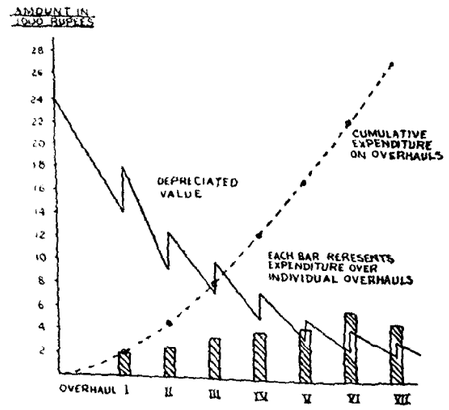
Many transport operators use their vehicles to the very end, sandwiching as many overhauls as possible. Some use their vehicles for a fairly long period, with one or two overhauls in the course and then sell the vehicles off. There are some engineers of the view that the life of a vehicle can be perpetuated, almost without limit, provided they are thoroughly overhauled periodically. When there is a shortage of vehicles, it would be quite natural and correct to keep the existing fleet 'on the road' for as long as possible, by carrying out a large number of periodic overhauls. When the aim is to own the latest model, changing the vehicle every year would be the answer. But, under normal circumstances, where the supply can meet the demand and when the aim is maximum return for the money invested, the optimum stage in progressive overhauls, beyond which it would be uneconomical to carry out further overhauls, needs to be determined to a fair measure of accuracy.

When a vehicle is in operation, its functional efficiency and external presentability decrease with usage. The aim of an overhaul is to render, to the extent possible, the condition of the used vehicle to a state of efficiency comparable with that of a new vehicle. A common fallacy is that an overhaul can render a vehicle as good as new. An overhaul would raise the efficiency of a vehicle but can never make it as efficient as a new one, unless there is a total replacement of all components and assemblies. The degree by which the efficiency of a vehicle is raised by an overhaul would depend on the scope and extent of overhaul.

From my survey, the case study of lorries 3 Ton 4 x 2, (petrol), used as load-carriers, is taken as a specific example for discussion in this article. The figures quoted are based on the average of 700 vehicles.

In transport operation for load-carrying purposes, the periodicity of overhaul was, almost universally, based on the mileage done. The first overhaul was undertaken after 55,000 Kms of operation and subsequent overhauls after 39,000 Kms of operation. The majority of vehicles were overhauled 7 times during their life. The overhauls were confined to the optimum amount of work and replacements necessary to bring up the operational efficiency of the vehicles.

Graph A brings out the relationship between the cost of overhauls and the depreciated value of the vehicle. The cost of overhauls is shown in two forms: expenditure on each overhaul (as a bar chart) and the cumulative expenditure on progressive overhauls (dotted curve). After the first overhaul, the cost of which is Rs. 2,000, the value of vehicle had appreciated by Rs. 4,000. At the third overhaul, the expenditure on overhaul equalled the appreciation in the value of the vehicle, as a result of the overhaul. From the fourth overhaul onwards, the expenditure on overhauls



GRAPH-A

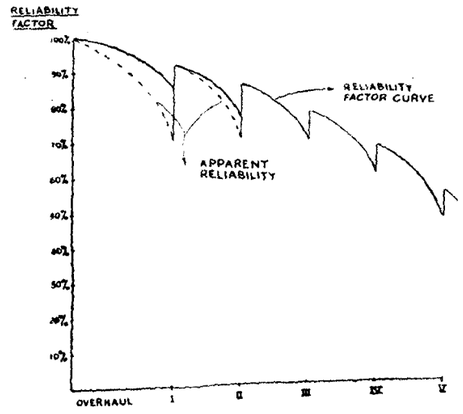
had been more than the resultant appreciation in the value of the vehicle. Solely from this point of view, only the first three progressive overhauls appear to be economical. But, there are two further considerations to be taken into account. Firstly, how 'reliable' is the vehicle after each overhaul? In other words, what is the index of its functional efficiency? Secondly, for the expenditure incurred with each overhaul, what is the extent of earnings?

Graph B gives the fluctuations in the Index of Reliability. The Reliability factor is the assessed probability of efficient performance by a vehicle. The figures are subject to a variation of +/—2½ per cent. The minimum acceptable index for reliability must necessarily vary from situation to situation. An army, fighting a war, may not accept a reliability factor lower than 85 per cent. A person operating in a city might accept a factor as low as 50 per cent. For normal conditions, the acceptable minimum lies around 70 per cent.

From Graph B, it would be seen that the Reliability factor remains above 70 per cent upto the third overhaul. After the third overhaul, it goes up to 78 per cent but gradually drops to 61 per cent at which stage the fourth overhaul is undertaken. It would be of interest to note that the Reliability factor does not fall below 70 per cent till after §th of the interval between the third and the fourth overhauls. Hence, for 70 per cent Reliability (which is the normal minimum acceptable), operation must cease after a run of approximately 24,000 Kms after the third overhaul.

Many truck operators accept the risk of a minimum

limit of 60 per cent Reliability. There are some more who accept figures even below 60 per cent, but the risk is too great for safety and smooth operation of schedules.



GRAPH-B

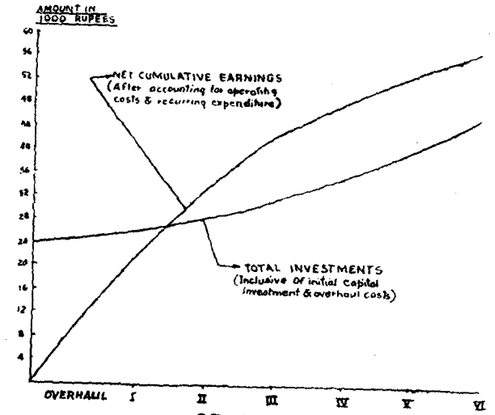
Hence, any figure below 60 per cent is not worth considering. For those operating on a minimum of 60 per cent Reliability, about 22,000 Kms after the fourth overhaul is the safe limit, beyond which the vehicle should be disposed of.

Reverting to the acceptable minimum of 70 per cent Reliability, the safe operating limit would be 24,000 Kms after the third overhaul.

Graph C shows the relationship between the net cumulative earnings and the total investments. The net cumulative earnings were arrived at after deducting from the gross cumulative earnings the cumulative operating costs (fuel, oil, lubricants, driver's wages, vehicle maintenance and establishment overheads) and the cumulative recurring expenditure (insurance, vehicle tax, and replacement costs in respect of tubes and tyres). The total investments are the sum of the capital investment in the purchase of the truck and the cumulative cost of progressive overhauls. Although, at first glance, it might appear that, after the break-even point (after 70,000 Kms of operation), there is a steady return, it is worth examining the details of the return.

Table I below brings out the proportion of the net cumulative earnings to the total investments at various selected stages.

The results obtained in columns (e) and (f) are presented in Graph D. The curve representing column (e), i.e., excess of total net earnings over total investments reaches a maximum at Stage A marked in the graph. But, the second curve, representing column (f), i.e., percentage of the cumulative gains (excess of total net earnings over total investments) based on total investments shows that the increase in return stops at Stage B marked in the graph. It would, thus, be appa-



GRAPH-C

TABLE I.

Serial number	Stage	Net cumulative earnings (Rs.)	Total investments (Rs.)	Excess of (c) over (d) (Rs.)	Percentage of (e) over (d)
(a)	(b)	(c)	(d)	(e)	(f)
1.	On 70,000 Kms of operation	27,000	27,000	0	0
2.	On II overhaul	34,000	28,500	5,500	19.2%
3.	On III overhaul	43,000	32,000	11,000	34.4%
4.	On 24,000 Kms after III overhaul	47,000	34,000	13,000	38.2%
5.	On IV overhaul	49,000	36,000	13,000	36.1%
6.	On 22,000 Kms after IV overhaul	52,000	38,500	13,500	35.1%
7.	On V Overhaul	54,000	40,500	13,500	33.3%
8.	On VI overhaul	57,500	46,500	11,000	23.9%

rent that the stage where economic operation ceases is about 22,000 Kms after the III overhaul.

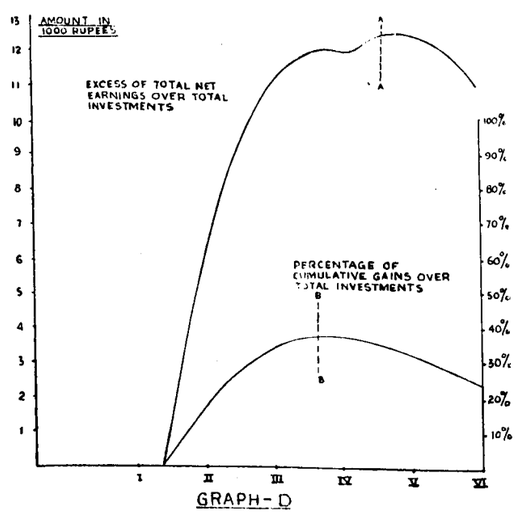
The overall assessment is given in Table II below.

The verdict of Table II is quite clear. The operation of the lorry must cease immediately after the III overhaul.

A very pertinent question that may be posed is how the truck operators in India carry on very much farther than the VI overhaul stage and still manage to render the operation a profitable proposition. A case, very relevant to this issue, is that of an operator in Dehra Dun. His gross gains had shown an upward trend till 24,000 Kms after the seventh overhaul.

The conditions on which the conclusions of this article are based may be recapitulated: that conditions are normal where the supply is able to meet the demand in full; and that overhauls are the optimum necessary to bring up the functional efficiency of the vehicle. Let us examine these in the light of conditions currently prevailing.

Conditions are, definitely, not quite normal. The demand is much greater than supply. This brings about, in its wake, three effects. Firstly, the depreciated value of the vehicle is very much higher than what it should be. In Dehra Dun, a lorry after the VII overhaul fetches a handsome price of Rs. 13,500. Secondly, the charges of transportation are higher than normal figures. The result of this is higher earnings. A reference back to Table II would bring out the fact that appreciable increases in columns (d) and (f) would raise the values in column (g) so as to make the operation profitable even beyond serial 8. The third effect of the demand being greater than the supply is acceptable in the lowering of the minimum acceptable Reliability factor. As mentioned before, there are quite a few operators who run the risk of a figure even below 50 per cent. Also, the condition of 'optimum' repairs and replacements is not generally followed by many operators. The risk of further lowering the Reliability factor is cheerfully accepted. In several cases, the operation is on an owner-driver basis with the result that there is a fairly reasonable level of apparent gains, because the wages for driving are additionally taken into account. The result of all these factors is prolonged operation of lorries, on a reasonably profitable basis, but with the attendant lowering of reliability and safety standard beyond normal acceptable minimum. In all cases, without exception, the rate of gains per Km run had dropped very gradually after the III overhaul stage.



GRAPH-D

The facts and figures quoted in this Paper are for standard conditions, but they can be used with a reasonable degree of accuracy, provided correction factors are employed, to suit existing conditions.

TABLE II.

Serial No.	Stage	Total investments (Rs.)	Depreciated value (Rs.)	Loss due to depreciation (c)—(d) (Rs.)	Cumulative net earnings (Rs.)	Cumulative gross gains (f)—(e) (Rs.)	Reliability factor
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1.	On 70,000 Kms of operation	27,000	15,500	11,500	27,000	15,500	88%
2.	On II overhaul	28,500	12,500	16,000	34,000	18,000	86%
3.	On III overhaul	32,000	10,000	22,000	43,000	21,000	78%
4.	On 24,000 Kms after III overhaul ..	34,000	7,500	26,500	47,000	20,500	70%
5.	On IV overhaul	36,000	7,500	28,500	49,000	20,500	68%
6.	On 22,000 Kms after IV overhaul ..	38,500	5,000	33,500	52,000	19,000	61%
7.	On V overhaul	40,500	5,500	35,000	54,000	19,000	54%
8.	On VI overhaul	46,500	4,500	42,000	57,500	15,500	—



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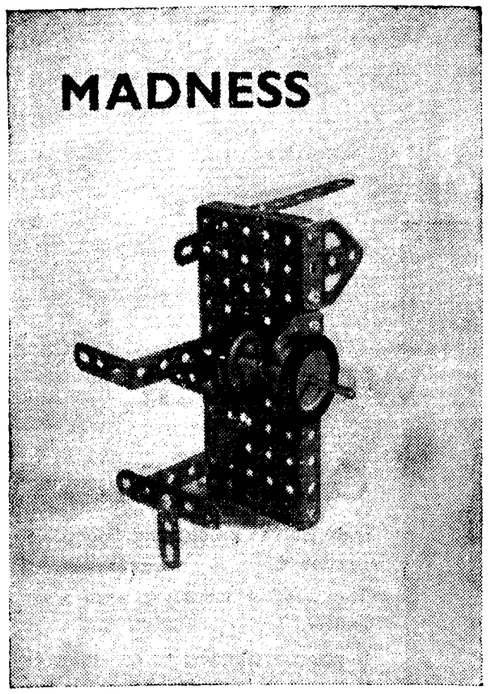
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THE BUSINESS WORLD

The Future of the Sterling Area

By PAUL BAREAU, Editor, The Statist

IT is not only Commonwealth trade and commercial preferences that are at risk in the continuing negotiations for Britain's entry into the Common Market. The future of the sterling area is also involved. The sterling area as we know it today is an even younger entity than the system of Commonwealth preferences; but it is a powerful strand in the nexus of economic relations between Commonwealth countries and its fate, assuming Britain becomes a member of the European Economic Community, deserves more attention than it has hitherto received.

The subject has recently come into focus for a number of reasons, one of them being the formulation by the EEC Commission of plans to create a single currency in Europe. The Treaty of Rome says nothing about such an extension of economic unity between the member countries, and at first sight such a project would seem to belong to a somewhat distant and hazy future. A common currency implies a common budget and taxation system and, in effect, the surrender to a unified or federal government of all the essential economic sovereignties that now belong to the separate members.

Nonetheless, the European civil servants in Brussels have propounded their scheme for currency unification and have even gone so far as to christen the new European unit of account. It is apparently to be known as the Monneur (which is an abbreviation of Monnaie Europeenne)—though some wits in Brussels have suggested as an alternative the Oreur to denote the joint loyalty to gold and to Europe which the new unit should have. Whatever its name it will represent the harmonisation of monetary policies and systems in Western Europe. If sterling joins this group and part of its identity is fused and lost in this wider monetary system, questions will inevitably be asked whether sterling itself can continue to be the anchor to which the currencies of countries now in the sterling area will be linked.

One of the features of the sterling area as it now operates is the freedom of movements of capital from Britain to all parts of the sterling area—a freedom, it should be added, which is not always reciprocated. One of the adjuncts of this absence of exchange control in the movement of funds from Britain to the sterling area is that sterling countries have throughout the post-war era had a privileged position in their access to the London market. Apart from a very few exceptions, the number of which can be counted on the fingers of one hand, all long-term external issues of capital in the London market have been on behalf of sterling area countries.

This preferential position of sterling area borrowers may be affected if Britain joins the Common Market. This is because the Treaty of Rome, though it says very little about monetary policy, does provide for the eventual freedom of all capital movements within the European Economic Community. Such freedom is not required immediately but must be secured by 1970, the end of the transition period. On this score, therefore, the sterling area would have at least to share its present preferential access to the London market with the other countries of the EEC.

The Treaty of Rome opens up an even more ominous prospect. It provides that in the event of balance of payments difficulties within the European Economic Community, the member countries might be called upon to apply exchange control against outsiders. If, therefore, Britain joins the Common Market and for one reason or another slips into such balance of payments difficulties as to require assistance from other countries of the Community, Britain might be required to apply exchange control against outsiders. These outsiders could, on present indications, include members of the sterling area and of the Commonwealth, assuming these did not become members or secure some form of association with the Common Market. It may be far fetched to imagine such developments but they lie within the bounds of possibility. If this were to happen it would echo in the realm of currency policy the inversion of commercial preferences which will occur ultimately if Britain goes into the Common Market and the rest of the Commonwealth does not.

Mention should, however, be made of a recent development which should give sterling area countries a certain measure of satisfaction and reassurance that the eventualities described above will not be realised. This is an alteration in the European Monetary Agreement under which Britain is about to get rid of the exchange guarantee which it now gives to all sterling balances held by central banks in Western Europe. The European Monetary Agreement was the successor of the European Payments Union which in turn was a very valuable offshoot of the Marshall Plan. It provides a mechanism by which payments between European countries can be made at monthly intervals if the foreign exchange market is unable to cope with them.

Under this agreement any mutual accumulation of currencies acquired by the members are covered by a dollar guarantee. These arrangements have worked in a very one-sided manner because sterling is the only European currency which is normally held either as working or reserve currencies by other central banks. European central banks have, therefore, had the advantage of a dollar guarantee on all their sterling balances and in this way have been treated preferentially since sterling area countries such as Australia and India have not enjoyed similar cover. Complaints were received from sterling countries which argued very convincingly that they had held sterling through thick and thin and did not deserve this adverse discrimination. The complaints were duly heeded and as a result of recent negotiations with Europeans in Paris the bulk of this exchange guarantee has disappeared.

In viewing the future of the sterling area in the light of Britain's possible move into the Common Market, one comes back to the arguments that have been used about the commercial arrangements. If entry into the Common Market strengthens sterling it should in the long run also strengthen the sterling area. The sterling area has no written constitution. It exists primarily because London provides the market and the banking, insurance and merchanting services which are the operational core of an international payments system. No damage to that core will be done if Britain enters the Common Market.

Business Notes

State Enterprises

PUBLIC PARTICIPATION IN CAPITAL

THE UNION GOVERNMENT appears to have decided against public participation in the share capital of State enterprises. At least that is the impression one gathers from the cryptic statement made by the Union Deputy Finance Minister, Mr. B. R. Bhagat, in the Rajya Sabha last week, while intervening in the debate on the 1960-61 report on the working of the public sector industrial and commercial undertakings. Mr. Bhagat disclosed that the Government had come to the conclusion that public participation in the State undertakings to the extent of 25 per cent capital was "not practical".

In the absence of any reasons put forth by Mr. Bhagat for this decision of the Union Government, it is difficult to say what exactly has prompted the Government to take this attitude. Public participation in State enterprises had been advocated on the grounds that this would help in running these undertakings on commercial basis and release additional resources for the development of the public sector. In the present-day emergency, these two reasons have assumed even greater significance. To fight the Chinese, the Union Government has to mobilise all resources it can. To the extent capital from the public can be available for a minority share in the State enterprises, funds would be available to the Government for meeting the more pressing demands on the Central Exchequer.

No doubt, efforts have been made in the recent past to improve the efficiency of the public sector undertakings through giving greater powers to their general managers and reducing the number of officials on their Boards of Directors, it needs hardly to be emphasised that association of private capital with these enterprises would go a long way in injecting higher efficiency in their functioning. The managements of State enterprises in that event will have to be on their toes to show wholesome results, for the primary objective of all private investments is profit. And profit motive today is not decried even in the socialist countries; utilisation of profits there may be for a different purpose. Premier Khrushchev's recent call to inject into the socialistic structure of the Soviet economy some healthy ingredients of the capitalistic system is an indication of this fact.

Hindustan Lever

INCREASE IN CAPITAL APPROVED

CONSIDERING THE obvious advantages of the offer and the undoubtedly generous gesture of Unilever Ltd., one thought that the extraordinary general meeting of Hindustan Lever Ltd., convened for last Friday, to adopt the relevant resolutions (authorising the increase in the latter company's capital from Rs. 8,24,36,000 — or 82,43,600 shares of Rs. 10 each — to Rs. 9,08,63,250 — 90,86,325 shares of Rs. 10 each—by the creation of 8,42,725 new shares of Rs. 10 each) would not last for more than an hour. But strange are the ways of shareholders, and the Hindustan Lever shareholders chose to drag on the meeting, with one shareholder after another making almost the same points.

One could, of course, understand the concern of the shareholders, especially the smaller ones (with, say, at least 37 shares), about finding the money for 25 right shares at Rs. 35 each or Rs. 875 in a lump sum if asked to pay immediately, but the meeting was only to authorise the proposed increase in capital and to make the offer of the new shares in the proportion indicated to the existing shareholders. If it was just to extract from the management an assurance that sufficient notice would be given to shareholders, as, indeed, one or two shareholders wanted, at least the Chairman, Mr. P. L. Tandon, was the last person to refuse it. But what several shareholders sought to impress upon was that conditions had worsened between the time the directors decided on the proposed increase in capital and now because of the Chinese aggression and that, inasmuch as no one could prophesy how long the resulting emergency would last, the directors should revise the terms of the offer, if only to make it doubly sure that the proposed rights issue did not prove a flop.

Strangely enough, none of those who put forward this view even as much as hinted about the tightness of the money market and the consequent difficulty to find funds — which would have been relevant and more readily accepted. All touched at length, however, on the state of the share market, more perhaps to impress upon the Chairman that the current quotation of Rs. 42 was more artificial than real and that, therefore, his calculating the yield on the probable ex-rights quotation based on this quotation was not valid. Ultimately, however, the resolutions were adopted, after the Chairman had put the whole matter in the form of

BUY ONLY WHEN
YOU MUST

KEEP PRICES
DOWN

a Hobson's choice, as it were. He told the shareholders that the choice before them was whether the company should go ahead with its expansion and diversification programmes or not, and exhorted them that, if they had enough confidence in the future of the company and the country, they should adopt the resolutions as they were.

Mr. Tandon resolutely resisted all suggestions for lowering the premium or for approaching the Government to lower it, as he rightly held that the premium had been jointly agreed to by both the company and the Government and that there was no question of modifying it at this stage. This apart, he pointed out the ludicrousness of any such move after the Unilever Ltd., who presently hold 90 per cent of the shares, had already agreed to the proposal and had, besides, also agreed to make other valuable concessions. The first of these relates to participation in the additional equity to the extent of the foreign exchange required and provision of the said foreign exchange with the consent of the U.K. Government, taking into account the stringent foreign exchange position of this country. The second concerns the voluntary limit imposed by Unilever Ltd., upon its qualification right upto the first 4,22,873 shares only of its total holdings (resulting in the issue to Unilever Ltd., of only 2,85,815 shares) so as to allow of an increase in Indian participation from the present 10 per cent to 15 per cent. These are, indeed, generous, the more so because they have been made at a time when the future is admittedly uncertain, thanks, to the Chinese. That Unilever Ltd., or the British Government would not allow these uncertainties to deter their gesture, one cannot help remarking, stands out in striking contrast to the rather avoidably gloomy picture sought to be conjured up by some Jeremiahs at the shareholders' meeting in India.

Anyway, all's well that ends well. Now that all the resolutions have been adopted, one may expect the company to go ahead not only with the proposed rights issue but also with the projected expansion programme. Besides this programme of expansion, the company may also have to embark on a vast programme of renovation and modernisation. For the present, however, attention is being centred, it would seem, on the Milk Scheme and the dehydrated vegetable schemes at Etah and on the manufacture of non-soapy detergents (Surf), nickel catalyst and animal feed stuffs. Side by side, research facilities are also being extended, and it is noteworthy that the slant in all these researches has been on expansion of activities into new fields, exploitation of the use of more indigenous raw materials and development of products to meet the special requirements of the export trade.

FACT

FIRST IN THE FIELD AGAIN

WITH THE inauguration of the oil gasification plant of the Fertilizers and Chemicals, Travancore, Ltd., (FACT), by Mr. R. Sankar, Chief Minister of Kerala, last week, the second stage of the Rs. 2 crore-expansion programme was completed; simultaneously, the doubling of the production of ammonia from 40 tons a day to 80 tons a day was also achieved. The oil gasification plant has replaced the old uneconomic wood gasification plant, besides also introducing, for the first time in this country, the famous Taxaco process of partial oxidation of oil.

It may be recalled that FACT was the result of the combined bold initiative and endeavour of Dr. C. P. Ramaswamy Aiyar, the then Dewan of the erstwhile Travancore State, as also of the late Mr V. S. Seshasayee, the founder of the famous "Seshasayee House," and Dr K. P. P. Menon, the then Chief Executive Engineer. When FACT started in 1944, it consisted of a wood gasification plant, an ammonia synthesis plant, a sulphuric acid plant, and an ammonium sulphate plant producing as much as 44,000 tons of fertilizers per annum. Soon a superphosphate unit also was added with a production capacity of 44,000 tons per annum. Then came the Korean War, which was a blessing in disguise. FACT was forced to seek ways and means of improving its economies of production. Gypsum, one of the principal raw materials, had to be imported from Cyprus, as the available gypsum reserves here had been fast declining, and this not only added to the already increased cost of production but also made the replacement of its expensive wood gasification plant imperative. Compelled by circumstances thus, FACT took to diversification of its products, which finally led to the establishment of an 8,000-ton ammonium chloride plant.

But a planned expansion scheme was drawn up by FACT only in 1954, after an expert examination had been concluded by a Committee appointed by the Government of India. The first stage of this scheme, involving an outlay of Rs. 3 crores, commenced in 1956 and was completed in 1959-60. It provided for the establishment of an electrolytic hydrogen plant and an air liquefaction plant capable of supplying sufficient gases to make 40 tons of ammonia per day, thereby raising the capacity of the factory from 10,000 tons of nitrogen to 20,000 tons per annum. In order to cope with the increased capacity, a 160-ton sulphuric acid plant was installed, in addition to the two already existing 75-ton plants. The capacity of the ammonia synthesis plant also was increased with the addition of an 80-ton a day converter with the necessary auxiliaries. Along with these, a 10-ton sulphur-doxide recovery plant too was established.

A notable feature of the first stage of development was the introduction of ammonium phosphate (16 : 20 grade) a brand new fertilizer, produced for the first time in the country. With the commissioning of the new oil gasification complex and the completing of the second stage of expansion, the nitrogen capacity of FACT has risen from 10,000 tons to 30,000 tons and of P_2O_5 from 10,300 tons to 13,600 tons per annum, the end-products being 100,000 tons of ammonium sulphate, 33,000 tons of ammonium phosphate, 8,000 tons of ammonium chloride and 44,000 tons of superphosphate. When the Rs. 11-crore final stage of expansion is completed, FACT would be producing, 200,000 tons per annum of ammonium sulphate, 135,000 tons per annum of ammonium phosphate, 25,000 tons per annum of ammonium chloride, and 44,000 tons per annum of superphosphate.

War Risks Insurance

A WELCOME STEP

THE INTRODUCTION of the War Risks Insurance Scheme at this time is most welcome. As during World War II, it has been decided to provide cover for emergency risks and loss or damage arising out of enemy action for industrial property on the one hand and to goods held in India for purposes of sale or in transit from one place to another within the country. The business community had been pressing for it for a long time and feels greatly relieved that this measure has at long last come into being. It is difficult to understand why the Government took so much time to make up its mind.

The maximum annual rate of premium would not exceed 3 per cent of the value insured. It has been proposed to fix a rate of premium at 2 per cent in the case of factories and plants and 3 per cent in the case of inland vessels. There are possibilities that, if the need arose, the scheme may be made applicable to oil installations and tea crops in Assam. The Oriental Fire and General Insurance Company is to be appointed as the agent to operate the scheme. The scheme would not apply to the Government Departments and departmentally-run undertakings but would apply without distinction to factories and plants in the public sector run on commercial lines in the same manner as to those in the private sector. On both the Bills the Government's liability as an insurer is limited to 80 per cent of the insurance value.

The War Risks Insurance should mostly be looked upon as an important instrument for mobilising resources for the defence effort. It is estimated that the fixed industrial assets in the private sector amount to Rs. 5,000 crores in terms of current prices. The income from the insurance of this property, assuming a premium of 2 per cent per annum, will be Rs. 100 crores. If urban and rural housing is brought within the purview of this scheme at a later date the amount that would accrue to the Government will be quite significant. The greatest advantage from the measure of this type would be that the Government would be assured of substantial funds, while the claims will become payable after the termination of hostilities.

Foreign Assistance

NEW LOANS FROM WEST GERMANY

AN AGREEMENT has been signed at New Delhi between the Governments of the Indian Union and the Federal Republic of Germany for the utilization of DM 470 million (Rs. 55.9 crores) credit provided by the

latter under the auspicies of the Aid-India Club for the second year of the Third Plan.

The credit has been allocated as follows:

(i) DM 56 million (Rs. 6.66 crores) for the Rourkela Steel Plant for:
  (a) replacement material, spare parts and machinery for the workshops (Rs. 3.57 crores),
  (b) railway rolling stock and establishment of a wagon repair shop (Rs. 1.31 crores), and
  (c) deputation of operation and maintenance personnel (Rs. 1.78 crores).

(ii) DM 100 million (Rs. 11.9 crores) to be used in 1962-63 for buying raw materials and auxiliaries, semi-finished products and other maintenance requirements of Indian industries. An additional sum of DM 75 million will be utilised during the next financial year for the same purpose.

(iii) DM 50 million (Rs. 5.95 crores) to be given as direct loans to the Industrial Finance Corporation of India, Industrial Credit and Investment Corporation of India and the National Small Industries Corporation which finance industries in the private sector.

(iv) DM 189 million (Rs. 22.5 crores) to be used for mutually agreed projects.

The duration of the loan is for a period of 20 years in all cases. For the first two categories of the loan there will be a grace period of 7 years and the rate of interest will be 3 per cent per annum. The loans to the three financial institutions which will carry an interest of 5½ per cent per annum are repayable by December, 1982. The period of the loan as well as the interest in respect of the amount of DM 189 million earmarked for projects will be determined separately.

TOTAL ASSISTANCE

West Germany has so far granted credits totalling DM 2876.6 million (Rs. 342.43 crores) towards assistanee for our development projects. Out of this, a sum of DM 1176.6 million (Rs. 140 crores) was made available during the Second Plan period and the balance of DM1700 million (Rs. 202.4 crores) which was indicated at the Consortium meeting held in May-June, 1961, is for the Third Plan.

The following is a breakdown of figures:

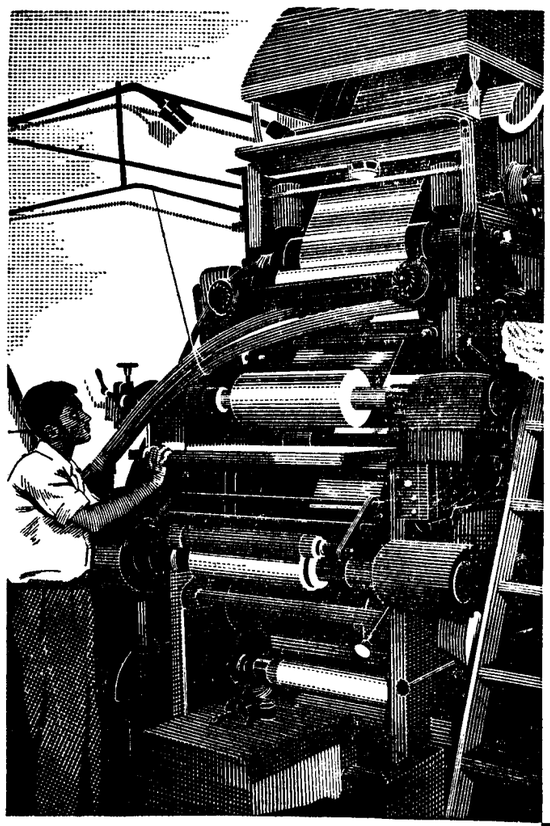
	Interest	Period	
Second Plan Credits:			
1. DM 660 m. (Rs. 78.57 crores)—1958 for financing payments to West German suppliers under contracts for Rourkela Steel Plant	6.3%	3 years	DM 624 m. used so far and balance of DM 36 m. expected to be used by 31-3-63.
2. DM 168 m. (Rs. 20 crores)—1959 for payments to West German suppliers under contracts concluded before 1-10-59	DM 48 m. 5.25% DM 100 m. 5.7 % DM 20 m. 7 % upto 30-1-61 and 5.5% thereafter.	20 years	Utilised
3. DM 125.1 m. (Rs. 14.89 crores)—1960 for import of equipment from West Germany	6.5 %	20 years	Utilised
4. DM 125.1 m. (Rs. 14.89 crores)—1960 for import of equipment from West Germany	6.5 % upto 19-1-61 and 5.5% thereafter.	15 years	Utilised
5. DM 98.36 m. (Rs. 11.71 crores)—1961 to refinance Rourkela repayments between 30-1-61—31-3-61 ..	5.75%	4 years	Utilised
Third Plan Credits:			
6. DM 230 m. (Rs. 27.38 crores)—1961 to refinance Rourkela repayments between 1-4-61—31-3-62 ..	5.5 %	13 years	Utilised
7. DM 100 m. (Rs. 11.9 crores)—1961 for balance of payments assistance. Includes DM 30 m. for loans through IFC, NSIC and ICICI	5.5 %	20 years	Utilised
8. DM 170 m. (Rs. 20.24 crores)—1961 for balance of payments assistance	3 %	20 years	Utilised
9. DM 85 m. (Rs. 10.12 crores)—1962 for refinancing Rourkela repayments during 1-4-62—31-3-63 ..	5.5 %	12 years	DM 60.3 utilised upto 31-10-62. Balance will be utilised before 31-3-63

Foreign Trade

TRADE WITH EAST EUROPEAN REGION

AT A time when we are diversifying our trade, the report of an eight-man delegation which has recently returned from a tour of the East European region, should prove to be highly useful. The delegation in its report has pointed out that there exists a vast scope for trade between India and this region. No doubt in the past there has taken place a substantial increase, but still compared with Western Europe and England, it is not much. The trade at the moment is shrinking with England and Western Europe, so here is an opportunity for us to gain a foothold in the East European region where there exists a vast scope. It is expected that experts would soon be arriving from the East European countries to define their requirements of manufactured goods included in the trade plan finalized by the trade delegation. This should enable the Export Promotion Councils to formulate their programmes for exports to this region for the next year. The State Trading Corporation will continue to be the main exporting agency for this region in respect of textiles. The total trade this year is expected to reach the Rs. 200 crores mark. The commodities where a substantial increase in the export plan is expected are textiles, iron ore, de-oiled cake, rolled steel products in-





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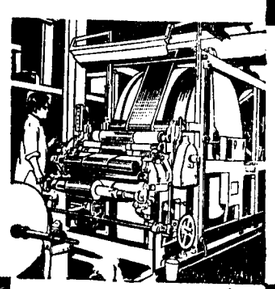
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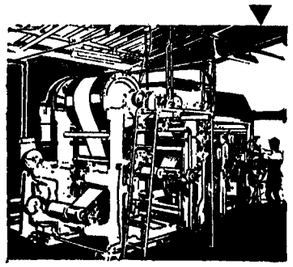
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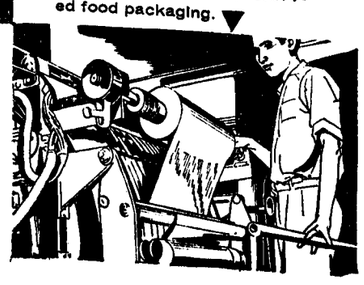
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cluding castings and structurals, tobacco and castor oil. These countries have also shown interest in machine tools especially radial drilling machines and textile machinery.

The advantage of trade with the East European countries mainly is that there exists rupee payment arrangements which enable this country to purchase the much needed capital goods by promoting her exports without any strain on foreign exchange reserves. These rupee payment arrangements are also beneficial to the Communist countries because it gives them access to the vast Indian market which has a substantial trade potential for them. It is erroneous to think that the rupee reserves built by the Communist countries will be used for political purposes because it is easy to know at the annual reviews for what purposes the rupees earned by these countries are being used.

The trade delegation has shown the way where an increase in trade can take place. Now it remains for us to utilise this opportunity and try our best to retain these markets. On the domestic front, we must do everything possible to see that the specified type of goods are produced and that there does not take place any deterioration in the quality. It is only through this way that we will be able to establish an ever-lasting impression about the quality of our goods in these countries. The STC will also have to be much more energetic than before.

Non-ferrous Metals

LEAD AND ZINC INFORMATION CENTRE

WITH A view to serving the zinc and lead using industries in India with latest technical and scientific information on the wide range of processes in which zinc and lead are used, an Indian Lead and Zinc Information Centre is being set up in Calcutta by the internationally known Zinc and Lead Development Associations of Berkeley Square, London. Since January 1961 the Zinc Development Association and the Lead Development Association, which were till then two separate entities, have been integrated into one and the two associations will now work in close harmony in the establishment of the Indian Centre.

One of the functions of the Indian Centre will be to arrange small conference and discussion groups which will provide an occasion for the experts to meet together and exchange their ideas and views on matters of common interest. This apart, discussion on European practices will encourage technical progress here and the more efficient use of the two metals.

The abstracting service which in the past mainly covered the principal zinc and lead using processes, has been made much more comprehensive and now includes most of the minor uses of the two metals. Reports on the research work now being carried under Expanded Research Programme will be available through this Centre along with the information on the research and development work being carried out in the U.K., Europe and elsewhere.

Rubber

MADRAS RUBBER FACTORY COMMISSIONED

MR. R. VENKETARAMAN, Minister for Industry and Commerce in the Madras Cabinet, commissioned the main plant of Madras Rubber Factory last week. The occasion marked the start of this factory as a unit that will produce Mainsfield Tyres on a large scale. The capacity of the factory at full production will be nearly 3.6 lakh tyres and tubes every year. The factory had started with a pilot project, a unique idea tried for the first time in the country. It primarily helped to train Indian technicians and at the same time it gave an opportunity to test the tyres produced by the unit under the Indian conditions of climate and roads. It was indicated at the occasion that the results have been quite satisfactory. Now the company has launched the large-scale production.

Madras Rubber Factory is an instance of Indo-American co-operation in the field of industrial development. Mr. Venketaraman observed that the technical know-how and the latest improvements were being offered by the American collaborators, which definitely will help the unit. Mr. M. L. Bayer, personal representative of the President of the Mainsfield Tire and Rubber Company of Mainsfield, Ohio, U.S.A., who was present on the occasion, pointed out that Indian technicians have been trained very well and the present Madras factory has now one of the most well-equipped plants in India.

Cattle

DRY COW FARM'S IMPORTANCE

WHEN THE need for improving the cattle wealth of the country and increasing milk production thereof are being realised, it is gratifying to put on record the performance the Alamadhi Dry Cow Farm Project near Madras has demonstrated in recent years. The farm, maintained and run by the Animal Husbandry Department of the Madras State Government, was started with two-fold objectives. Firstly, to help the owners of cows from Madras City to keep their animals in the farm during their dry periods on a nominal fee and to return them to the owners after proper breeding and calving. Secondly, to prevent valuable cows from being sold for slaughter when they go dry.

Being one of the subsidised schemes, it costs the State Government nearly Rs. 1 lakh every year. At present it has a strength of 350 cows. On an average about 50 cows are admitted every month while a similar number return to their owners during the time after calving. Permanent pasture land is being progressively expanded at the farm to meet the growing needs and special varieties of fodder grass like Australian Drought-Resistant Grass, Buffalo Grass etc., are cultivated over large areas. The farm has its own full-fledged veterinary staff to take good care of the cows by periodical medical check-ups. Besides, the farm maintains its own excellent bulls of various types.

Dry cow farming in this country has not made much headway, although the need for it has never been felt any less. When the cows go dry and cannot yield any return to the owner, they are cared less than when they are milch. The need to keep them in good health till the time of next breed has hardly been realised and it is to this long-felt need the attention of the Government must now turn.

EXPERTS COMMITTEE ON COST REDUCTION STUDIES

FOLLOWING THE recommendations of the Board of Trade, the Government of India has appointed an Experts Committee on Cost Reduction Studies for formulating cost reduction programmes in respect of export commodities. The Committee will be headed by Dr. S. K. Muranjan as full-time Chairman. Dr. S. R. Sen of the Planning Commission will be one of its members. The Committee will have a Cost Accountant and a Research Officer to assist them in their work.

The terms of reference of the Committee are:

(i) to make intensive studies of the cost structure of specific commodities and industrial products which play a prominent role in the export trade of India;

(ii) to analyse in detail the various factors that go into the cost of production of such commodities and manufactured articles, and to make recommendations to the Central and State Gov-

ernments, on the one hand, and to industries, agriculture sector and commercial interests, on the other, so as to bring down the cost of production by (a) rationalising various burdens and imposts on these commodities and articles, (b) by increasing productivity, diversification, quality improvement and grading and (c) by such other measures as will make the commodities and manufactured articles more competitive in the world markets; and

(iii) to study, wherever necessary, policies and practices of production of different commodities and manufactured articles and to make confidential recommendations to the Government to take measures to develop production for export at competitive prices.

The Committee will start with the cost studies for vegetable oils, textile fabrics, (cotton, jute, man-made fabrics, woollen and mixed fabrics), sewing machines and bicycles.

Announcing

the publication of two new Law Journals—the Income-tax Journal and the Company Law Journal by the well-known firm of legal publishers, the M. L. J. Office, Madras. The two journals will make their appearance in January, 1963.

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FROM THE CAPITAL'S CORRIDORS

STATES ASKED TO MAKE HIGHER ALLOCATIONS FOR AGRICULTURE

WITH no confirmation available of the withdrawal of the Chinese troops from the positions occupied by them after their recent invasion in Ladakh and NEFA, the Government of India countinues to prepare the country for all exigencies. A number of steps were taken last week to strengthen the defence effort.

In a note sent to the State Governments, after consultation with the Planning Commission, the Union Minister for Food and Agriculture, Mr. S. K. Patil, has asked the State Governments to make, within the over-all Third Plan ceilings for 1963-64, "substantially" higher allocations for agricultural production, minor irrigation and soil conservation and to step up the financial resources available for agricultural component of the Community Development Programme.

The Minister has also directed the State Governments that increased allocations should as well be made for specific programmes to step up the production of rice, millets, gram and other pulses, cotton, oilseeds (particularly groundnuts and castorseeds), fruits, vegetables, milk, meat and eggs.

The State Governments have also been asked to review the present schemes of subsidies in force in their areas so that such schemes as may now be obsolete, may be abolished or changes brought about in them to provide the needed stimulus to the programme for accelerating production in an effort to achieve higher targets of output than those envisaged under the Third Plan.

STEPPING UP OUTPUT OF ENGINEERING INDUSTRIES

At a meeting of the Informal Consultative Committee of Parliament attached to his Ministry, the Union Minister for Steel and Heavy Industries, Mr. C. Subramaniam, stated that the Government would consider favourably all proposals from foreign concerns for collaboration in expanding India's light as well as heavy machine tools industry. The present licensed capacity of the machine tools industry in this country is of the order of Rs. 22 crores. But requirements at the end of the Third Plan are estimated at Rs. 60 crores. Mr. Subramaniam pointed out that this called for rapid expansion of the machine tools industry, not only to meet the growing civilian demand, but also to satisfy the defence needs.

Some units which have been licensed to increase their production capacity, the Minister added, were expected to complete their expansion programmes in the near future as foreign exchange was being made available to them expeditiously. With the commissioning of the increased capacity of these units, the manufacture of machine tools, both in the public sector and the private sector, would be stepped up considerably.

Mr. Subramaniam stressed that a very high priority had to be given to the heavy machine tools manufacturing programme. His Ministry was awaiting reports from the British and American teams on this subject and proposals for foreign collaboration would be examined on receipt of these reports.

The Minister also dwelt at some length on the manufacture of diesel engines, tractors and electrical equipment as also on the progress achieved by the heavy engineering industry. He informed the Committee that the production of diesel engines at present was sufficient to meet the defence needs. A number of new schemes had also been sanctioned recently for the manufacture of these engines. As soon as they are implemented, the production of diesel engines would expand considerably, thus easing the situation further, particularly from the point of view of civilian use. Manufacture of crawler tractors, Mr. Subramaniam pointed out, could only be undertaken by the ordnance factories, since demand for them was only from the Defence Ministry. No unit in the private sector is manufacturing crawler tractors.

Necessary steps, the Minister assured, were being taken to step up manufacture of electrical equipment. The Heavy Electricals Factory at Bhopal is expanding production according to its phased programme. The private firms manufacturing heavy electrical equipment are being given necessary facilities for maximum utilisation of their installed capacity, subject, of course, to the availability of foreign exchange.

In regard to heavy engineering industry, the Minister pointed out that substantial capacity had been created for the manufacture of cement machinery, coal washing machinery, paper-making machinery, etc. All this capacity, as also the capacity which is in the process of installation, can be made use of for defence purposes without much difficulty. Efforts are also being made to speed up the work on setting up the Heavy Engineering Project at Ranchi and to complete it as early as possible.

US LOANS FOR TWO AUTOMOBILE CONCERNS

The US Ambassador in India, Mr. J. K. Galbraith, last week announced two loans, totalling $29.5 million (Rs. 14 crores), to help India expand the manufacture of lorries. The recipients of these loans are Hindustan Motors Limited and Tata Engineering and Locomotive Company Limited. The former company will receive a loan of $15.8 million (Rs. 7.5 crores) and the latter $13.7 million (Rs. 6.5 crores).

Both the loans will be in foreign exchange and are to be provided by the United States Development Loan Fund to the Government of India at its usual terms and conditions. These are: (1) repayment is to be made by the Government of India over a period of 40 years, with no payment being due during the first ten years; and (2) there is to be no interest charge, but only a service charge of three-quarters of one per cent is to be paid. The two companies will receive the loans from the Government of India and will be required to repay them to the latter over a period of 10 years with a service charge of 5¾ per cent.

The loan to Telco will enable it to expand its lorry plant's capacity from 12,000 vehicles a year to 18,000 vehicles a year and increase the indigenously manufactured content of these vehicles from 74 per cent to 86 per cent by 1964 and to 90 per cent by 1965. The company will be expanding its alloy iron foundry to meet 100 per cent of its requirements for castings and the forge shop is to be augmented to make the entire range of forgings required for the future production of 24,000 vehicles per annum. It will also provide machining, pressing and assembling equipment for the production of 18,000 vehicles per year. The whole of this expansion programme is to be completed by 1963-64. Technical assistance would be arranged with Daimler-Benz AG of West Germany. Preliminary site preparations and construction of buildings are underway.

Telco's plant is located at Jamshedpur. It began operation in October, 1954, and the initial production target of 3,000 vehicles per annum was attained in a few months. The lorry production at this plant has been progressively expanded to 6,000 vehicles a year

in 1955, 7,200 vehicles in 1958 and 12,000 vehicles from January, 1961.

The loan to Hindustan Motors will enable it to step up its Bedford vehicles manufacturing capacity from 9,000 to 10,500 units per annum. The increase in indigenously manufactured content in them is envisaged to go up from 74 per cent to 90 per cent. The project involves import of machinery, equipment and tools to be installed in the machine shop, press plant, forge shop and foundry along with other related production activities. The machinery will be used for the manufacture of sheet metal stampings, springs, axle assemblies, chassis frames and related components of Hindustan vehicles.

Hindustan Motors has its plant in Uttarpara, in Hooghly District of West Bengal, about eight miles north-west of Calcutta. It covers a site of 735 acres. Presently, 25 per cent of the trucks and 50 per cent of the autos manufactured in India come out from this unit.

Along with the two credits made available by the US Development Loan Fund, totalling $10.2 million, to Premier Automobiles Limited, sometime ago, these two loans, it is hoped, will enable India to meet a large portion of her demand for lorries and jeeps, which is estimated to go up from about 28,000 lorries and 6,000 jeeps per annum in 1960-61 to 60,000 lorries and 10,000 jeeps a year by 1965-66.

WAR RISKS INSURANCE

Two Bills dealing with war insurance were introduced and passed by Lok Sabha last week. They were the Emergency Risks (Factories) Insurance Bill and the Emergency Risks (Goods) Insurance Bill.

As the degree of war risks is necessarily uncertain, it was considered that it would not be possible for the established insurers to cover them in the normal course. The scheme had, therefore, to be formulated and operated on behalf of the Central Government.

The two Bills seek to provide for drawing up a scheme of insurance based on premium rates which can be varied within certain limits with reference to the actual nature and extent of the risks as they may exist from time to time.

The Emergency Risks (Goods) Insurance Bill envisages that the rate of premium may not exceed $\frac{1}{4}$th of one per cent of the insurable value per quarter, to begin with. All persons holding property for sale in excess of a certain limit, namely Rs. 30,000 in any one district, would have to take out policies of insurance under this legislation compulsarily. Provision, however, has been made for exclusion of certain goods from the scope of this legislation. Intention is that the goods which are to be excluded should broadly be the same as in the last world war. But if any special problems exist in relation to goods of any class or description, Government, of course, will have the power to include or exclude them as the case may be at any time.

Under the Emergency Risks (Factories) Insurance Bill, the rate of premium may not exceed 4 per cent in two years or 2 per cent per annum payable in suitable quarterly instalments. A ceiling premium rate of 3 per cent was, however, passed by the House. In actual practice, the Finance Minister indicated, the premium rate for factories would not exceed 2 per cent. For inland vessels, for which the Government was empowered to fix different rates, the rate would not exceed 3 per cent.

It has been explained that under the Factories Insurance Bill, in view of the growth of mineral oil industry in recent years and the somewhat special position and importance of the tea industry in Assam, power has been acquired to provide, in case it becomes expedient or desirable to do so, insurance cover in respect of the plant, machinery and equipment of the oil companies or the standing tea crops, as the case may be, in addition to any other insurance which may be available in the normal course.

Government property is not insurable. It is, however, explained that this exemption in favour of the Government is available only in respect of factories or other properties which are departmentally-owned. The autonomous public sector undertakings and enterprises will, according to the scheme of the Bill, be subject to the same burdens and be eligible for the same rights as other units in the private sector.

The Oriental Fire and General Insurance Company, which has been appointed Government's agent for executing war risks insurance, will be making adequate arrangements for the persons who are liable to take out policies of insurance under this Act, to get any information or clarifications which they may need and to pay the premiums and to receive the policies or other benefits without inconvenience or delay.

PERSONAL INJURIES (EMERGENCY PROVISIONS) BILL

Apart from the above two war risks insurance measures, the Union Government has also sought powers to formulate a scheme for grant of relief during the current emergency in respect of (a) personal injuries sustained by gainfully occupied persons and by persons of such other classes as may be specified; and (b) personal service injuries sustained by civil defence volunteers. A Bill to this effect was introduced in Lok Sabha last week.

Persons suffering a personal injury or a personal service injury and benefiting from this proposed legislation will not be entitled to any relief under the Workmen's Compensation Act, 1923, or the Employees' State Insurance Act, 1948.

NEW DEFENCE CERTIFICATES

The Government of India has announced the issue of a new series of Defence Certificates for sale abroad with effect from December 20, 1962. For the present, these sales will only be made across the counter of the Indian Embassy in Washington and the High Commission of India in London.

The certificates will be issued in three denominations—Rs. 100, Rs. 500 and Rs. 1,000. They will be repaid at the end of 10 years after the date of sale at a premium of 60 per cent. There is no limit set for individual investments. The premium payable will be exempt from Indian income-tax.

The maturity value of the certificates will be repaid in India, but holders resident outside India will be permitted to repatriate the whole of this amount to their places of residence.

COMPANY DIRECTORSHIPS

A recent survey made by the Company Law Administration of the pattern of directorships of the big-sized companies makes an interesting reading. The following are its highlights.

(1) **Average Directorships Per Person:** The total number of directorships in the 331 companies selected for the survey came to 2,419 held by 1,502 persons acting as directors. On an average, a person was found to be holding 1.6 directorships in the aforesaid companies. These 1,502 persons, however, were found to be holding 9,785 directorships on the all-India basis, including the 2,419 directorships held in the 331 companies covered in the survey.

(2) **Directors Nominated by Managing Agents:** According to the study, out of the 331 companies, 90 companies were managed by managing agents and the number of their directorships came to 681. Out of these 681 directors, 157 were nominated directors. On an average-



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sized Board of 8 directors of these companies, two were the nominees of the managing agents. The managing agents, thus, exercised to the full extent the discretion of nominating directors granted to them by the Company Law.

(3) **Non-Indian Directors:** Out of the 1,502 directors, 345 directors were of non-Indian nationality. These foreign directors held 2,184 directorships. Thus, 22.3 per cent of the total directorships were held by the 345 directors of foreign nationality. Out of the 331 companies, 139 companies had Boards which included foreign directors. Of these, in 65 companies foreign directors were in majority, in 14 companies they were in equal strength with the Indian directors, and in 60 companies they were in minority. In the 139 companies where foreign element was present on the Boards of Directors, the ratio of Indian directors to foreign directors worked out as 1 : 1. As against this overall ratio, in the companies with foreign directors' predominance, the ratio of Indian to foreign directors worked out as 1 : 3, whereas in the companies with Indian predominance on the Boards, the ratio was reversed, namely 3 : 1.

(4) **Multiple Directorships :** An unofficial study of the multiple directorships made for the year 1949-50 which took into account the developments that had taken place during the war and post-World War II period revealed that about 100 persons held as many as 1,700 directorships of important concerns and of these, 30 persons among themselves held as many as 860 directorships, that is to say, on an average, 29 directorships per person. The same study further revealed that 10 top industrialists held about 400 directorships and of these 2 persons held as many as 50 directorships each. Commenting on this question of multiple directorships, the Bhabha Committee later stated that "in the course of our enquiry, it has been brought to our notice that even now the holding of 15 to 20 directorships is common, while the holding of 30 or more directorships is by no means unusual."

The present survey reveals that, of the 1,502 directors, 26.6 per cent held a single directorship, 53.2 per cent held two to ten directorships, 14.4 per cent eleven to twenty directorships and 5.8 per cent more than 20 directorships. In absolute terms, out of 1,502 directors, 399 held one directorship each, 799 between two to ten directorships, 217 between 11 to 20 directorships and 87 more than 20 directorships.

(5) **Inter - State Interests of Directors :** A surprising finding from the study of the inter-State interests of the directors is that in the case of the big and giant-sized companies which might be expected to be having on their Boards men of inter-State stature, only 117 out of the 1,502 directors served on the Boards of companies registered in two or more States of the country. Out of the remaining 1,385 directors, 986 directors served on more than one company registered in a single State. Of the 117 directors having inter - State interests, 102 directors served on companies registered in 2 States, 9 directors in companies registered in 3 States, 4 directors in companies registered in 4 States and 2 directors in companies registered in 5 States.

(6) **Directors' Age Pattern :** A detailed study of the age pattern of 1,320 directors belonging to 331 companies reveals that 113 directors were of 30 years or less of age, accounting for nearly 8.5 per cent of the total. The number of directors of the age group between 31-45 years and that of the directors of the age group of 46-55 years is 333 and 466, or, in terms of percentage, 25.2 per cent and 35.3 per cent, respectively. The number of directors in the age group between 56-65 years was 262, i.e. 20 per cent of the total. The number of superannuated directors, namely, those over the age of 65 years, was 146—11 per cent of the total. Dividing the directors in two categories, namely, 'young' directors who were of 45 years of age or less and 'mature and seasoned' directors whose age was over 45 years, it is seen that the former accounted for nearly 1/3rd of the total directors whereas 2/3rd were of the latter group.

(7) **Directors' Holdings :** Information on directors' holdings in the share capital of the companies is available for 883 directors belonging to 121 companies, out of the 2,419 directors (inclusive of duplication) serving in the 331 companies covered by this survey. Investigations have revealed that 883 directors of the 121 companies held among themselves, directly in their own names, 6 per cent of the total paid-up capital of the companies of which they were directors. The percentage holdings of the directors in the managing agency managed companies further work out to around 3 per cent, whereas those of the directors of the companies which are managed directly by Boards of Directors work out to around 9 per cent. The financial stake of the directors in the case of the managing agency managed companies is low because control in such companies is retained by the managing agency firm and not by the Board of Directors. As against this, it is quite understandable that the holdings of the directors in the companies managed by Boards of Directors should be higher as in their case, control and management of the companies are retained by the directors by virtue of the control over majority of the share capital of the company.

From the point of view of control, the present figure of 9 per cent appears to be very low and indicates that the directors, directly or indirectly, control a fairly high proportion of the capital of the companies through their benamdars, relatives, friends and financial institutions. Here it must also be mentioned that due to the dispersal of shareholdings over a large number of persons, majority of which is not taking active interest in corporate decisions, it is not necessary to have majority of the voting rights to get or retain the control of the company. Sometimes, even a block of 10 per cent to 20 per cent of the voting rights is enough to take over the control of the company. Apart from dispersed holdings, there are substantial holdings of share capital by disinterested financial institutions.

(8) **Holdings of Foreign Directors Smaller than those of Indian Directors :** A separate enquiry made into the financial stake of the foreign and Indian directors in the companies on whose Boards of Directors both were represented, reveals that the holdings of the foreign directors amounted to less than those of the Indian directors. In the 52 companies, where foreign directors were on the Boards of Directors, the average holdings per foreign director worked out to Rs. 48,000, whereas those of the Indian directors came to Rs. 64,000. If the 21 companies where foreign directors predominated in number on the Boards were alone taken into account, the average holdings of the foreign directors were observed to be Rs. 77,000, whereas those of their Indian counterparts were Rs. 1,05,000. In the seven companies where foreign directors were equal in number to the Indian directors, the average holdings of the foreign directors came to Rs. 23,000 as against Rs. 83,000 of the Indian directors. Further, in the 24 companies on whose Boards foreigners were in minority, the average holdings of the foreign directors came to Rs. 20,000, as against Rs. 37,000 of the Indian directors.

SECOND SHIPYARD

The Shipping Delegation from Mitsubishi Shoji Kaisha Ltd., which came to India a few days ago for preliminary talks about setting up the second shipyard at Cochin, concluded its discussions last week with the Union Minister for Transport and Communications, Mr.

Jagjivan Ram; the Minister for Shipping, Mr. Raj Bahadur; Planning Commission; the Controller-General of Defence Production; the Director-General of Shipping and other officers of the Union Transport Department.

The delegation has indicated that the proposed site at Cochin is easily the best location for the second shipyard. The delegation will be submitting a detailed report about the project later.

About equity participation and Japanese collaboration in the venture, the delegation has reserved its comments which it will express only after consultation with the principals in Japan.

MORMUGAO PORT

The Government of India has sanctioned the purchase of a dredger for the port of Mormugao. The dredger will be of motor-driven trailing suction hopper type and is estimated to cost about Rs. 80 lakhs. The contract for its supply has been placed with Messrs. I.H.C. Holland, a firm of ship-builders and engineers of the Hague.

The Department of Transport of the Central Government took over administrative control of the port of Mormugao from the Ministry of External Affairs last month. Proposals are now under study for providing improved shore facilities at the port for the export of iron ore and general cargo.

DISPOSAL OF DIPLOMATIC CARS IN INDIA

The procedure for the disposal of cars imported without payment of customs duty by diplomats and Diplomatic Missions/Organisations in India has been revised.

A diplomat leaving India, either on transfer or at the end of his assignment, may re-export his car or sell it to another diplomat or diplomatic mission in this country. Alternatively, he may offer to sell it to the State Trading Corporation. If the offer is accepted, the car would be purchased at the full c.i.f. price without deduction of any depreciation charges. If the State Trading Corporation is not interested in the offer, the diplomat will be informed accordingly and he will then be free to sell the car in the open market. Such a sale, however, will be subject to the fulfilment of customs regulations regarding payment of duty, procedure for sale, disposal, etc.

This revised procedure will also apply to cars and similar vehicles of diplomatic missions or organisations which are proposed to be offered for sale in India.

SUGAR EXPORTS TO USA

India can supply to the United States 20,332 tons of sugar during 1963. This amount would be India's guaranteed share of the US sugar market under the total US sugar quota of 9,800,000 short tons, raw value, proclaimed by Mr. Freeman for next year.

The quota awarded to India is unchanged from that tentatively suggested by the US Agriculture Secretary two weeks ago, when he proposed that the United States should acquire a large part of its sugar requirements from foreign countries.

India would also be free to bid by December 20 next to supply a part of the 750,000 tons of sugar USA would buy between January 1 and May 31, 1963, under the global quota plan. She would, however, have to agree to use the dollar proceeds from the sale of this sugar for buying US farm products.

EXPORT OF JUTE MANUFACTURES

The Government of India has introduced a scheme for voluntary registration of sale contracts for the export of jute manufactures. A four-member committee has been set up for this purpose.

All sale contracts for which registration is applied for under the scheme will be scrutinised by this Committee. The Committee will take into account such facts as the ruling prices at the time of the contracts, the normal recognised trade practices in regard to allowable variations from such prices, extensions of contracts, premiums and penalties for optional specifications rebate and trade discounts while scrutinising the contracts. The Committee will, if it is satisfied that the terms of the contract are acceptable, issue a registration certificate within seven clear working days from the date of application.

The production of the registration certificate at the time of shipment will ordinarily be accepted by the customs authorities as sufficient proof of the scope of contract prices and related financial terms.

PATIL ON CONSUMERS' Vs. FARMERS' INTEREST

Addressing a meeting of the Informal Consultative Committee of Parliament attached to his Ministry, the Union Food and Agriculture Minister, Mr. S. K. Patil, dwelt at length on the controversy of consumers' versus farmers' interest in so far as prices of various agricultural commodities are concerned. He is stated to have said that while it is necessary to ensure adequate supplies of foodgrains to consumers at reasonable prices, it should be done by cutting the profit margins of intermediaries and not at the expense of the farmers. He pointed out that only about 30 per cent of the population mostly living in cities was the consumer in the real sense of the term. The remainder 70 per cent population consisted of producer-consumers. He stressed that agriculture would not progress unless the farmer had the "surest guarantee" that he would get a suitable return for his labours.

For this reason, Mr. Patil added, the Government had initiated moves to support and protect the agriculturist as much as it could. To ensure a minimum price for his products, the Government had in the recent past attempted to fix support prices for wheat and rice, besides the prices fixed for purchase by the trade and industry of sugarcane and cotton. Rice procurement prices, Mr. Patil said, had been fixed between Rs. 14.50 per maund and Rs. 18 or a little more for different regions and different varieties.

For increased procurement of rice this year, in view of the emergency, Mr. Patil hinted that he would even give slightly higher prices than last year. With a view to step up rice production next year, he promised an increase in the current minimum prices.

CDFC TO SUBSCRIBE TO INDIAN ALUMINIUM DEBENTURES

The Commonwealth Development Finance Company Ltd., (CDFC), has agreed to subscribe to Indian Aluminium's forthcoming debenture issue to the tune of £500,000. A press statement issued in London by CDFC says: "This sum will contribute towards the total cost of £4,780,000 for expanding the company's existing aluminium smelter capacity at Alupuram, in Kerala, and building a new aluminium foil rolling and converting plant near Bombay."

COAL MINING

An agreement has been signed between the National Coal Development Corporation and CEKOP, a Polish for another deep shaft mine for the Corporation.

The equipment to be supplied by the Polish organisation will cost over Rs. 50 lakhs and will be part of the credit of Rs. 14.3 crores provided by the Indo-Polish Economic Co-operation Agreement of May 7, 1960.

Delivery of the equipment will start in about 15 months' time.

The Birthday Gift

Mother stitched a pair of trousers for his birthday and sent them to the laundry so that they would look fresh, crisp, new. But they shrunk—she had forgotten to look for the label 'Sanforized'!

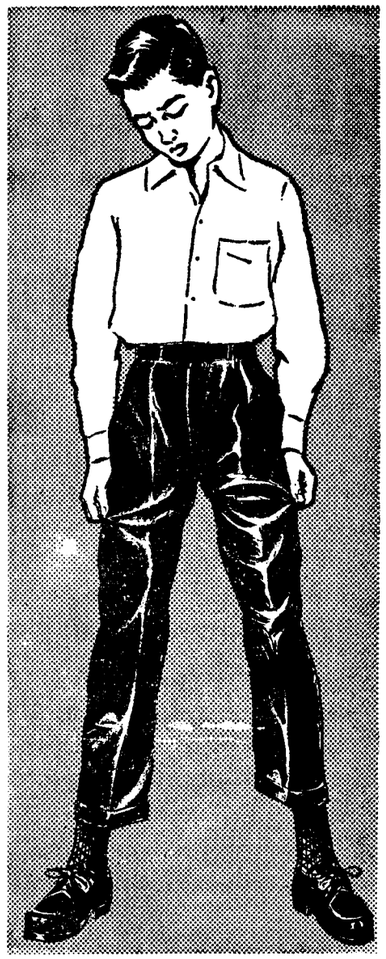


If only she'd taken a little more care in the selection of the fabric, these trousers would have retained their immaculate fit even after many, many washings.

Make certain you get the full measure of value of the material you buy—

Look for 'SANFORIZED' REGD TO MK *on the label*

and your clothes will never shrink out of fit!



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The Life Insurance Corporation has pleasure in declaring the above rates of bonus as a result of the third Valuation of its liabilities and assets as at 31st December 1961. These bonus rates are applicable to with-profits policies issued by the Corporation and which were in force for full sum assured as at the date of Valuation.

The total sums assured and bonuses under 85,81,367 policies in force on the date of the Valuation amounted to Rs. 2738 crores, and the total amount payable under 10,297 Life Annuities was Rs. 1,09,50,470 per annum. Out of the total profits available for distribution amounting to Rs. 34.45 crores, a sum of Rs. 32.73 crores has been utilised for allotting bonuses at the above rates to the policyholders. Government's share of surplus amounted to Rs. 1.72 crores.

The rates of bonuses on with-profits policies of the erstwhile insurers also remain the same as those declared under the Differential Bonus Scheme on the occasion of the first and second Valuations.

Bonus intimations in respect of the third Valuation will be sent out to the policyholders as soon as possible.

Life Insurance Corporation of India

ASP/LIC-EP-31

NEWS IN BRIEF

INDIAN

India's first space rocket launching centre is to be located in the Kerala State.

*

The Bihar Government proposes to set up a mining corporation to exploit mineral resources in the State.

*

A delegation of rubber goods manufacturers has left for a 40-day tour of West Asia and East Africa.

*

The Union Government has decided to take over the Hatti Gold Mines from the Mysore State Government.

*

India has applied for the membership of the 18-nation International Federation of Cotton and Allied Textile Industries which has its headquarters at Manchester.

*

The Government of Gujarat has decided to set up a mineral development corporation to undertake the exploration and development of certain key minerals in the State.

*

The deep-sea fishing scheme for Kolaba district, Bombay, was inaugurated on December 2. Two trawlers of a capacity of 5 tons each and equipped with "echo sound" equipment were launched on this occassion.

*

The first continuous casting plant in India is being set up at Canara Workshops, Mangalore, by Distington Engineering Company, a subsidiary of the United Steel Companies Ltd.

*

The Entomological Department of the State Agricultural Department, Ludhiana, has formulated a scheme for effective pest control through gamma-rays, x-rays and radio-isotopes.

*

The Nitrolime unit of Hindustan Steel's fertiliser plant at Rourkela went into trial production on November 30. The plant has a rated capacity of 580,000 tonnes of nitrolime per year, but will run at half the capacity till regular supplies of raw material are assured.

*

The first Indian plant for the manufacture of plastic injection moulding machines is expected to go into production in November, 1963. The plant is being erected by Engel India Machines and Tools Ltd., Calcutta, with Austrian collaboration.

*

The Nylon plant of Nirlon Synthetic Fibres and Chemicals Private Ltd., Bombay—the biggest of its kind in India—was inaugurated by Mr. Morarji Desai, Union Finance Minister, on December 2. It has at present a capacity of two tons per day A licence has been issued to this company to expand its capacity upto 5½ tons per day.

*

The factory of Synthetics and Chemicals Ltd., in Uttar Pradesh, is nearing completion and is expected to go into production in January, 1963. Built at an estimated cost of Rs. 20 crores, it has an annual capacity of 30,000 tons of synthetic rubber and will save foreign exchange to the extent of Rs. 10 crores per year.

FOREIGN

The United Nations Economic Commission for Africa will shortly open a demographic centre in Cairo.

*

West Germany has promised a credit of DM 20 million to Cambodia for various development projects.

*

The world's newest jet airliner, Boeing 727, is scheduled to make its maiden flight in January, 1963.

*

The United States, had at the beginning of 1962, 58,000,000 television sets, about half the world's total.

*

Large reserves of thorium have been reported in the White Mountains, New Hampshire, USA.

*

An official publication reports that today 98 per cent of the farms in the United States are electrified, as against 11 per cent in 1936.

*

The Swiss Foundation for Technical Aid will provide assistance to the tune of 550,000 Swiss francs to Nigeria for trainees schemes in engineering trades.

*

The United States and the Soviet Union will launch seven scientific satellites during 1963-65 under a recent bilateral pact for co-operative space research.

*

Chas Pfizer of USA has announced an extensive programme of production of lactic cultures for use in cheese and other fermented milk products.

*

A Soviet publication states that 23,000 part-time students from all over the country are enrolled in the Polytechnic Correspondence Institute of Leningrad.

*

It was officially announced that the United States has 286 nuclear reactors in operation or under construction, compared to 39 each in Britain and the Soviet Union.

*

Soviet geologists have reported extensive reserves of oil and natural gas in the Mangyshlak peninsula in the Caspian.

*

The Government of Ceylon has decided to establish two more "instant tea" factories. Already one such factory has been set up at Agrapatna.

*

An agreement providing for the supply of 300,000 tons of Australian raw sugar to Japan was recently signed in Tokyo.

*

Europe's biggest hotel, with 3,400 apartments, is being built on the bank of the Moscow River near the Kremlin. The construction is expected to be completed in 1965.

*

The daily output of coal per miner in the United States has gone up to 145 tons, more than twice the figure for 1952.

*

Mr. George Champion, Chairman of the Chase Manhatten Bank, has proposed the creation of a multi-national world aid organisation staged by businessmen "to make a completely new approach to foreign aid".

*

A new journal, "ULTRASONICS", covering the principles and practice of ultrasonics and allied technology, will be published in January, 1963, by ICIFFE press, UK.

COMPANY AFFAIRS

INDIAN OVERSEAS BANK

The Indian Overseas Bank has completed 25 years of its service. It was a period full of significant events which brought the bank to its present stature. Starting in 1937, the bank today has spread its network in some 80 places of its operation. It was founded by the late Mr. M. Ct. M. Chidambaram Chettiar with the twin objectives of developing overseas banking and of handling foreign exchange business. It was in a way the first Indian institution of its kind and in 1937 itself it founded its overseas branches in Malaya and Burma. Today the bank has 5 branches in Malaya and a branch each in Burma, Ceylon, Thailand as well as in Singapore and Hongkong. The post-war period was a period of special achievements. The paid-up capital and reserves increased between 1945 and 1961 from Rs. 33 lakhs to Rs. 153 lakhs. Deposits increased from Rs. 3.2 crores to Rs. 31.2 crores. The bank's policy in India has been one of studied expansion and has nearly 63 branches all over the country.

K.C.P.

During the year to June 30, 1962, the KCP Limited, Madras, recorded a profit of Rs. 70.12 lakhs. This is a sufficiently larger figure than the last year's profit of Rs. 45.27 lakhs. This increased level of profits was a reflection of better performance in terms of sales. The overall sales at Rs. 571.7 lakhs was quite favourable as compared to Rs. 429.1 lakhs a year before. Sale proceeds of sugar were higher. Same was the case with confectionery, machinery and materials and cement. Sales of distillery spirit and manures were, however, lower. The Directors provided Rs. 6.32 lakhs towards bonus payable to cane growers, Rs. 27.5 lakhs towards Development Rebate Reserve, Rs. 1.85 lakhs towards General Reserve, Rs. 8.38 lakhs towards Rehabilitation Reserve and Rs. 18 lakhs towards a provision for taxation. Dividend was proposed to be paid at the rate of 15 per cent on equity shares which is subject to the sanction of the Industrial Finance Corporation of India.

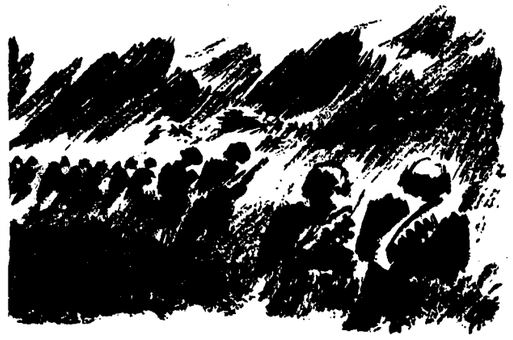
The company's sugarcane factory continued crushing for 131 days. During the year 2.90 lakh tons of sugarcane was crushed and 29,967 tons of sugar was produced. The recovery of sugar for the season was 10.03 per cent as against 8.97 per cent in the previous season. The cement factory at Macherla produced during the year 91,815 tons of cement against 71,519 tons during the previous year. The second stage of the factory went into production in June 1962. The company has not been able to use electric power contracted for at Macherla. The Directors have reported that out of the issue of 1 lakh equity shares of Rs. 10 each offered to shareholders, in January 1961, 98,608 shares were allotted last year and a further 567 shares were allotted during the period under review.

PHOSPHATE COMPANY

The Phosphate Company Limited made a profit of Rs. 14.99 lakhs during the year to June 30, 1962. A sum of Rs. 1.51 lakhs was separated towards depreciation, Rs. 5.70 lakhs towards taxation, and Rs. 3.23 lakhs towards Development Rebate Reserve. A sum of Rs. 1 lakh was separated further towards General Reserve. The Directors recommended the payment of a dividend at Rs. 17.50 nP. per ordinary share of Rs. 100 each which will absorb a sum of Rs. 3.94 lakhs subject to deduction of tax.

During the year under review the price of superphosphate was increased by Rs. 11.10 nP. per ton by the Ministry of Agriculture to compensate the rise in the cost of production of superphosphate. Trial runs of new sulphuric acid plant were made during the year and normal production started from August 1962. This made the company self-sufficient for its sulphuric acid requirements. With a view to diversify the activities of the company, the Directors decided to set up a ferro-alum plant for which there is good market. The Directors are hopeful that the plant will start production early next year. With the installation of continuous superphosphate plant which started production from October 1962, the company's productive capacity has increased considerably.

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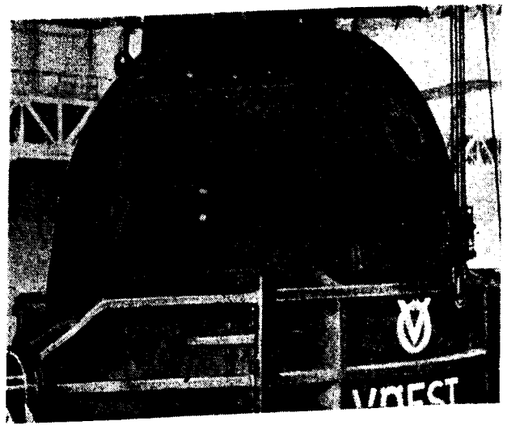
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49 years ... not even a scratch

The rate of industrial accidents in India has increased from about 24 per thousand workers in 1938 to about 44 in 1959. Every year, over 93,000 workers are involved in accidents and 250 lives are lost. Also wasted annually are a million man-hours—enough to produce 170 broad guage locomotives or 700 coaches for the Indian Railways.

Safety has always been Tata Steel's watchword as efficiency is hardly possible without it. 'No-accident month' as an annual feature, safety exhibitions, training in safety, safety awards, safer working conditions, a continuing campaign under the direction of joint councils to turn safety into a habit ... these are some of the means adopted in Jamshedpur to prevent accidents in the Plant.

Safety, however, depends largely on the worker himself because about 75 per cent of industrial accidents are found to be caused by human negligence. This is where men like Jamuna Dube, the oldest employee in Tata Steel, come in. He has worked for 49 years without ever sustaining an injury, not even a scratch.



The importance of safety was one of the first things that Jamshedpur taught Dube when he arrived in the Steel City half-a-century ago ... a city 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 6073A

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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
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
September 1961 ..	121.1	99.7	121.4	138.3	140.6	123.1	125.5	124.6
October " ..	120.9	99.5	121.8	136.0	140.3	124.3	126.5	124.4
November " ..	120.3	98.3	121.7	137.1	140.1	124.4	126.6	124.3
September 1962 ..	130.0	99.8	124.9	139.8	142.9	127.2	129.4	130.7
October " ..	129.0	100.3	124.8	138.9	144.2	126.8	129.3	129.9
November " ..	129.6	100.2	125.1	137.8	142.2	127.9	129.9	130.2
27-10-1962 ..	129.6	100.5	125.0	139.1	145.5	127.1	129.7	130.4
3-11-1962	130.2	100.5	125.0	137.3	145.1	127.5	130.0	130.5
10-11-1962	130.0	100.5	125.1	137.8	142.6	127.9	130.0	130.4
17-11-1962	130.3	99.8	125.1	139.3	141.3	128.0	129.9	130.8
24-11-1962	127.8	99.8	125.0	136.7	139.8	128.1	129.7	129.1

* 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**
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
1962 January	415	436	295	170	399	513	495	180	482	177	174	175
February	417	438	295	170	399	513	492	192	480	177	177*	175
March	418	439	300	170	403	503	493	198	480	179	175*	175
April	418	439	300	170	410	491	492	198	480	182	175*	177
May	422	433	303	167	417	491	496	199	480	180	177*	178
June	426	447	308	171	417	505	497	201	484	182	177*	179
July	427	448	—	175	420	515	501	202	487	185	177*	181*
August	433	454	—	177	431	530	510	204	488	187	179*	182*
September	429	450	—	176	434	525	506	—	488	—	182*	182*
October	425	446	—	173	—	522	513	—	487	—	—	—

** Base 1944 = 100. * Provisional

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

	7-12-1962 High	7-12-1962 Low	7-12-1962 Average	30-11-1962 High	30-11-1962 Low	30-11-1962 Average	23-11-1962 High	23-11-1962 Low	23-11-1962 Average	16-11-1962 High	16-11-1962 Low	16-11-1962 Average
Gold (per 10 grams)	107.00	96.00	101.17	99.75	86.00	92.75	106.00	90.00	99.29	107.00	104.00	105.13
Silver (per kilogram)	198.75	194.10	195.95	196.20	187.80	192.83	212.00	189.10	201.50	215.40	211.80	213.53

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										
Sept. 1961 ..	1,877,38	21,36	1,898,74	117,76	116,86	234,62	12 36	126,45	1,537,67	1,898,74
Oct. ,, .	1,895,94	21,25	1,917,19	117.76	116,86	234.62	12.22	126,23	1,556,35	1,917.19
Nov. ,, ..	1,918,47	16,09	1,934,56	117,76	116,86	234,62	12.13	123,60	1,576,34	1,934,56
Sept. 1962 ..	2,029,26	18,74	2,048,00	117,76	88,34	206,01	10.06	123,87	1,718,03	2.048.00
Oct. ,, ..	2,055,65	18,84	2,074,48	117,76	88,14	205,90	9.93	122.84	1,745,74	2.074.48
Nov. ,, ..	2,073,44	16,08	2,089,52	117,76	88,08	205,85	9.85	122,39	1,761,29	2,089,52
Week-Ending										
26-10-1962 ..	2,049,22	17,74	2,066,96	117,76	88,08	205,85	9.96	122.82	1,738,29	2,066,96
2-11-1962 ..	2,063,79	21,48	2,085,28	117,76	88,08	205,85	9.87	121,14	1,758,29	2,085,28
9-11-1962 ..	2,086,96	17,50	2,104,46	117,76	88,08	205,85	9.78	120,32	1,778,29	2,104,46
16-11-1962 ..	2,077,26	13,85	2,091,11	117,76	88,08	205,85	9.89	121,97	1,763,29	2,091,11
23-11-1962 ..	2,067,90	15,09	2,082,99	117,76	88,08	205,85	9.88	123,86	1,753,29	2,082,99
30-11-1962 ..	2,071,31	12,48	2,083,78	117,76	88,08	205,85	9.88	124,65	1,753,29	2,083,78

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														
Sept. 1961 ..	60,81	26,76	83,71	159,06	330,34	96,02	511,36	21,42	16,73	17,47	49,15	131,54	257,92	17,13
Oct. ,, ..	60,23	14,40	81,36	147,41	303,39	95.52	483,91	21,30	35,09	20,06	60,56	135,19	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	184,38	20,24
Sept. 1962 ..	83,68	20,13	86,69	161,43	351,93	177 55	554,48	18,79	115,11	6,10	27,81	159,93	192.28	34.46
Oct. ,, ..	55,95	16,07	85,02	160,16	317,65	119,09	521,74	18,90	134,17	5,25	39,11	151,72	136,82	35.77
Nov. ,, ..	56,87	10,19	80,70	161,62	309,38	135,20	529,58	16,14	95,16	5,62	38,84	150,25	191,80	31,77
Week-Ending														
26-10-1962 ..	51,01	9,85	80,71	161,05	302,62	120,70	508,31	17,79	105,25	4,49	43,59	153,58	146,09	37,52
2-11-1962 ..	49,95	10,08	74,13	160,15	294,31	128,27	507,58	21,57	96,05	5,54	40,53	151,90	162,65	29,36
9-11-1962 ..	50,43	17,86	82,77	160,07	311,14	124,25	520,40	17,56	103,51	5,92	33,70	150,19	177,08	32,45
16-11-1962 ..	60,77	7,06	92,89	162,36	323,08	139,18	547,25	13,90	106,06	5,14	43,78	148,97	196,97	32,43
23-11-1962 ..	65,32	5,71	83,18	163,46	317,67	139,51	542,18	15,14	91,72	6,06	42,43	148,17	206,18	32,46
30-11-1962 ..	57,90	10,23	70,51	162,07	300,71	144,77	530,48	12,52	78,44	5,45	33,78	152,02	216,13	32,13

***.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 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
1961-62 ..	849,52	1,142,61	1,992,13	47,92	78,11	6.33	1,101,66	185,61†	64.62	585,01
Average of Fridays										
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
April ,,	927,18	1,240,90	2,132,08	51,77	83,78	6.36	1,198,27	229,73	66.96	592,07
May ,,	920,22	1,230,84	2,151,06	52,43	83,85	6.34	1,216,77	220,89	66.83	580,32
June ,,	911,54	1,266,78	2,178,32	53,30	84,92	6.35	1,235,93	197,66	65.81	584,76
July ,,	909,70	1,288,13	2,197,83	51,28	99,24	6.85	1,240,45	169,86	64.17	613,11
August ,,	915,52	1,305,73	2,221,21	50,04	90,22	6.30	1,213,47	180,08	62.74	678,24
Sept. ,,	913,02	1,283,49	2,196,52	48,53	82,13	5.95	1,203,38	197,61	63.79	678,63
Oct. ,,	927,03	1,292,66	2,219,69	51,65	78,85	5.88	1,186,41	206,90	62.77	697,75
Nov. ,,	928,89	1,288,83	2,217,72	49,89	76,25	5.69	1,172,03	213,45	62.48	693,42
Week Ending										
26-10-1962 ..	921,61	1,296,88	2,218,49	49,94	77,76	5.76	1,183,19	210,49†	62.82	711,16
2-11-1962 ..	934,26	1,280,63	2,214,89	53,31	72,73	5,69	1,180,41	216,22†	63,06	693,65
9-11-1962 ..	932,37	1,289,17	2,221,54	50,61	76,84	5.74	1,189,83	217,37†	62,94	683,61
16-11-1962 ..	920,39	1,298,10	2,218,49	49,77	84,75	6.06	1,162,90	214,60†	62.09	684,75
23-11-1962 ..	930,38	1,290,51	2,220,89	48,30	78,13	5.69	1,158,57	214,49†	61.83	704,82
30-11-1962 ..	927,05	1,285,72	2,212,17	47,46	68,78	5.25	1,177,46	204,59†	62.46	700,26

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(REVISED SERIES)

(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)
1951-52 ..	1,849,96	1,285,51	564,45	544,85	19,60	—159,82
1955-56 ..	2,219,92	1,571,01	648,91	636,90	12,01	+262,53
1956-57 ..	2,345,30	1,622,73	722,57	710,92	11,65	+125,38
1957-58 ..	2,417,00	1,674,07	742,93	723,06	19,87	+ 71,70
1958-59 ..	2,530,27	1,792,02	738,25	719,00	19,25	+113,27
1959-60 ..	2,725,04	1,930,86	794,18	772,39	21,79	+194,77
1960-61 ..	2,874,11	2,098,05	776,06	757,10	18,96	+199,84
1961-62 ..	3,049,45	2,201,79	847,66	824,26	23,41	+175,34
January* 1962 ..	2,900,10	2,105,11	794,99	774,89	20,10	+ 59,62
February* ,, ..	2,954,85	2,154,75	800,10	781,08	19,02	+ 54,75
March* ,, ..	3,049,45	2,201,79	847,66	824,26	23,41	+ 94,60
April* ,, ..	3,105,62	2,255,10	850,52	826,42	24,09	+ 56,17
May* ,, ..	3,098,59	2,258,05	840,54	819,27	21,27	— 7,03
June* ..	3,049,32	2,205,25	844,08	823,81	20,26	— 49,27
July* ..	3,027,42	2,171,30	856,12	833,43	22,69	— 21,90
August* ..	3,008,01	2,143,15	864,86	842,56	22,29	— 19,41
September* ..	3,000,05	2,142,16	857,89	836,70	21,19	— 7,96

* Provisional. † Excluding balances held on I.M.F. Amount No. 1 and other extraordinary items.

Source: Monthly Bulletin of Reserve Bank.

INDEX NUMBERS OF VARIABLE DIVIDEND INDUSTRIAL SECURITIES

(Base: 1952-53 = 100)

Last Week of	All Industries	Tea	Coffee	Rubber	Coal	Sugar	Cotton Textiles	Jute Textiles
1957-58 ..	126.6	138.9	192.1	138.9	92.6	157.9	116.2	60.0
1958-59 ..	146.8	155.2	197.2	162.1	115.1	168.3	111.6	95.5
1959-60 ..	161.7	168.1	200.6	178.4	116.5	180.5	141.7	93.8
1960-61 ..	182.6	169.9	195.0	173.5	129.0	178.1	162.2	95.3
1961-62 ..	192.7	154.7	154.7	169.2	115.7	143.3	200.7	105.1
1961 April ..	178.9	170.8	187.5	170.0	127.9	171.3	163.0	93.4
May ..	181.3	168.1	179.1	173.0	128.9	167.3	165.4	89.4
June ..	183.8	166.9	182.1	174.0	131.2	163.1	172.8	86.8
July ..	181.5	165.5	174.1	170.5	129.3	158.9	172.0	87.1
August ..	176.8	161.1	172.5	173.7	125.6	158.1	170.3	83.9
September ..	179.3	157.0	170.2	173.6	119.3	159.1	178.6	82.6
October ..	182.0	154.5	166.7	170.4	118.4	157.8	183.8	87.7
1962 April ..	192.9	156.7	156.3	168.8	122.6	143.4	195.6	107.6
May ..	194.8	157.1	159.5	169.8	135.3	141.0	194.6	106.1
June ..	188.3	151.3	151.3	170.1	128.1	138.4	185.3	103.7
July ..	183.3	145.8	148.6	163.8	122.8	137.5	179.8	100.7
August ..	187.2	145.0	149.4	166.2	124.5	140.3	184.9	101.8
September ..	180.4	144.0	146.9	168.0	121.5	136.6	180.6	102.4
October ..	174.4	141.4	145.0	163.4	116.7	133.0	175.2	97.0
November ..	170.6	141.1	144.1	161.5	115.2	132.1	171.6	96.6
December, 1 ..	170.3	141.2	144.1	161.8	115.2	132.9	172.1	96.5

INDEX NUMBERS OF VARIABLE DIVIDEND INDUSTRIAL SECURITIES (Contd.)

Last week of	Basic Industrial Chemicals	Cement	Paper	Iron and Steel	Transport Equipment	Electrical Machinery	Machinery other than Transport & Electrical	Electricity Generation and supply
1957-58 ..	104.7	124.1	157.8	126.4	182.2	130.6	150.6	88.4
1958-59 ..	134.4	131.7	200.2	163.9	229.9	141.6	189.3	93.0
1959-60 ..	188.1	139.1	213.2	148.1	344.2	129.3	203.2	82.9
1960-61 ..	219.1	146.2	218.5	171.2	427.5	165.5	227.9	80.6
1961-62 ..	203.1	165.5	227.9	157.0	395.0	177.0	240.8	86.6
1961 April ..	215.6	142.1	213.3	169.2	400.9	164.2	219.6	80.1
May ..	217.0	143.6	208.7	174.7	418.7	162.2	218.7	81.5
June ..	218.0	143.6	207.2	179.0	431.6	166.3	219.4	81.8
July ..	215.2	142.6	208.8	172.9	404.7	164.9	212.6	84.6
August ..	207.6	140.8	200.0	162.5	382.5	161.3	205.3	85.0
September ..	204.9	147.9	207.0	156.7	389.6	164.8	208.7	86.0
October ..	203.4	148.7	205.4	157.1	392.8	162.2	214.0	85.6
1962 April ..	203.4	167.2	229.6	161.7	397.2	177.6	242.4	86.4
May ..	202.5	169.1	235.9	168.0	403.1	183.7	253.0	86.5
June ..	198.7	164.9	229.9	164.1	392.2	187.2	243.2	86.2
July ..	191.0	155.9	217.6	163.3	386.6	175.3	233.1	87.0
August ..	192.2	159.5	218.3	168.5	380.2	184.1	237.3	87.4
September ..	183.2	157.7	212.5	154.1	360.7	182.3	231.5	87.3
October ..	179.7	150.9	207.7	148.9	349.3	162.2	222.0	86.8
November ..	176.9	146.3	204.5	139.9	336.7	159.5	218.7	85.3
December, 1 ..	177.8	146.6	204.5	133.3	337.9	159.5	220.2	85.1

Source: Reserve Bank of India.

TAX AND NON-TAX REVENUE OF STATES: 1951-52—1962-63

(Rs. lakhs)

	1951-52 (Accts.)	1955-56 (Revised)	Total for First Plan	1956-57 (Budget)	1957-58 (Accts.)	1958-59 (Accts.)	1959-60 (Accts.)	1960-61 (Accts.)	Total for Second Plan	1961-62 (Revised)	1962-63 (Budget)
Tax Revenue											
Taxes on income	57,05	61,12	3,00,97	59,33	81,40	84,55	88,80	1,00,47	4,14,55	1,03,34	99,57
Share of Income-tax	52,65	55,27	2,77,86	53,51	73,36	75,80	79,50	90,58	3,72,75	94,33	90,42
Agricultural income-tax	4,33	5,74	22,67	5,73	7,80	8,42	8,92	9,49	40,36	8,60	8,73
Profession Tax	7	11	44	9	24	33	38	40	1,44	41	42
Taxes on Property & Capital Transactions	75,40	1,12,34	4,75,34	1,26,88	1,25,40	1,32,14	1,41,00	1,44,41	6,69,83	1,48,94	1,54,47
Estate Duty	..	1,94	2,46	2,38	2,40	2,38	2,77	2,89	12,82	3,20	3,88
Land Revenue	47,99	80,33	3,29,04	92,66	87,72	91,85	95,15	97,19	4,64,57	99,43	1,02,30
Stamps and Registration	25,56	28,11	1,34,41	29,90	33,09	35,53	40,69	43,33	1,82,54	44,98	47,37
Urban Immovable Property Tax	1,85	2,01	9,43	1,94	2,19	2,38	2,39	1,00	9,90	1,33	92
Taxes on Commodities and Services	1,48,60	1,76,02	8,26,71	1,80,52	2,65,18	3,20,37	3,47,62	3,79,90	14,93,59	4,00,79	4,66,65
Union Excise	70	16,60	64,62	17,04	40,21	73,02	74,71	75,11	2,80,09	79,10	1,14,95
State Excise	49,41	43,49	2,28,42	42,76	46,02	46,94	49,60	53,11	2,38,43	56,11	57,71
General Sales Tax	54,40	68,28	2,98,61	70,66	1,07,37	1,11,68	1,24,37	1,42,44	5,56,52	1,56,58	1,66,77
Sales Tax on Motor Spirit	4,53	8,30	33,44	8,73	9,85	12,19	12,46	16,30	59,53	19,61	21,26
Motor Vehicle Taxes	10,09	14,39	63,58	14,98	21,13	24,46	26,38	34,10	1,21,05	36,33	39,41
Tax on Railway Fares a	..	..	..	..	4,81	10,88	13,06	13,79	42,54	..	..
Entertainment Tax	6,39	6,50	31,13	6,53	8,56	10,65	11,32	13,11	50,17	14,22	15,05
Electricity Duties	3,39	5,63	22,44	5,81	7,15	10,51	11,97	12,51	47,95	13,69	14,80
Other Taxes and Duties b	19,69	12,83	84,47	14,01	20,08	20,04	23,75	19,43	97,31	25,15	36,70
Total Tax Revenue	2,81,05	3,49,53	16,03,02	3,66,73	4,71,98	5,37,06	5,77,42	6,24,78	25,77,97	6,53,07	7,20,69
Non-Tax Revenue											
Administrative Receipts c	38,13	60,44	2,32,79	66,70	82,02	1,04,49	1,22,66	1,39,53	5,15,40	83,00	84,51
Net Contribution of Public Enterprises d	24,92	30,07	1,37,72	34,88	42,93	39,69	43,55	47,44	2,08,49	50,37	57,31
Forests	12,61	12,82	61,36	11,99	24,12	26,37	29,97	32,55	1,25,00	30,26	32,00
Irrigation e	8,03	8,51	45,19	10,90	7,54	6,05	6,76	7,60	38,85	9,98	12,69
Electricity Schemes	3,41	5,96	23,95	7,66	6,40	3,61	1,86	3,45	22,98	2,75	3,60
Road and Water Transport	77	2,03	5,78	3,51	4,84	4,59	4,86	5,74	23,54	7,09	7,93
Industries and Others	10	75	1,44	82	3	—93	10	—1,90	—1,88	29	1,09
Other Revenue f	26,94	38,66	1,51,71	37,25	40,44	49,54	60,18	78,43	2,65,84	72,44	1,19,01
Grants in aid & Other Contributions	25,36	67,61	2,02,18	65,10	74,34	81,81	1,03,18	1,21,63	4,46,06	2,09,79	2,45,26
Total Non tax Revenue	1,15,35	1,96,78	7,24,40	2,03,93	2,39,73	2,75,53	3,29,57	3,87,03	14,35,79	4,15,60	5,06,09
Total Revenue	3,96,40	5,46,31	23,27,42	5,70,66	7,11,71	8,12,59	9,06,99	10,11,81	40,13,76	10,68,67	12,26,78

a From 1961-62 receipts from tax on Railway Fares have been excluded from tax-revenue and included under "Grants-in-aid and Other Contributions."
b Include sugarcane cess, tax on passengers and goods, tobacco duties, tax on prize competition and betting, inter-State transit duties, tax on raw jute etc.
c Include receipts from Civil Works and Other various departments.
d The contribution of public enterprises to revenue is not as given in the budgets and does not constitute a commercial surplus.
e Irrigation works for which capital accounts are not kept are taken on a gross basis.
f Comprises receipts on account of debt services but excludes transfers from reserve funds.

Source: Reserve Bank of India.

TRANSFER OF RESOURCES FROM THE CENTRE TO STATE

(Rs. crores)

Year	Resources made available by the Centre*				Expenditure of States			Percentage of	
	Shared Taxes	Grants	Loans	Total	Revenue Accounts§	Capital Account†	Total	(1+2) to (5)	(4) to (7)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1951-52	52.9	33.9	73.3	160.1	392.6	151.3	543.9	22.1	29.4
1952-53	73.8	36.0	111.8	221.6	416.9	155.5	572.4	26.3	38.7
1953-54	72.8	45.3	154.7	272.8	446.5	176.8	623.3	26.5	43.8
1954-55	71.6	51.4	220.7	343.7	494.4	205.9	700.3	24.9	49.1
1955-56 (R.E.)	73.6	103.7	246.7	424.0††	603.4	342.3	945.7	..	..
1956-57 (B.E.)	79.4	84.3	209.5	373.2††	630.5	410.0	1040.5	..	..
1957-58	120.9	114.4	283.6	518.9	683.9	347.2	1031.1	34.4	50.3
1958-59	162.1	141.5	284.1	587.7	765.1	357.3	1122.4	39.7	52.3
1959-60	169.9	181.6	295.0	646.5	869.8	396.5	1266.3	40.4	51.1
1960-61	179.0	224.1	338.6	741.7	987.4	487.9	1475.3	40.8	50.3
1961-62 (R.E.)	178.1	220.1	468.7	866.9	1122.8	546.4	1669.2	35.5	51.9
1962-63 (B.E.)	207.9	242.4	453.2	903.5	1263.0	612.3	1875.3	35.7	48.2

Note : Figures from 1951-52 to 1956-57 relate to Part A and Part B States and those from 1957-58 onwards to the re-organised States including Jammu and Kashmir.

*The figures are as in the Central Budget. §Excluding transfers to funds. ††Actuals. †Excluding appropriations to contingency and other funds, State Trading transactions and all debt and deposit items except loans and advances by States.

CONSOLIDATED BUDGETARY POSITION OF STATES

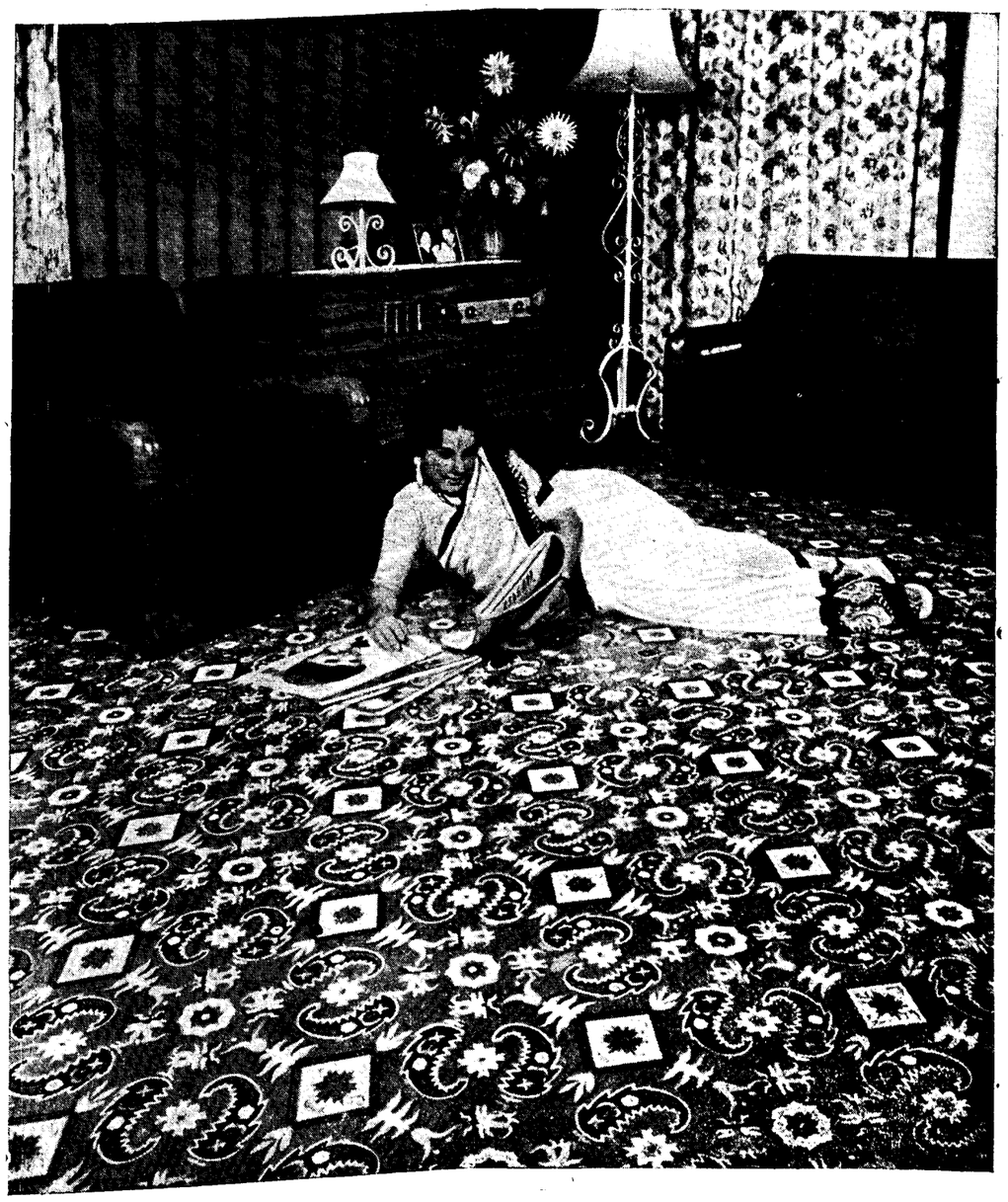
(Rs. crores)

	1951-52 (Accts.)	1955-56 (Revised)	Total for First Plan	1956-57 (Budget)	1957-58 (Accts.)	1958-59 (Accts.)	1959-60 (Accts.)	1960-61 (Accts.)	Total for Second Plan	1961-62 (Revised)	1962-63 (Budget)
I. **Revenue Account**											
a Revenue*	396.4	546.3	2299.8	570.6	711.7	812.6	907.0	1011.8	4013.7	1068.7	1226.8
b Expenditure*	392.6	624.8	2391.5	654.2	683.9	765.1	869.8	987.4	3960.4	1122.8	1263.0
c Surplus or deficit	+ 3.8	—78.5	—91.7	—83.6	+27.8	+47.5	+37.2	+24.4	+53.3	—54.1	—36.2
II. **Capital Account**											
a Receipts**	135.0	379.7	1112.3	426.9	400.0	441.5	482.0	580.0	2330.4	680.7	729.0
b Disbursements	188.7	369.8	1097.8	454.1	432.1	434.9	507.4	632.9	2461.4	705.9	765.6
c Surplus or Deficit	—53.7	+ 9.9	+14.5	—27.2	—32.1	+ 6.6	—25.4	—52.9	—131.0	—25.2	—36.6
III. **Miscellaneous** (Net)†	+1.6	— 0.8	— 9.5	+ 0.9	—15.6	— 1.6	— 0.4	—19.9	—36.6	— 0.5	— 0.1
IV. **Overall Surplus or Deficit**	—48.3	—69.4	—86.7	—109.9	—19.9	+52.5	+11.4	—48.4	—114.3	—79.8	—72.9
Financed by :											
V. **Increase or Decrease in Cash Balance‡**	—10.8	—51.1	..	—60.9	—12.2	+ 3.5	—22.7	+ 3.7§	..	—30.2	—42.3
a Opening balance	61.5	92.1	..	41.0	27.6	14.5	18.0	— 4.6	..	— 0.9	—32.8
b Closing balance	50.7	41.0	..	—19.9	—15.4	18.0	— 4.7	— 0.9	..	—31.1	—75.2
VI. Purchase (+) or Sale (—) of Securities	—37.6	—18.3	..	—49.0	— 7.7	+49.0	+34.1	—52.1	..	—49.6	—30.6

* Transfers from and to funds are excluded from revenue and expenditure respectively.
** Excluding net purchase or sale of securities.
† Consists of remittances. ‡Including Overdraft.
§ For the purpose of arriving at this figure, the opening balance for 1960-61, given in the budget papers of Maharashtra (which represents the figure for the Composite State of Bombay) has been adjusted to exclude the amount transferred to Gujarat.

Source : Reserve Bank of India

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THE EASTERN ECONOMIST

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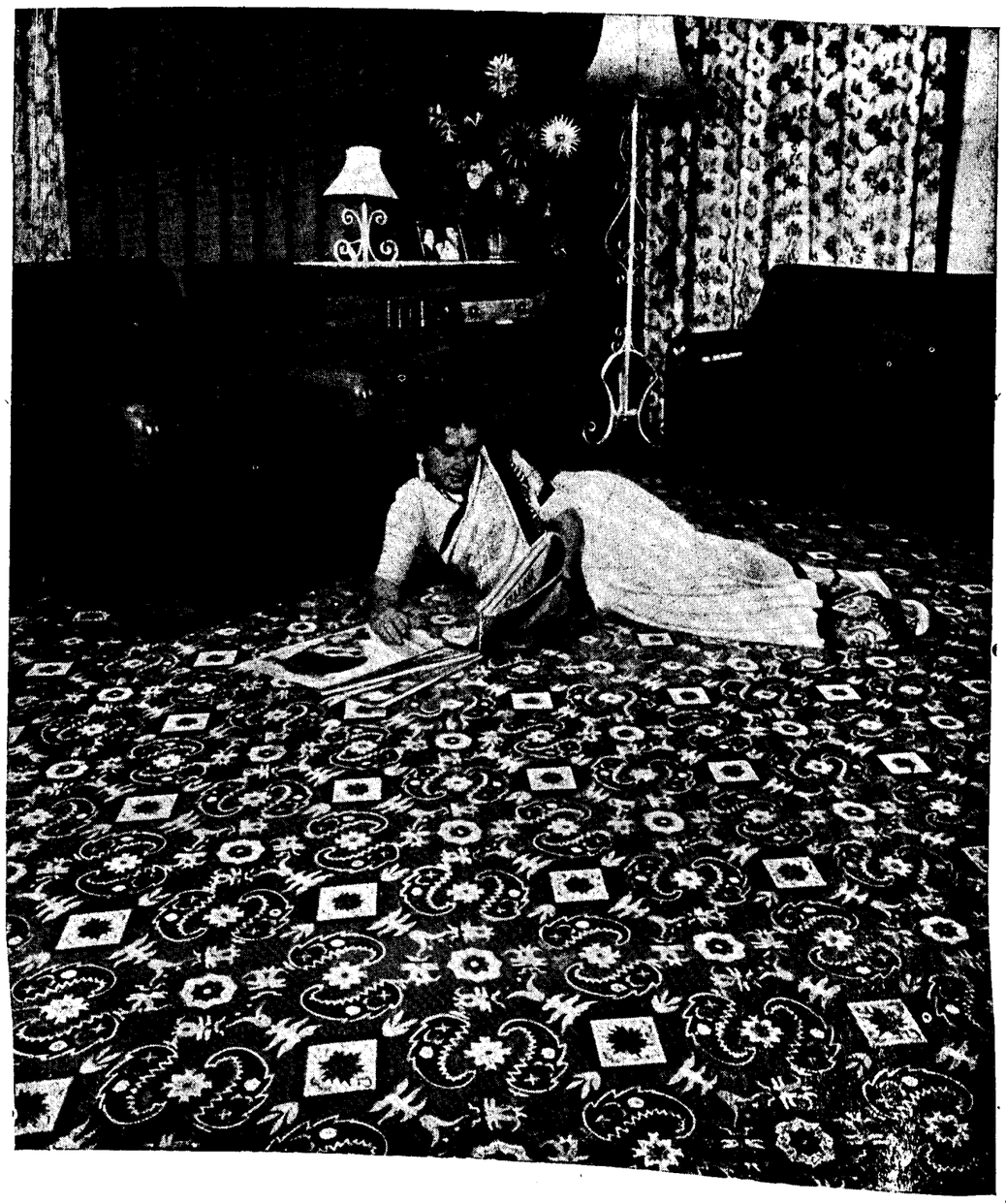
NOTICE

There will be no issue of "The Eastern Economist" dated Friday, December 28, 1962. The succeeding issue will be the Annual Number for the current year, "India After the Emergency", priced Rs. 10. This Special Number will be supplied without additional charge to the subscribers on our circulation list on December 31, 1962.

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THE EASTERN ECONOMIST

DECEMBER 21, 1962.

Arms Assessment

THE venue of consultations, having a profound consequence on India's defensive preparations, shifted this week outside the country. On Monday, December 17, the representatives of the American and British Defence Ministries met in conference in London to decide issues arising out of the arms aid for which agreements have already been entered into by India separately with each of the two countries. The significance attached to this conference may be gathered from the fact that Mr. William Bundy, Deputy Assistant Secretary of Defence, had been included in the American delegation. The purpose of these talks, however, has relevance to the short-term aspect of India's requirements of arms and other military equipment. It is to co-ordinate the supply of arms as envisaged in the two agreements concluded at New Delhi in November. Co-ordination is essential to ascertain how best and soon the types of arms required could be delivered to India. The supplies so far assured are restricted to automatic small arms and ammunition.

The size of this aid must be interpreted in the light of the fact that the supplies had to be provided and rushed on a basis of emergency. That phase has now passed and the larger problem that has cropped up is India's requirements for launching a programme of an adequate build-up of the defence system on the basis of acquisition of the most uptodate weapons which would answer the specific requirements of mountain warfare. Presumably, the London Conference was not intended to deal with this problem which belongs to the long-term category. But it is reasonable to assume that the general pattern of an approach to arms assistance to India for that purpose would be discussed in an informal and initial manner. It is surmised that a co-ordinated plan of military assistance to India would depend upon America sharing the major burden and it would be related to the principle of matching supplies by Britain and such of the Commonwealth countries as would participate in this. But it would be premature to be too positive in issues such as this.

Of much deeper and far-reaching significance was the meeting held between President Kennedy and Prime Minister Macmillan at the Bahamas on Wednesday and Thursday this week. This summit conference on defence issues of great importance to the two leading Atlantic powers has superficially little relevance to the problem of India's defence requirements. But it is no longer a secret, and on the other hand Sir David Ormsby Gore, Britain's Ambassador in Washington, has publicly affirmed, that the Sino-Indian war and the problems it has agitated constitute an important subject on the agenda for the talks. The composition of the personnel of the American team assisting the President lends full corroboration to the significance which is being attached to India's arms and other defensive requirements. Mr. Averell Harriman, Assistant Secretary of State for Far Eastern Affairs, and Mr. Philip Talbot, Assistant Secretary of State for Near Eastern and South Asian Affairs, were two high-level advisers attending the talks. It is also noteworthy that Mr. Galbraith, American Ambassador in New Delhi, was also summoned at the talks at the Bahamas.

The angle from which the aftermath of China's stunning invasion of the NEFA border ought to be judged forms but an integral part of the strategy of the Western allies in relation to the cold war and in particular the containment of Communist expansion in South-East Asia. It is in this larger context that America and Britain have valued the urgency and the scale of the assistance which should be rendered to India's full preparedness to meet any likely recurrence of Chinese aggression.

Mr. Harriman's public reference for the first time on the eve of the talks at the Bahamas to the settlement of the Kashmir issue has its own significance, but he has taken care to clarify that armament assistance to India will not be made contingent on a prior settlement of this highly complex problem. There is now a veering round to the view that plebiscite is not the sole solution. Other avenues will be explored. However, the very fact that ministerial talks on Kashmir are to commence on December 26 at Rawalpindi has brought a deep appreciation in this country that the real enemy which India has to face is China. And China's threat is common to the security of both the countries in the sub-continent. This fact urges adequate supply of military equipment to India.

The Cotton Cloth Crisis

WHATEVER may be the explanation—and there have been several explanations—for the present plight of the cotton mill industry, nearly every one is agreed that an effective tackling of the situation does not brook any further delay. Those who may not still be inclined to view the position as sufficiently serious to occasion concern and warrant official intervention are apparently misled by the fact that the present stocks of cloth with the mills of some five lakh bales are much less than the all-time high level of 6.6 lakh bales that was touched in December, 1957. But even this minority is bound to revise its opinion when it is told that today's stock of about five lakh bales is worth very much more than the 1957 stock of over six lakh bales. Due to all-round rise in costs —of cotton, labour, stores and other items—the average price of a bale of cloth today is as much

as Rs. 1,000-1,100 compared to about Rs. 800 per bale some five years ago. It should not be difficult for anyone to estimate the enormous locking up of funds that the mounting stock position entails.

While even in normal times the carrying of such heavy stocks would constitute an onerous burden, in the present circumstances when the cotton mill industry has hardly completed its investment of something like Rs. 150 crores in fixed assets—much of it by borrowings too—it would be intolerable. Moreover, the industry also needs funds for working capital, for purchase of raw cotton, and so on. In any case, it is neither prudent nor economic indefinitely to go on piling heavy accumulations of stocks, even from borrowed funds. Looked at from this point of view, the liberalised credit accommodation lately being provided by the banks is at best a palliative. A really satisfactory solution lies in prompt disposal of cloth stocks.

Have any effective measures been taken by the industry in this behalf? Even superficial inquiries go to show that the industry has attempted something positive. It may not be known to many, for example, that the industry has lowered its prices by about 15 per cent in the past few weeks. Notwithstanding this price reduction, it is said, the trade has not been lifting cloth freely, let alone in a greater measure. This is the result of a number of factors, although the most proximate has been the disturbed conditions in the border areas. Even the disturbed conditions, it is reliably assessed, have affected the demand only in Assam, West Bengal and UP, the consumer offtake in the other States continuing to be quite satisfactory, according to mill information sources. The other factors are perhaps more psychological, such as, for instance, the demoralising effect of falling gold prices and the debacle on the stock exchanges and in the commodity markets. The natural and understandable reaction of the trader to these is to restrict his purchases to only those items that sell quickly and that is precisely what has been happening. Even the relaxation of credit conditions by the mills and the wholesalers does not appear to have encouraged the traders to step up their purchases. This is proof of the unpalatable fact that confidence among traders is at a very low ebb, and, it is feared, this state of affairs may well persist for a time.

Meanwhile, as a solution to the problem, two suggestions have been made, one, to effect all purchases of defence requirements and, secondly, to increase exports. It would be pertinent to examine how effective these suggestions would, in fact, turn out to be. The requirements of defence for cotton goods are in the last analysis marginal and not all the mills in the country are capable of being geared to the production of defence needs of the given specifications. As for exports, though there is said to be scope for increase, say, by a further 200 million yards in 1963—this year, exports are estimated to aggregate only 500 million yards!—or 10 to 11 thousand bales per month, it should be noted that these additional exports cannot be arranged overnight. Besides being a long-term solution, even this much of additional export can have only a marginal impact on the stock position, in the context of an average total monthly production of 640 million yards—by mills 416 million yards and by the decentralised sector 224 million yards. Nor is it practicable for the authorities to purchase and keep a buffer stock—as suggested by some—on the scale required to relieve the situation, what with the large outlay that this would involve.

Although all this makes a bleak picture, it does not follow that the prospects too are equally gloomy. Considering the low *per capita* availability of cloth in the country, the increase in the population, and the rise in the standard of living, the present trend cannot—and ought not to—continue for long. No one can predict when precisely there would be a reversal of this trend, but the authorities can certainly expedite the process by doing everything in their power to hasten the return of confidence.

Farm Price Support

THE announcement by Dr. Ram Subhag Singh, Minister for Agriculture in the Union Government, at a meeting of the Prices Sub-committee of the Congress Parliamentary Party here last week, that the Government would buy jowar at about Rs. 10 per maund in certain areas, should its prices go below this level, and the directive issued by the Union Food and Agriculture Ministry to the State Governments to be prepared to procure rice at certain minimum rates varying from Rs. 15.50 to Rs. 17.37 per maund, if the prices of fair average quality white rice deteriorate at the next harvesting season below these levels, are indicative of the fact that in an effort to boost agricultural production, the Government has made up its mind to make use of the lever of support prices as a matter of practical policy. The shedding of inhibition on its part by the Government to take concrete steps to protect the farmers against undue depression of prices following a bumper crop in any year, is a step in the right direction. It will not be presumptuous to recall in this context that *The Eastern Economist* has advocated this policy in the past one year on appropriate occasions.

That support prices play a very vital role in providing an incentive to raise agricultural production has been demonstrated not only in this country, where minimum prices have, for a fairly long time, been in existence in the case of cotton and sugarcane but also on the Continent on both the sides of the Iron Curtain. The West European countries successfully employed this technique in rehabilitating their agrarian economies after the devastation caused by World War II and the East European countries, under the leadership of the Soviet Union, have been following a policy, since 1953, of progressively raising prices for compulsory quota deliveries. Two major hurdles had been there in the way of any large-scale introduction of this measure in the Indian economy—firstly, the difficulties of deciding on support prices of various agricultural commodities in the absence of any specific data being available on their cost of production, and secondly, the apprehension that large-scale purchases of farm products by the Government would require huge outlays which may not be available because of the pressing needs for funds from the other sectors of the economy.

To strike a balance between the support prices for various agricultural products is, indeed, a difficult job; it involves detailed calculations based on such diverse and contending factors as the cost of production (including a fair margin of 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. The calculation of the price the consumer can be expected to pay for a farm product is an additionally onerous task especially when the consumer happens to be an export industry. But howsoever difficult this job may be, it has to be squarely faced, through a process of trial and error, if the growth of the economy is to be fostered at an accelerated pace and in a balanced manner, with self-sufficiency in agriculture as its pivot.

The fears that large-scale extension of this principle would involve massive investment by the State are without any real foundation in the present-day condition of our agriculture. Huge surpluses which depress farm product prices to uneconomic levels cannot be expected to accrue in all cases simultaneously. Further, in the interest of ironing out wide fluctuations in prices, there is the necessity to build up buffer stocks and they can be built only through the State (or, at its instance, the consuming industries) making purchases either from the indigenous market or from abroad. As between these alternatives, the choice is obvious.

Extension of the price support schemes to all the important agricultural commodities produced in this country—cotton, sugarcane, jute, wheat, rice and jowar have already been covered—is expedient if for no other reason than for avoiding diversion of area under a particular crop to some other, in case the prices of the former are artificially depressed or those of the latter arbitrarily fixed at higher levels. This is also essential from the point of view of insulating the agricultural economy from undue political pressures. If support prices are there only in the case of a couple of farm products, the pressures invariably would be for increase in these prices or for maintaining them, and at no time for lowering them. If the prices of the competing crops are also supported at reasonable levels, adjustments can easily be made even downward. Resort to this lever is as well warranted for bringing about higher specialisation in our agriculture; raising of crops on soils most suitable for them will help in increasing yields per unit-area. Side by side with the extension of price support for farm products, there is, however, the need to increase storage facilities. Construction of State warehouses must, on this account, be speeded up.

Clogs on Coal

THE Government's decision to postpone the implementation of the new scheme for the movement of coal from the mines to the points of consumption has been taken in deference to the consumers' criticism about its practicability. A conference of all the interested parties is currently taking place at New Delhi to eliminate all such impediments which tend to hamper instead of helping the movement of coal. It is feared that the impact of the new scheme on consumers in the "middle range" would be very heavy and their needs of coal may not be met fully and speedily, if the proposed scheme were to be implemented by the Government.

In broad terms, the new scheme is so designed as to reduce the piecemeal movement of coal by the railways. It is proposed that the consumer should be provided with full rakes of 70 four-wheeler-wagons with the carrying capacity of 1,500 tons. All bigger consumers should be asked to set up railway sidings at the points of consumption and, wherever necessary, the small consumers should pool their demands together so that they could be provided, like the bigger consumers, in bulk. For the benefit of the small consumers, the stockists would be asked to create dumps at those points where block rakes can be readily received.

Besides many other inconveniences that the new scheme may raise, it is likely to increase the cost of handling coal which will be directly reflected in the cost of fuel for most of the industrial products. At a time like this, when a national emergency exists in the country and the industrialists have taken a vow to keep prices restrained, it is necessary that no new scheme should be introduced which tends to raise cost, leading to price inflation. Efficiency in the distribution of coal is essential, but, at the same time, no additional burdens should be imposed on the manufacturers.

A healthy feature of the discussions has been the Government's recognition to accord the highest priority in road movement to essential commodities like coal. There is substantial scope in easing the movement of coal both by road and river. The riparian route between the coal fields in Hazaribagh district in Bihar and Allahabad in Uttar Pradesh has not been exploited as it should be in view of the emergency. There is no doubt that there are certain basic hurdles involving substantial capital investment for making extensive use of this route. The Ganga is notorious for its frequent change of course. Also, the silting which has taken place during the last few decades can be removed only with a determined policy of activising the route through extensive dredging operations. Keeping in view the difficulties through which the transport system of the country has passed in recent years, it is necessary that the speedy implemenation of the road-cum-river plan in this area should be undertaken. The choice now is between a higher outlay on transport and stultifying production. The bottleneck in transport which took a very acute turn in Assam did not involve the movement of coal. But it highlights the same pressing problem of transport.

The deliberations of the conference at New Delhi this week will indicate if the Government and the industry can, with their joint efforts, evolve a pattern in rail-road-river movement whereby the new challenges can be met, even if with hardship. The consumers are as much responsible in providing a solution to this knotty problem as the Union Government. Mere criticism of the Government will not suffice in a situation like the one we are facing today in this country. Positive suggestions designed to accelerate the movement of not only coal but all the other essential commodities will need to be evolved in a business-like manner. The country surely cannot await the verdict of the Neogi Committee's report which might complete its deliberations probably after decisions involving considerable outlays are made by the Government.

THE WEEK'S NOTES

U.P. Socialists

THE MERGER MOVE

THE MERGER of the Socialist Party and the Praja Socialist Party in the UP Legislature was announced without reference to the Party Executives and for this reason the SP leadership threatened to take disciplinary action against its members. But its second thoughts signified a softening and considerable modification in its attitude. Mr. Raj Narain has explained in terms of an assurance that no question of taking any disciplinary action would arise, if it was found that their intention in agreeing to the merger was to promote the cause of socialism in the State Legislature. Further concessions to the advocates of merger would seem to follow from this assurance. It is now agreed that the National Executives of the SP and PSP would hold a joint meeting for consultation on this question towards the end of this month. It may be that the question of merger will be conceived in the larger context of the nation-wide level. But it would be prudent not to indulge in speculation based on wishful optimism. Past experience utters a warning.

Earlier attempts for the merger of the two Parties foundered on the rock of disagreement because the SP leadership, and in particular its top leader, Dr. Ram Manohar Lohia, took a very inflexible stand that the PSP must endorse chapter and verse every single item of the policy and programmes of the SP. It will be recalled that the two parties are the offshoots of the Congress Socialist Party and their bifurcation has brought, if anything, a loss in the strength which they inherited from the parent organization. While the SP drifted into isolation by its insistence on extremism, the PSP found its internal structure slowly giving way in UP. The dominant younger element in the PSP began to move much towards the policies and particularly the tactics of obstruction adopted by the SP after the general elections.

Both the Parties were returned to the Legislature after the last election with diminished strength. It was probably a result of some heart-searching about the future of socialism that the merger move was inspired and stimulated. If the merger is to stand and give a lead to the two parties in more States, two things are necessary. The SP's chauvinistic fads, obscurantist opposition to the English language and tactics of filibustering, for instance, must be abandoned. What is more important, there should be a frank agreement on the principles, policy and programmes of action inside and outside the legislature. In such a course alone lies the hope of the socialists to halt the tide of the rising influence of the Communist Party and the Jan Sangh.

Dr. Adenauer

STEPPING DOWN

THE ACTUAL announcement of Dr. Adenauer to resign has come as a climax to certain precipitate developments, in the absence of which, it is safe to assume that the Adenauer regime may have been accepted for a longer time by the West German public. The Spiegel case no doubt made a sensational disclosure of a top secret about West Germany's military strength having been ranked low among the NATO powers at the last exercises, but the public gave its support to the editors and publishers of this paper, when drastic action was taken against them by the Defence Minister Strauss. In the wake of the public sensation came the resignation of Herr Strauss. Dr. Adenauer found his position shaky and after anxious moments to rally support for his Government, he had finally to fall back upon the co-operation of the Free Democratic Party. But the Free Democrats agreed to lend support to the coalition only after exacting a high price—a definite announcement by Dr. Adenauer of the date of his stepping down from the Chancellorship. Dr. Adeneaur has fixed September, 1963, as that date, for the time being, but the chances of his staying on in office longer are slight.

Too long a tenure of office usually detracts from the popularity and respect in which the incumbent is held as a national hero. But any assessment of Dr. Adenauer's contribution to the reconstruction of West Germany after the disaster of World War II must not be allowed to be vitiated by the recent tide that was steadily rising against him. He piloted the ship of the State at a very critical time and proved to be so dexterous at his job that in a span of about thirteen years he re-established Germany's status in the family of West European nations and gave it a new vitality. Easily his greatest contribution is to lay firmly the foundation of democratic institutions in a country where another political philosophy had a powerful appeal and had proved dominating. One of the reasons for Dr. Adenauer's hesitation to announce his decision to step down was his personal dislike for Dr. Ludwig Erhard. But present indications seem that it is Dr. Erhard who will succeed him. In that case he will bring a greater degree of realism, flexibility and adaptability in Germany's domestic as well as foreign policies.

Community Development

"REORIENTATION"

IT WOULD be a good riddance when, as Mr. S. K. Dey stated before the Congress Parliamentary Party's Executive Committee, the Community Development Blocks surrender to the Defence Ministry all their serviceable jeeps. It was but natural that the low priority which the Community Development Programme won by its performance (apart from its inherent place) should attract retrenchment of expenditure to provide funds for the defence effort. A number of economy measures have, therefore, been formulated for the CD programmes. Outlay on building construction for official purposes, curtailment in the travelling expenditure of the ministerial staff and retrenchment of superfluous hands are operations which can be performed without much loss to the nation in terms of constructive rural development work.

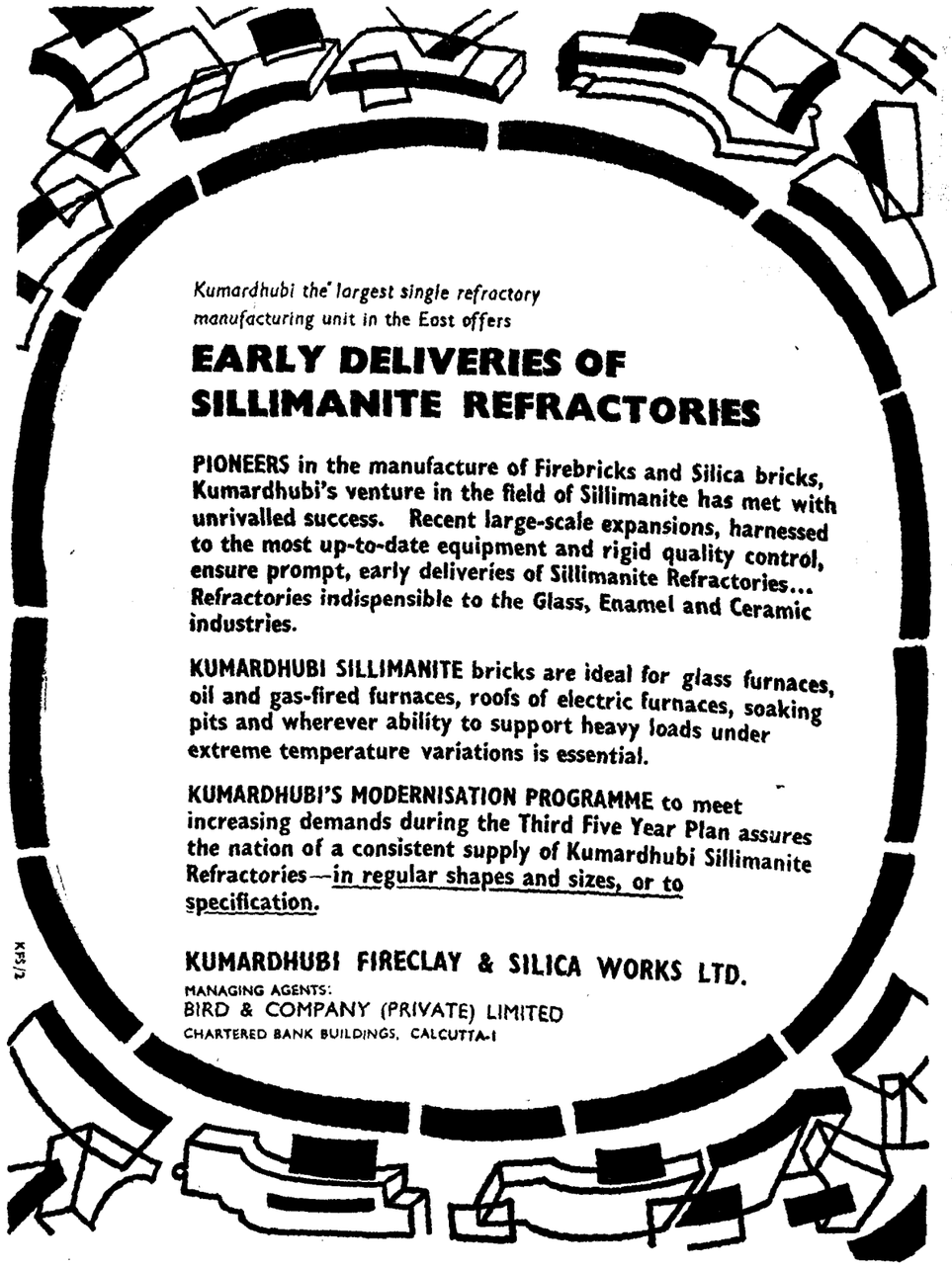
Mr. S. K. Dey has provided information of dubious value about the reorientation which is proposed to be given to the activities of the Community Development Blocks. The economy measures are expected to yield sufficient funds for allocating Rs. 1 lakh each to the 5,200 Community Development Blocks for intensifying the campaign for higher agricultural production. The actual selection of programmes for boosting production and allocating funds for them must, of course, be undertaken in consultation and with the approval of the Ministry of Agriculture. Mr. Dey has disclosed that an important plank in the reorientation is to create village volunteer corps for two purposes—to promote increased agricultural production and to undertake civil defence work. The second part of the scheme envisages the employment of 200 million able-bodied persons from the rural population to contribute 12 days' work, on a voluntary basis, in a year for the cause of civil defence. No extra expenditure at the Centre will be involved in the formation of these volunteer corps. Labour contributed in excess of 12 days per year would be paid for in cash at the local rates, while the value of the 12 days' voluntary labour would be credited by the village panchayats to their account in the defence labour banks. If the Centre is not to be saddled with this expenditure, it has not been clearly explained how the Panchayats would make the credits referred to. The funds so accumulated are to be applied to schemes of rural development. It would be rash to expect sound execution of the programme in its reorientated form. Is reorientation a synonym for perpetuation by a reverse process?



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The World Abroad

WAGE POLICIES IN EUROPE

By

ODYSSEUS

IF COUNTRIES with comparatively few working days lost in the year through strikes achieve their success because of effective machinery for preventing them, India might perhaps give her Five-Year Plan a boost by adopting them. Last week, I reproduced from the November "Westminster Bank Review" (41, Lothbury, London. E.C.2.) two tables showing the figures of working days lost in holidays and strikes in 18 industrial countries. Switzerland was top of these international "league tables" with 0.6 days in the year lost by stoppages per 1,000 persons employed in 1956-60; Sweden came next with 6.6 days lost, the UK was twelfth with 187 days lost, and Finland ingloriously came eighteenth with no fewer than 740 days lost. But, asks the "Westminster Bank Review" pertinently, do the "league leaders" owe their supremacy solely to their procedures for settling disputes? One answer is to point to those countries which have, on paper, good machinery for preventing stoppages, but which nevertheless have a poor record.

Take Australia. Although she is thirteenth on the list, with 226 days in the year lost by stoppages per 1,000 workers, her machinery seems better than that of the UK, which occupies the twelfth place. Collective agreements can be made binding on both workers and employers if they are ratified by the Commonwealth Conciliation and Arbitration Commission. Disputes over an agreement must be referred to the Commission, and the resulting award is binding. In some states stoppages are prohibited.

In contrast, the machinery in Austria and the UK is fairly similar and equally fails to explain why the UK is twelfth and Austria third (with only 21 days lost per 1,000 employed). It is true that collective agreements are binding in Austria and not in the UK, but since they are also binding in poor little Finland — bottom of the "league" — this by itself obviously explains nothing.

Although Switzerland and Sweden, proudly at the head of the "league", have efficient machinery for preventing unnecessary stoppages, this does not wholly explain their success. If a complete explanation for peaceful labour relations exists, it can be found only by taking a broader view of "Wage policy", described last week.

COST-PUSH INFLATION

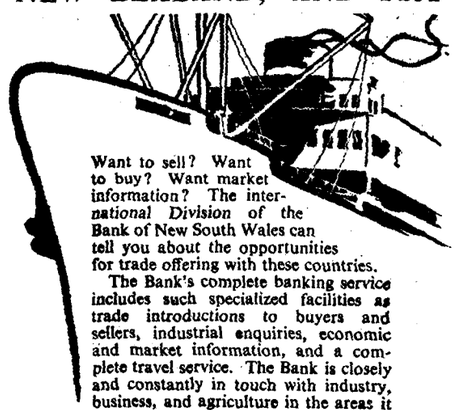
A Wage policy in this sense is designed by a government to counter tendencies to cost-push inflation. The spiral of rising wages and rising prices results from a wage demand from workers, which employers grant if they know that they can pass it on in higher prices. A wage agreement, which may be claimed as a success if avoidance of strikes is the only criterion, may therefore be written off as a failure if the larger question of preventing inflation is, as it should be, the first consideration. I do not, of course, suggest that stoppages are desirable means of resisting inflationary settlements. As the "Westminster Bank Review" points out, a successful Wage policy would minimise both stoppages and inflationary settlements.

It is unfortunate for a government seeking to plan wages that one of its own departments, the Ministry of Labour, is likely already to be active in the field of wage negotiations, only too often with the aim of promoting agreements between workers and employers regardless of their possible inflationary effects. This departmental aim is apt to disrupt the work of the wages planner if the conflict of aims is not recognised. If it is recognised, peaceful labour relations — the ideal of a Ministry of Labour's conciliators — can be achieved as a by-product of a successful wages policy. If there is a clash between planner and conciliator, the planner should, ideally, have his way, since the problems of stoppages and inflation ought both to be capable of planned solutions.

Workers' and employers' organisations are likely to protest when a planner's decision counters their special interests, and, where either organisation has links with a political party, a government's action may easily lead to political opposition. This is presumably why the UK government has delegated responsibility to the National Economic Development Council and to the National Income Commission, two semi-independent bodies, which will concentrate upon themselves the critics' fire in the first place.

It is worth noting that, in other countries, there is little or no fire to draw. Norway and Austria are developing systems of planning more peacefully than the UK, or Germany, which has so far rejected planning. In other countries a formal, or informal, system already

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functions smoothly. The cool reception given to the two UK planning bodies reflects the state of UK labour relations rather than opposition to planning itself.

TRADE UNIONS IN EUROPE

The widespread belief that labour relations are bad in the UK is only partly true. Many firms have excellent relations with their workers, and reports of apparently innate hostility between workers and employers, and also between unions, refer to a limited number of firms. That such hostility is less in Europe is not due to national characteristics but to two structural differences.

In the first place, European trade unions rarely quarrel because their interests do not clash. In the UK, on the other hand, there are at least 20 unions concerned with engineering, each jealous of its own rights, and fearful of losing members, so that they find it difficult to agree on what the interests of the engineering worker are. Equally, a management obliged to deal with so many unions finds it difficult to negotiate with its workers. In other countries, these problems are solved in two ways. In Japan, unions consist of all the workers in a firm and are confined to that firm: inter-employee disputes are therefore rare, and employer-worker negotiations are easier. The objection to this system that unions confined to one firm may be in a weak bargaining position does not apply in Europe, where unions are fewer and often stronger than in the UK.

In some European countries, the unions group all the manual workers in one industry, e.g., engineering, in contrast to the UK, where the workers are usually unionised by occupation, e.g. the Screw, Nut, Bolt, and Rivet union. In Europe, there is usually only one union in any firm (excluding clerical workers, who even there are organised by occupation), and this helps to eliminate inter-union disputes within a firm and makes authoritative bargaining possible between one labour representative and the employer.

The second chief structural difference in Europe is the strength of the central organs of both labour and management. Good relations in the lower ranks of the union hierarchy make it possible for the top unionists to agree, within their equivalent of the UK trades Union Congress, without fear of a stab in the back. In negotiations with employers and government the labour movement can then speak with one voice for all its members. Such negotiations are, of course, essential to planning. The employers, similarly, have a central organisation which can speak for all.

These conditions exist in Austria, Norway, Sweden, and Denmark. Elsewhere, the effects of centralisation are lessened by religious differences inside the trade union movement, as well as by the existence of more than one employers' movement. The UK does not suffer from these divisions, but lacks cohesion within its labour and management organisations. Much of the UK's record of poor labour relations arises from friction within a movement, or the inability of a central organ to speak for its members. If it is too much to expect that the powers of the TUC and the employers' organisations will be increased, solutions to the UK's problems will be that much more difficult. It is, however, a hopeful sign that the TUC recently sent a delegation to study union and employer relations in Sweden. The TUC leaders were surprised and impressed by the close co-operation between representatives of Swedish employers and workers, but how far, and how fast, they may seek to follow the Swedish model in the UK remains a $64,000 question.

Apart from the problem of structural changes, the "Westminster Bank Review" suggests that the UK National Incomes Commission might be made more acceptable by extending its scope beyond wages to prices, since there are many informal understandings in Europe that if wages are controlled, so also should prices be. Neither workers nor employers can then easily initiate an inflationary spiral. In Austria, this concept is embodied in a Commission for Wages and Prices. The "Westminster Bank Review" does not explain the mechanism whereby prices are controlled in Austria. My curiosity is the more aroused in that I see that between 1950-60, the purchasing power of the Austrian currency fell by 40 per cent, whereas in the same years that of the £ fell by 33 per cent. How comes it that the poor old UK muddled along without price controls somewhat better than Austria with controls?

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The European Scene

DEAN ACHESON'S MODERN EUROPE

From Our Special West European Correspondent

PARIS, December 16.

THE hero of Evelyn Waugh's comic novel "Scott-King's Modern Europe" scarcely gave a more unfavourable or more caricatural impression of this continent than did the former U.S. Secretary of State, Dean Acheson, in his address at West Point last week. Mr. Acheson declared Britain to be a decadent power living on illusions and uncertain of her role, if any, in modern affairs; France, West Germany, Spain and Portugal were promised the direst of fates on the grounds that their present leaders are very old men; and Italy was, most obscurely, held to be heading for speedy disintegration. On the first point, Mr. Macmillan has compared Mr. Acheson, irreverently and irrelevantly, with Philip of Spain, Louis XIV, Napoleon and Hitler who are similarly believed in Britain's imminent decadence. On this side of the Channel, the Press has limited itself to chiding Mr. Acheson for being disagreeable and arrogant, without denying that some of the things he said were near the truth. This mild reaction was not due merely to a superior capacity for accepting criticism (superior to that shown by Americans when their complacency is challenged), but also to the conviction that Mr. Acheson might be right about details taken in isolation but quite wrong about the sum total.

In other words, he could be like that 19th century medical materialist who announced that he had dissected the human body but not found the soul. For it is possible to dissect contemporary Europe and miss the soul: the will to unification. And one will certainly miss it if, like so many people in Washington, one is as determined not to see it as the medical materialists were not to see the psychic factors that threatened to complicate their crude physiology. The fact is that many Americans do not want to recognise the force of the unifying ideal in Europe, because it is impelling this continent to independent forms of thought and action that threaten to complicate the simple idea those Americans have about world problems. It needs no recalling that Washington supported from the start the European unity movement, when it originated in "safe" hands such as those of Christian Democrat conservatives who were reconciled to living forever as the wards and proteges of the USA. Yet it is clear that the Americans saw in this organisation simply a convenient arrangement of their dependents, which would simplify their dealings with proteges who were destined to remain proteges — much as a paternalist employer might encourage his workers to form a trade union in order to simplify his labour relations.

Since this unifying Europe has begun to take on features unwelcome to Americans, and specifically to display velleities of independence in the fields of economic and military policy, Washington's ardour has cooled considerably. While continuing to favour the "good" sort of European unity, it has began to denounce the "protectionism" and "megalomania" that it sees in the "bad" sort of unity actually in progress. To explain the appearance of this latter and unwelcome development, Americans have opted for the simplest and most anecdotal of causes: it is all the work of several naughty old men who should already be in retirement and, happily, will soon be removed by death from the scene. Hence Mr. Acheson's regrets about the age of at least four European leaders, and his hint that there will be spectacular changes when they disappear. Hence too the absurd black-and-white caricature of "the two Europes" in Walter Lippmann's recent booklet, "Western Unity and the Common Market". On the one hand, Mr. Lippmann (who, to our regret, has fallen in his old age into just that silly jingoism that he thinks to see in de Gaulle) sets the "good" Europe: it is an open, liberal association that answers all American requirements, it includes Britain and is associated with the European neutrals and with the Commonwealth on terms that keep everyone politically happy while permitting vast American economic penetration into those regions, it fits easily into an Atlantic-wide free trade zone dominated by the giant U.S. corporations, and in short is a paradise on earth where all live content under the rule of the Pentagon and Wall Street.

On the other hand, there is the infernal vision of a Paris-Bonn axis (this abusive term being a way of disguising the plain fact that European unity began with and on the Franco-German reconciliation and is meaningless without it). Ruled by two sinister old monarchs, who are fortunately without heirs, this closed group is setting traps for Young America resplendent with good will — for example by practising a form of agricultural protectionism that palely imitates the USA's own and by refusing to sacrifice European industry to the American corporations. Worse, it is toying with the idea of an independent foreign policy that might one day interrupt the Moscow-Washington dialogue, of which the usefulness for American interests was shown during the Cuba crisis. And it has the germ of a third nuclear striking force, which if European prosperity and political unification continue at their recent pace, might one day be regarded by Europeans as adequate to their own immediate defence. It might never serve to enable Europe to practise a lone-wolf super-power policy all around the globe, and it might not even be sufficient alone for the defence of Europe in a showdown with Russia; but it would give European a sentiment of self-reliance, especially as the prospect of a showdown with Russia in Europe becomes less and less likely, and would undermine the American monopoly of modern defence weapons.

This last is the most serious, in plain business terms. For as long as the balance of terror depends entirely on American might, so that Washington exercises supreme political responsibilities, the cost of the American defence burden and aid programmes is everybody's concern in the West. American corporations must be permitted to over-export, U.S. goods must get freer access to Europe and the Commonwealth, because the U.S. balance of payments has to be surplus and the dollar has to be shored up — because, in turn, on that economic strength depends everyone's ultimate protection. In those conditions, an economically independent West Europe (baptised for the cause a "protectionist" Common Market) has no right to exist, for it is a military threat to Europe's own security. To put it less hypocritically, a militarily independent West Europe has no right to exist because it would be an economic threat to the USA's exports.

Faced with this unpleasant prospect of a united and self-reliant West Europe, the readiest form of satire is

to insist on the weaknesses of the European nations taken alone. Real or imaginary, these weaknesses might in fact be perfectly familiar to the Europeans who see in them, precisely, the reason why they must unite. That Britain can no longer play a world role on her own, that Italy is bedevilled by acute social problems, that the Portuguese empire is envaporating, that Spain's autarchy has become impossible to maintain, and that French and German nationalism have come to the end of the road — all these are less fresh discoveries that warrant mockery than they are familiar reasons pushing the Europeans toward unity.

It is easiest to show up Britain's present uncomfortable posture, because she has not yet negotiated her entry into Europe. London is obviously in two minds but we should save our irony until the painful decision is taken, as it must be in the course of next summer. Spain, too, is at the crossroads and the coming two years will be crucial for her orientation. Yet the predicament of these two countries stems just from the fact that they are offered membership of a greater unity, and against that unity Mr. Acheson cannot exercise his sarcasm so easily. In my ignorance of Portugal, I am ready to believe the worst. But the suggestion that West Germany and France are in the same plight as the Iberian states on the grounds that leaders of all four countries happen to be old men is stupid, and for that matter it is false that the disappearance of Adenauer and de Gaulle tomorrow would plunge their nations into instability. Some Americans want to believe this, because they think that the policies that Adenauer and de Gaulle stand for are personal inventions, so that their successors must inevitably be more docile to American instructions. Unfortunately for them but happily for the Germans and the French, this is not so. Messrs. Adenauer and de Gaulle, being singularly forceful personalities, have impressed European policy with their style, but that policy exists independently of them. Everything that Washington dislikes in France today dates from well before de Gaulle's return to office, except the general's prose style, and will just as surely outlive him.

Fascination with the stature of eminent leaders always produces the problem of what will happen after they go; one is familiar with this in India, a nation that people naturally find hard to imagine without the Nehru phenomenon. In France certainly, in West Germany too (though perhaps there after a brief and inevitable Erhard interlude) and I venture to add in Spain also, one has no difficulty in naming the men who will succeed existing leadership, and pursue similar policies. The "senile leaders" argument is on a level with Malcolm Muggeridge's ill inspired piece of a few years ago about "the sick men in Washington": because Eisenhower, Foster Dulles and Christian Herter were all in poor health, that former Calcutta journalist foresaw evil days for the America that was soon to pass into the firm hands of J. F. Kennedy.

The reference to imminent disintegration in Italy (Mr. Acheson was running short of argument, apparently) is just the reverse of the truth — unless perchance the former Secretary of State was referring ominously to the federal movement in the country, copied from the USA! Italy's future is full of promise, and most clearly just on the question of national integration, but of course it makes no sense outside the perspective of a uniting Europe. But then nor does the future of any nation in this region. If you refuse to envisage that unification because it has features that might prove awkward to American interests, then the European nations can be painted as in a sorry plight, i.e. they openly admit that nationalism is played out here.

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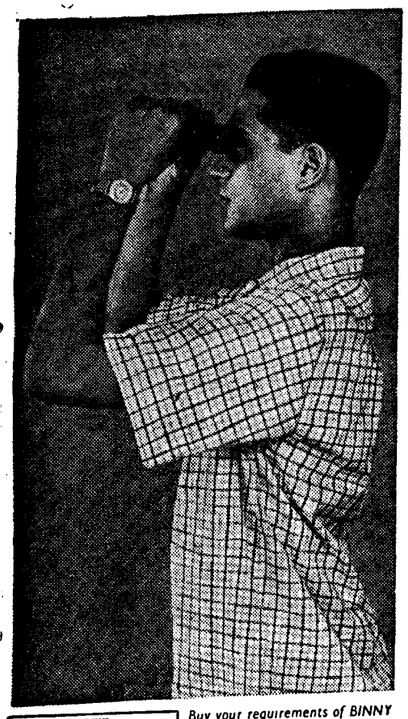
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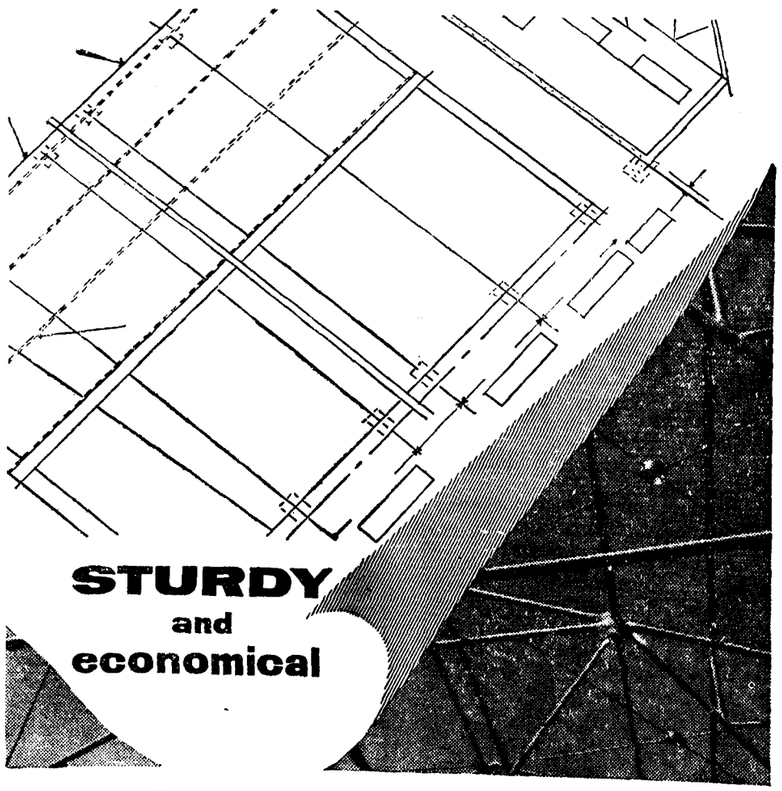
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Special Article

PLANNED PROGRESS: A COMPARISON

THE November, 1962, issue of "Bulletin", a monthly issued by the Institute for the Study of the USSR, provides an interesting analysis by Stefan C. Stolte, on the planned economies within and without the Communist bloc. It provides an objective picture of the relative rates of economic growth in Eastern as well as Western Europe and the implications of integration plans in both the wings

The debate between the commentators of the two Europes has been carried in a spirit to show that the other parts of Europe have not been doing very well. The spokesmen of the East European countries have stressed the point that the establishment of the Common Market has in no way been responsible for accelerating its economic growth; its development had in fact gained substantial impetus even before the establishment of the European Common Market and, therefore, the present relative affluence does not originate with the integration of the economies of the Six. On the other hand, the Western commentators have charged the Council for Mutual Economic Aid (which includes the Soviet Union, Poland, Czechoslovakia, Hungary, Rumania, Bulgaria and Eastern Germany) for complete failure in its theory of "division of labour" between the participating countries. Even though this Council has been in existence since 1949, it has failed to reconcile the differences between the economies of the various member-countries with the result that no joint programme of economic development for the East European countries has been evolved so far.

Leaving aside this partisan debate, it is instructive to look at the performance of the economies so as to arrive at any fruitful conclusion. Abstract percentages of growth in the different economies of the Communist bloc tend to exaggerate the real picture (see Table I) and may be interpreted with caution. Even though the rate of growth in industry in the USSR has been far ahead of the USA, the EEC and the UK between 1958 and 1961, yet the Soviet industrial potential has been only a little above half of that of the USA. The best course would be to compare the absolute quantities of output; Table II on page 1177 in regard to trends in steel production in the United States, the Common Market, the USSR, the United Kingdom and the six Eastern European countries for the period 1952-61 throws light on actual achievement in the case of a strategic commodity.

At the end of 1961, the Common Market's output of steel at 73.3 million tons was higher than that of the USSR's at 70.7. The combined output of steel in the six East European countries was only a little higher than 20 million tons and was almost the same as in the United Kingdom. The United States remained the biggest producer of steel.

The progress in the Common Market countries and in the USSR in steel production has been phenomenal since 1952. In the Common Market countries, steel output rose by nearly 75 per cent from 41.9 million tons in 1952 to 73.3 million tons in 1961. In the USSR, production nearly doubled itself within a decade from 34.5 million tons in 1952 to 70.7 million tons in 1961. The six East European countries have also done well in the sense that they have doubled their output in the same period, though in physical volume their output of steel is less than one-third of the total output of steel in the Common Market countries. It shows that the East European countries are trailing much behind the industrial power of the West European countries and shall have to make substantial effort to catch up with the economic resurgence in the Common Market countries.

Expansion in industry cannot take place at a galloping rate at all times and at all stages of economic growth. After a certain critical point, every economy —capitalist or socialist—attains a degree of maturity and comes to acquire a broad base which slows down the rate of development. This has been proved by the economies of the United States and the USSR. It may have been possible for the USSR to double its steel production during the past decade, but it may not be possible to double it further in the coming decade. As

INCREASE PRODUCTION

RESTRAIN CONSUMPTION

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against this historical truth, the 22nd Party Congress of the Soviet Union proclaimed that the industrial production in the USSR would rise by 2½ times in the next 10 years and thus the level of industrial production in the USA would be surpassed by the USSR. It was further proclaimed that industrial output in the USSR would rise at least six times in 20 years leaving the total volume of industrial output in the US far behind. The previous record of industrial progress in the Soviet Union and other countries is a clear pointer that these ambitious targets cannot be realised and that they have been dangled before the Russian masses only for political propaganda.

The USA and the USSR are two outstanding instances of the progress of both the systems, though the United States is many times ahead of the USSR in

TABLE I.

PERCENTAGE INCREASE OF INDUSTRIAL PRODUCTION SINCE THE INCEPTION OF THE EEC

	1958	1959	1960	1961
USSR	100	111	122	133
EEC	100	107	121	129
USA	100	114	118	118
United Kingdom ..	100	105	113	113

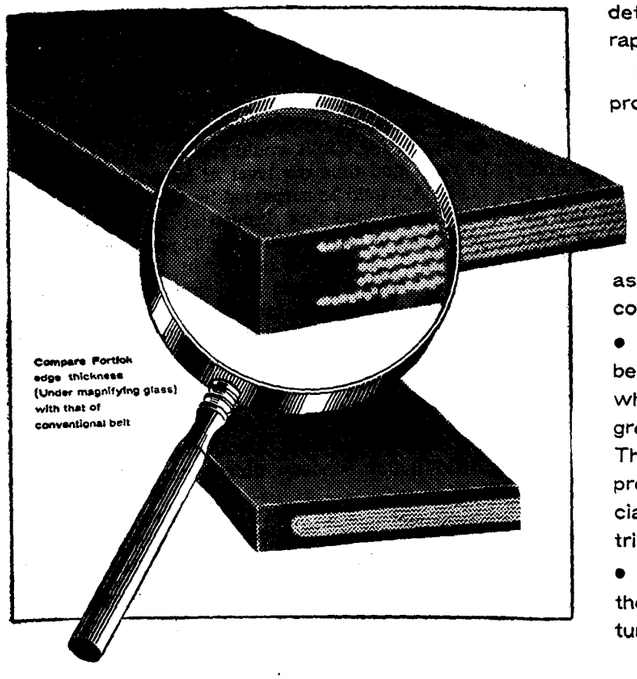
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certain sectors. The East European countries which have been trying to follow the path charted by the Russian economy have failed so far and they have not been able to catch up with the Common Market countries. The technical skill, the availability of raw materials and a host of other factors come into play for a successful execution of these economic plans. The fact, however, remains that the West European countries had a lead over the East European countries in many respects and their free private enterprise system provided progressive channels through which the economies could continue their race.

TABLE II.

STEEL PRODUCTION, 1952 - 61

(Million tons)

	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961
USA	87.8	104.1	82.1	108.6	107.6	105.6	79.1	87.1	91.9	91.1
European Coal and Steel Community	41.9	39.7	43.8	52.6	56.8	59.8	58.0	63.2	72.8	73.3
USSR	34.5	38.1	41.4	45.3	48.7	51.0	54.9	60.0	65.3	70.7
United Kingdom	16.7	17.9	18.8	20.1	21.0	22.0	19.9	20.5	24.7	22.4
Other Six Members of Comecon	11.0	12.4	12.7	13.9	15.0	15.8	17.0	18.9	20.7	—

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THE BUSINESS WORLD

Financing Additional Defence Effort

By CROESUS

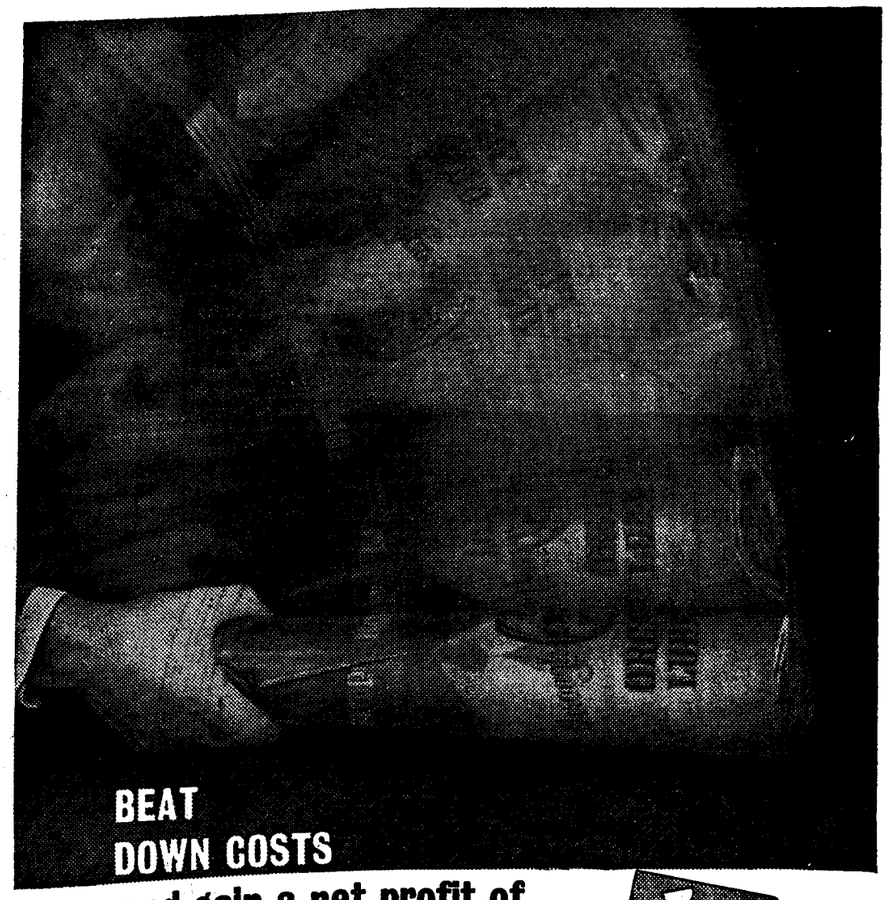
THE unanimity of opinion on the effects of the Chinese aggression on the economy of the country generally and on the Third Plan, in particular, is, indeed, amazing. An eminent British economist, a leading Indian business man, the President of the Associated Chambers of Commerce of India, and a prominent Indian economist are all agreed with the Union Finance Minister that war with China will be a prolonged affair, that the war effort will not come in the way of our economic development and so the Third Plan need not be suspended, and, what is perhaps quite significant, that the additional defence expenditure required must be primarily financed by increased taxation.

Miss Barbara Ward, the British economist, referred at some length to the defence efforts necessitated by the Chinese aggression and examined whether it would be inimical to the pursuit of India's Third Plan, in the course of her two lectures on "The Plan Under Pressure — An Observer's View", under the auspices of the Council for Economic Education, Bombay. Her considered conclusion was that defence effort at a very much higher level than at present, which the situation demands, need not necessarily frustrate the objectives of the Third Plan. Inasmuch as defence effort would speed up production of steel, coal, power and transport —all of these are admittedly lagging behind the targets today — and also release new types of skills, she said, it would also benefit the long-term objectives of the Plan. Miss Ward estimated that the defence effort required for facing the Chinese aggression would mean a search for an additional Rs. 350 to Rs. 500 crores in terms of foreign exchange. Although she feared that such enormous defence expenditure would lead to the growth of inflationary pressures, she felt that these pressures would be contained by draining out the purchasing power of the people by additional taxation. In her opinion, the present level of taxation, which is about 10 per cent of our national income, is not at all high and could go up to 20 per cent of the national income, and this, she added, should be done, besides exploring such "elbow room" as still exists for increasing excise.

In a thought-provoking article contributed by him to "The Hindustan Times" a few days ago — on December 4, 1962, to be precise -- Mr. G. D. Birla, made these very points, but even more emphatically. Indeed, he went a step further and said: "If the war has to be fought successfully, not only the Third Plan should be fulfilled, but all sorts of encouragement should be given to production to achieve much bigger targets than those envisaged in the Plan". He was categorical that the Plan should not be suspended but agreed that it might be necessary to make certain adjustments. Mr. Birla's estimate of the additional defence expenditure was Rs. 620 crores a year, and he assumed that about Rs. 300 crores would have to be found by this country. This, he said, has to come out of the national income through taxation and loans, and he had no doubt that the country could bear this new annual burden, if, as he rightly stressed, "we can achieve the targets of production envisaged in the Third Plan .... What is, therefore, needed is thinking in a new and bold way and the determination to implement policies and programmes which have been agreed upon." In other words, his plea was for a "new psychology in the Government in favour of realism and efficiency".

Addressing the last annual general meeting of the Associated Chambers of Commerce of India, Mr. H. Mackay Tallack, the President, expressed the belief that "Government of India have acted most judiciously by announcing that though it may be necessary, to some extent, to rephase the Third Plan and increasingly to concentrate on defence production, it is still their intention to pursue the Third Plan policies and targets". It is precisely, by pursuing the basic objectives of the Third Plan, namely to industrialise the country as rapidly as possible and to expand the output of the goods and services, he said, that we are most likely to promote the defence effort. But, he too conceded that "we shall have to accept a rather slower rate of progress and, as the emergency develops, to adopt a more flexible approach in the formulation of our economic policies". Mr. Tallack was of the view that "the present circumstances provide a unique opportunity for mobilising support on a truly national scale" and suggested that, although there has already been "an impressive broadening of structure of taxation, there are still large areas of the economy on which the tax burden falls, very lightly". While, therefore, he felt, the present was a very appropriate time to extend the fiscal net to these areas, he pointed out that the incidence of income-tax in India was the highest in the world, meaning thereby that there was not much scope for increase under this head. He was also of the same view as regards corporate taxes. As a matter of fact, he almost posed a problem to the Finance Minister by stating: "It may be more important to have more goods in the production line than to increase the Government tax receipts by the money which will provide for them". In other words, he was of the view that company revenues had been stretched to the limit by recent expansion and development programmes and any measure of taxation which would impinge on the capacity of the industry to increase production, which can be financed only by greater investment and fixed capital, would be self-stultifying. For these reasons, the Associated Chambers' President expected that the Finance Minister would obtain large sums through the medium of savings, especially by mobilisation of rural savings through agencies like the Life Insurance Corporation.

Prof. D. R. Gadgil, the noted Poona economist, estimated that the defence expenditure in the coming few years would be at least twice that provided in the current year of the Third Plan (Rs. 387 crores). He also said that the expansion of the defence forces would mean huge capital and investment, but, notwithstanding this extra burden, he warned the Government against any relaxation in the development effort. "Without sustained efforts at economic progress," to quote him, "the country would not be able to stand the increasing burden of defence expenditure in the coming years". Unlike Mr. Tallack, Prof. Gadgil felt that voluntary contributions to the Defence Fund (or saving) would not carry the country very far. He, therefore, suggested that there should be some compulsion to people to save, accompanied by some incentives. But, above all, he was for "a basic revision in the country's



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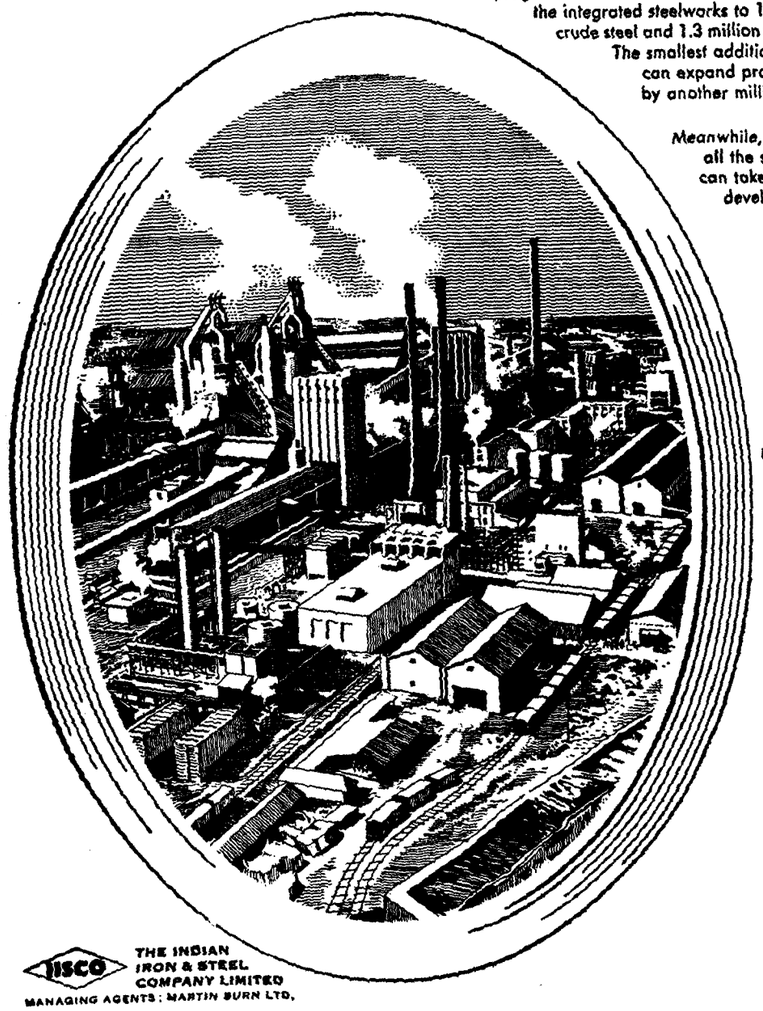
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taxation policy and taxation structure", so that the burden of increasing defenie expenditure might fall on all sections of people equitably.

Suggestions that at least a part of the additional defence expenditure be met by deficit financing also have not been wanting. For example, deficit financing to the tune of Rs. 150 crores has been specifically advocated in the latest issue of "Monthly Statistical Commentary of Indian Economic Conditions", published by the Indian Institute of Public Opinion. In view of the present fall in prices, it has been suggested that the economy could take the resulting inflationary pressure —an estimated rise in the price level of, say, about six per cent. However, Miss Ward and, even more emphatically, Mr. Morarji Desai have ruled out deficit financing as a means to meet the anticipated increase in defence costs in the present circumstances. Like Prof. Gadgil, the Union Finance Minister also wants to ensure a measure of equity in distributing the burden of additional defence expenditure among the different sections of the community and believes that, unlike voluntary savings, a measure of compulsion through taxation is unavoidable, inasmuch as taxation can also be designed to effect economy in the use of specific resources which are particularly likely to be in short supply.

There is, however, another school of opinion which argues that the so-called principle of equal sacrifice is being carried too far. While not opposing that there should be equality of sacrifice, this school urges that the authorities should also bear in mind the other equally important concept of "equi-marginal sacrifice". Also challenging the customary notions about ideal proportions as between direct and indirect taxation and facile assumptions, such as direct taxation being progressive and indirect taxation being regressive, it advances the thesis that it is possible even to make indirect taxation progressive. Yet another point made by this school is that mobilisation of resources not only implies imposition of additional levies but also studied efforts at effecting every economy conceivable. To sum-up now, if this country has to meet the additional annual increase in defence expenditure, which may well form a regular feature of our budgets in the coming years, as much reliance must be placed on effecting economies everywhere as on raising additional resources.

Business Notes

Agriculture

PROVISION OF TERM FINANCE

IT IS a pity that despite the current national emergency during which development of agriculture is being accorded priority next only to defence build-up, such a wholesome and uncontroversial piece of legislation as the one seeking to set up an Agricultural Refinance Corporation, for augmenting the facilities available for term finance to the agriculturist, could not be pushed through in the last session of Lok Sabha. That term finance is the Achilles' tendon of India's agrarian economy is evident from the fact that even during a decade of planning, only niggardly progress has been recorded in respect of such farm development activities as soil conservation, mechanisation of farming, extension of irrigation facilities through investment by farmers themselves and reclamation of agricultural wastes. The need for providing massive long-term credits to the Indian peasantry is there beyond any shadow of doubt, if the tired Indian soil is to recoup its fertility and enabled to yield anything near to what the farmers in the advanced countries of the West raise from their holdings.

Long-term finance to the Indian agriculturist today is provided only by land mortgage banks. But their success has been impeded not only by administrative weaknesses but also by inadequacy of funds. In some States, such banks are even conspicuous by their absence. The Agricultural Refinance Corporation, proposed to be set up with an authorised capital of Rs. 25 crores (Rs. 5 crores is to be paid up in the first instance) and with powers to borrow to the tune of 20 times its capital and reserves should help in making available adequate resources for term lending for agricultural purposes. It is heartening that to strengthen the term finance structure in the countryside, refinance facilities from the proposed Corporation would be available not only to land mortgage banks and co-operatives (presumably for medium-term credit) but also to scheduled banks subscribing to the Corporation's share capital. That scheduled banks, branching out into the countryside, can play a very useful role in agricultural development has already been demonstrated in Kerala. In exceptional cases, the Corporation would, with permission from the Reserve Bank, also lend directly to some co-operatives, presumably the ones which have a creditable record of working.

Since agriculture in India still remains, to a large extent, a gamble in rain and credit-worthiness of all the co-operatives and land mortgage banks is not invulnerable, it is in the fitness of things that adequate safeguards are proposed to be provided in the Corporation's statute for the safety of its funds. The Corporation is to be allowed to refinance the eligible institutions, for periods extending upto 25 years and for amounts upto Rs. 50 lakhs (higher accommodation, of course, would be allowed to be granted with specific permission from the Reserve Bank) only on unconditional guarantee being provided, for the repayment of the principal and payment of interest, by the State Governments, except in cases in which an eligible institution makes available other security (not the Corporation's own shares, bonds or debentures) to the satisfaction of the Corporation's Board. The Corporation is to be debarred from advancing any money to its eligible borrowers for the purpose of providing them working capital.

Even with all these safeguards, the Corporation will have to set up an organisation to supervise the use of the funds against which it would be providing refinance. This is necessary especially in the case of the loans extended by co-operatives and land mortgage banks which may not be having an efficient machinery of their own for this purpose. Instances have not been found wanting in the past of credits made available by co-operative societies to the agriculturists for a particular purpose being utilised for some unauthorised purposes, with the result that recovery of such loans has invariably fallen in default. Considerations of safety, it is however hoped, will not make the refinance operations of the Corporation too rigid. The commission the Corporation would be charging for extending its refinance facilities will also have to be kept modest — lower than what the Industrial Refinance Corporation charges — for the simple reason that agriculture is not as remunerative an occupation as industry.

Vegetable Oils

DEVELOPMENT COUNCIL'S DECISION

THE DEVELOPMENT COUNCIL for oils and plastics industries, set up in 1958, was constituted to include oils, soaps and paints and later on cosmetics and toiletries too. At the inaugural meeting of the Development Council held a few days back the state of vegetable oils, their actual output against targets as well as their demand, were considered. Against the requirements

of vegetable oils by the end of 1965-66 at 29.28 lakh tons, the output at present is nearly 18 lakh tons which includes five major vegetable oils—groundnut, linseed, rape, sesame and castor—along with coconut oil, cottonseed oil, and solvent extracted oils. It was pointed out that there should be more than 50 per cent rise in the vegetable oil production to meet the estimated demand by the end of the Third Plan. To meet the possible shortage the Ministry of Commerce and Industry has been paying attention to the questions of both increasing the availability of edible oils in the country as well as improving the recovery from the sources where there is waste.

Special attention has to be paid, it was pointed out, to the cottonseed oil in the country. Against the availability of the order of 18 lakh tons of cotton seeds only 3.5 lakh tons were being crushed. This was because cotton seed oil crushing industry is not sufficiently remunerative. For the Third Plan, therefore, a target of 8 lakh tons of seeds to be crushed every year has been fixed which will give something like one lakh tons of oil. At the moment there are 14 units with an installed crushing capacity of 2.2 lakh tons of cottonseeds per annum. The total licensed capacity however is much higher and is nearly 6 lakh tons. The Government of India has provided certain incentives for the development of this industry. These include (a) exemption from the payment of excise duty on the oil, (b) rebate on excise duty payable for vanaspati, in proportion to the quantity of cottonseed oil used in its manufacture and (c) the export incentive scheme for the export of cottonseeds. It was clearly laid down that the development of the cottonseed crushing industry was in the purview of the Government policy and it was considered to be a potential source for edible oils.

The Development Council has also suggested the setting up of a high level committee to examine the disorganised state of oil milling industry and to make recommendations so as to place this section of the industry on a sound footing. In order to take advantage of the lower excise duty, several small units have sprung up during the last few years. This has effected the supply of oil cakes of the requisite quality. The Council has referred to the need of having improved quality high pressure oil expellers to be manufactured in the country. The idea is to reduce the residual oil content in the oil cake to 4 to 5 per cent for economical operations. The question of improving the efficiency of the indigenously manufactured oil expellers within the country in collaboration with one or more of the foreign companies is also being examined. If the level of extraction is improved, it will be more economical to step up the export of de-oiled cakes which earn sufficient amount of foreign exchange. It is hoped that the Council is able to carry through its suggestions as early as possible.

Soap

RECOVERY OF GLYCERINE

AGAINST THE Third Five-Year Plan target of 5 lakh tons annual capacity, the present installed capacity of soap in the organised sector is 2.53 lakh tons. During the year 1961, the output was 1.50 lakh tons and for 9 months of 1962 it has been around 1.13 lakh tons. From these figures it appears that there still is a sufficient unutilised capacity and, perhaps, for that reason, the policy of the Government has been not to license any further capacity. The Development Council for Oil, Soap and Allied Industries that met recently made an estimate that output in the unorganised sector is quite large. Although no accurate figures are available, it is estimated around 2.5 lakh tons every year.

One effect of this large unorganised sector is that the recovery of glycerine resulting in soap manufacture has been very low. The Development Council pointed out that in view of the requirements of glycerine in the ordnance factories, it has a special significance in the present emergency. In has, therefore, been decided to restrict the export of crude glycerine. In the organised sector, it may be added, nearly 90,000 tons of oils and fats are consumed for the manufacture of soap. It is estimated that the glycerine potential from the fatty materials is about 10,000 tons of C.P. glycerine which in terms of actual recovery would be about 8,000 tons, valued at Rs. 3.5 crores per annum. It may be added that actual production has been about 6,000 tons in 1961 because 90 per cent of the glycerine is being recovered in the organised sector. It has been estimated that the loss of glycerine in the unorganised sector is of the order of 7,000 tons. It is, therefore, being suggested by the Development Council that regional fat splitting units should be set up so that the oils and fats which are at present being used in the small-scale sector could be split into fatty assets and glycerine and fatty assets made available for the manufacture of soap. As has been pointed out, this is a subject which requires considerable attention and it is hoped that this process of fat splitting units would materialise soon.

Industrial Finance

REFINANCING EXPORT CREDIT

THE SCHEME to refinance medium-term export credit for industry has at long last been finalised by the Refinance Corporation of India. This scheme is likely to come into operation from January 1, 1963. It may be recalled that the Study Group on Credit Facilities for exporters constituted by the Union Ministry of Commerce and Industry in April 1960, had recommended that the Refinance Corporation should extend the scope of its activities by taking up refinancing of medium-term export credit. The new facilities, it is gathered, will be available in respect of export credits for periods between six months and five years covering export of primarily capital and engineering goods. Preshipment credit will also be eligible for refinance when combined with post-shipment credit.

In order to get the facility, the exporters must be in the private sector and may be either manufacturers or recognized export houses or other exporters of standing. The minimum amount of loan against which refinance may be sought should not be less than Rs. 1 lakh and the maximum amount of all the loans refinanced in the case of any single exporter will not exceed Rs. 50 lakhs. The latter limit will apply separately in the case of industrial loans and export credit loans. The rate of interest charged by the Corporation will be 5 per cent as in the case of general scheme of refinancing. The procedures and conditions have been well laid down and the export houses or other exporters of standing should not have much difficulty in obtaining the new facility. The facility will ordinarily be extended in the case of exports of capital and engineering goods. This, however, does not mean that other goods will not be considered. The scheme is a sound one and should help fulfil the purpose for which it has been constituted.

Fisheries

A CORPORATION TO BE SET UP

THE CENTRAL BOARD OF FISHERIES has recommended the formation of an Indian Fisheries Corporation in the public sector to sponsor large-scale integrated projects primarily with a view to stepping up the export trade in fish and fish products. The Corporation, in collaboration with foreign countries, will engage itself in all aspects of the fish trade, including catching of fish, processing, marketing and export. The Board has also resolved to set up a technical committee to make recommendations for increasing the supply of fish seed to meet the needs of fishermen in the States.

Mr. S. K. Patil, Union Minister for Food and Agriculture, while inaugurating the meeting of the Board here last week, said that our annual requirement of fish to feed at least half of our population, would be about 20 lakh tons. Against this, the target during the Second Five-Year Plan was only 14 lakh tons output, of which only about 12.8 lakh tons production could be achieved. The target for the Third Plan has been tentatively fixed at 18 lakh tons which, even if attained, would still fall short of our actual requirements.

On the financial side, it may be pointed out that an outlay of Rs. 28.64 crores has been made for fisheries development schemes during the Third Five-Year Plan, out of which Rs. 21.92 crores are for State schemes and Rs. 6.72 crores for Central schemes. The amount set apart for marine fisheries is Rs. 14.29 crores and that for development of inland fisheries Rs. 7.42 crores. Another sum of Rs. 6.93 crores is meant for ancillary schemes like research, training, marketing, etc. Marine diesel engines for mechanising fishing crafts being essential for the industry, attempts are being made by the Union Government to overcome shortages in this direction. Five Indian manufacturers have already been licensed to produce marine engines in co-operation with foreign firms. Over 400 marine engines are being imported from Japan under the Yen Credit and a further 200 are being obtained from Yugoslavia under the Yugoslav Rupee Payment Credit.

The problem of deep-water fishing in the large reservoirs is being undertaken under the guidance of Russian experts assigned by the FAO for this purpose. In the matter of fishing development, the interests of the fishermen can hardly be overlooked. The question of organising fishermen's co-operative societies and giving them necessary incentives and facilities has been referred to the State Governments and also to a Working Group of Fishermen's Co-operatives which has been constituted to review the progress and functioning of the existing co-operative societies and formulate plans for their development.

There are certain types of fish and fishery products which have had until recently an export market. The fall in the export of dried fish has been partly due to the failure of some important commercial fisheries and also certain restrictions unilaterally imposed by the importing countries in matters of price, purchasing organisation etc.

Economy

MATERIAL MANAGEMENT AND RESEARCH

IT IS quite apparent that without commensurate investment in manpower, the required acceleration in economic growth cannot be brought about. Refreshingly this point was highlighted by Mr. R. L. Tuli in his Presidential address at the twelfth annual general meeting of the Delhi Chamber of Commerce. Now that there have arisen new employment opportunities as a result of the growth of the industries and developments in the transport, agricultural and power fields, it becomes essential that training programmes be given top priority. Industries require a large number of supervisors, engineers, accountants and managers and the training programmes could help acquire these skills. Technical institutes in this context will have to be set up on a large scale.

Another aspect on which Mr. Tuli dealt at length related to material management and research. He emphasised that scarcity and ever-increasing prices of materials coupled with inadequacy of financial resources in India should compel us to devote more and more attention to the study of the most profitable ways of handling materials so that our inventories can be cut down to the minimum consistent with the level of production. As there is paucity of resources in our country, the need to cut down wasteful use of material and the unnecessary variety of size and design of products becomes all the more greater. Mr. Tuli, therefore, rightly pleaded that research be carried out in these directions.

So far as the counteracting of inflationary pressures is concerned, "The Eastern Economist" has been putting forward its case that consumption in real terms must be curtailed and restricted. Realistically Mr. Tuli has come out with the same view. Reduction in consumption by even another 4 to 5 per cent could go a long way in stepping up the volume of savings. The current rate of savings in the country is about 8.5 per cent of the national income.

State Income

PITFALLS TO REGIONAL INCOME ESTIMATION

NATIONAL INCOME estimates have long since come to be recognised as an important tool in economic analysis. But, with the launching of five-year economic development Plans, however, the need to arrive at correct estimates of total national income, as also of the various States separately, has become supremely so. No less important in a large country like ours, with its vastly varying economic conditions and different degrees of political consciousness from region to region, is the need for a pattern of regional planning which should dovetail into the national Plan. Although economic activity within the different regions has been controlled and guided, to a large extent, by national policies and objectives, the need to study how these policies have, in fact, been translated into action and how they have influenced regional growth is imperative.



Indeed, this was the theme of the presidential address by Dr. N. S. R. Shastry, Statistical Adviser to the Reserve Bank of India, to the 3-day seminar on "ESTIMATION OF STATE INCOME" organised by the Indian Conference on Research in National Income, held in Poona last week.

Distinguishing between National Income and Income at regional level, Dr. Shastry observed, that in traditional income and product accounts approach, net domestic or geographical product at factor cost and net national product or national income at factor cost are estimated, the difference between income received and income produced in a region being equal to the net service and property income (i.e. earned income) received from outside the geographical region under consideration. At the national level, he explained, data for adjustment for net earned income from abroad were available and national income at factor cost was generally preferred for analysis. However, at the regional level (although it is realised that regions should be homogeneous with reference to social and economic conditions, for practical purposes, political boundaries are taken for estimation) it is very difficult to compute the net regional product due to difficulties in estimating inter-regional flows. It is this factor, Dr. Shastry said, that has been creating problems to econometricians in estimating regional incomes in any country. At the national level, domestic product and national income at factor cost may be estimated either by summing up various components of personal incomes (i.e. factor shares adjusted for transfer payments) and undistributed profits or by summing-up expenditure on consumption, investment and export surplus, excluding, for the present, the Government sector. But in constructing similar inter-related accounts at regional level, estimation of the components of personal income such as labour income, proprietor's income, property income, transfer of payments, etc., does not present any particular conceptual problems, only so long as the data are available from the recipients's record. But what is bound to cause difficulty is the allocation of undistributed profits, for any allocation adopted is bound to be arbitrary to some extent. On the expenditure side, again, if data on consumer as well as investment expenditure are obtained from the sellers' record, it becomes difficult to give regional break-up. Thus, according to Dr. Shastry, the main difficulties encountered in estimating regional income are mainly two, namely (1) estimating inter-regional flows and (2) allocation of surpluses of enterprises whose activities are extended over more than one region and of the Union Government accounts. In inter-State comparison of income levels, however, he pointed out that problems of a different type would arise and these, he said, are somewhat similar to those that we come across in international comparison of national income.

Cement

PANYAM CEMENTS PROGRESS

THE ANNUAL report of Panyam Cements and Mineral Industries Limited for the year ended August 31, 1962 reveals that the company recorded satisfactory results. The output of clinker was higher than last year. Out of a profit of Rs. 7.95 lakhs, the directors recommended the payment of a dividend at the rate of 8 per cent on equity shares which will absorb nearly Rs. 4 lakhs. The directors have reported that although the coal supply was not in shortage, the quality of coal allotted was not satisfactory, which retarded production to some extent. The company has continued to carry out its expansion programme. The construction on the kiln foundations, slurry basin and crane gentry were at an advanced stage. The consignments of machinery have started arriving at the factory site and the second plant is expected to go into production according to schedule. The results in the coming years are likely to be better.

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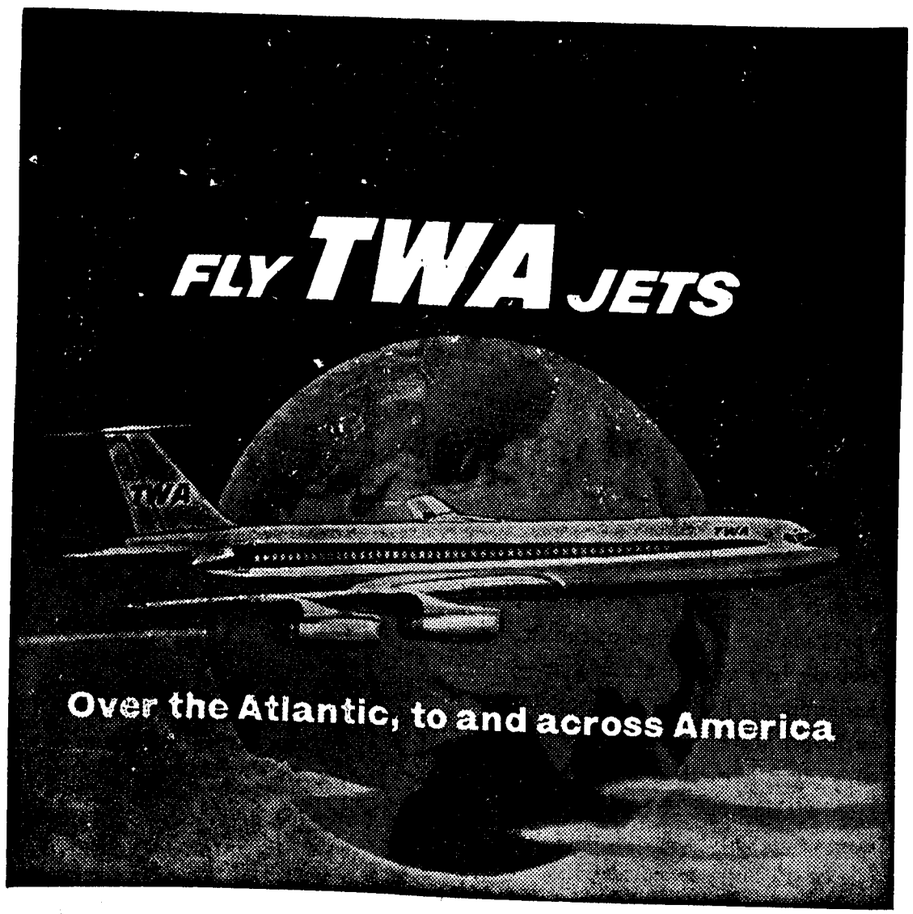
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FROM THE CAPITAL'S CORRIDORS

RE-SHAPING THE CENTRAL PLAN

RE-PHASING of the State Plans having been more or less completed, in the light of the suggestions of the National Development Council, which met here a few weeks ago, the Planning Commission is now understood to be engaged on re-shaping the Central Plan to suit the requirements of defence. Particular attention is being paid to strengthen the means of transport and communications to Assam and indications are that the conversion of metre-gauge railway line which connects Assam to the rest of India and which was not considered to be commercially feasible, may have to be taken up at an early date because of its strategic importance. Some of the Central projects which do not have a direct bearing on the defence effort, may have to be deferred for some time so as to make available adequate financial resources for accelerating the progress in the vital sectors.

PLEA FOR REDUCTION IN NON-DEVELOPMENTAL EXPENDITURE

Meanwhile, the Federation of Indian Chambers of Commerce and Industry has appealed to the Government to streamline the administration and to reduce non-developmental expenditure. In a communication to the Union Government, the Federation says :

> "Industrial development has to be accelerated, especially in those fields which are of strategic importance to the defence of the country and in branches in which further export is possible. Delays and red-tape which hitherto have unfortunately characterised Governmental policies and procedures must give place to speedy decisions and their clear and active implementation. Also during the last decade, there developed a trend for an increase in non-developmental expenditure of the Central and State Governments which actually doubled during this period. As defence effort would have to continue at a high pitch for a long time, and the present emergency is merely an indication of the situation that the country may have to put up with in the future, whatever expenditure that becomes necessary for defence must be incurred. At the same time, it is imperative that saving on non-developmental expenditure should be effected with very great determination as that would set free resources for defence purposes. Even a saving of 20 per cent would make available nearly Rs. 180 crores."

The Federation has also decided to approach the Union Government for assistance in the matter of making available additional transport for strengthening the supply position of essential commodities of civilian consumption in the vulnerable areas of Assam and North Bengal. It is felt that industry and trade in these places is being operated at present in very difficult circumstances and it is necessary to ensure that not only normal supply of commodities reaches these destinations, but also additional stocks are built up at strategic places which may be readily available for rushing to these areas whenever necessary.

PRICE SUPPORT FOR 1962-63 RICE CROP

With a view to step up rice output next year, the Union Ministry of Food and Agriculture has asked the State Governments to be prepared, if necessity arises, for giving support to rice prices in their areas at a certain minimum. These minimum prices are called procurement prices and have been fixed only for the common quality white rice. It is felt that if prices of this quality are provided necessary support and stabilised at suitable levels, the prices of other varieties will automatically find reasonable levels.

For Maharashtra and Gujarat, procurement prices of common white rice of fair average quality have been fixed at Rs. 16 per maund. In Andhra Pradesh, Madras, Mysore, Kerala, Bihar and West Bengal, the present procurement prices, in force since 1959, are to continue. These prices are Rs. 15.50 to Rs. 16.50 per maund in Andhra Pradesh, Rs. 17.37 in Kerala, Rs. 16 to Rs. 16.25 in West Bengal and Rs. 16 in Bihar.

The State Governments have been asked to give wide publicity to the effect that they would be purchasing rice at these prices in case prices tended to fall unduly after the harvest.

It has been also suggested to the State Governments that they should keep a close watch not only on the prices of rice but also on those of paddy. If in spite of the support that the State Governments would be giving to the prices of rice, the prices of paddy in any particular area tended to fall unduly, the State Governments would have to ask the mills in those areas to purchase paddy at prices corresponding to the procurement prices for rice. The mills may be given an assurance that the rice produced by them from the paddy so procured would be taken over by the State Governments at the stipulated procurement prices.

Any rice procured by the State Governments at the stipulated prices may either be retained by them for distribution during lean periods or delivered to the Central Government for building up a buffer stock.

ROURKELA PLANT'S PROGRESS

The Solveen team that studied the Steel Works problems at Rourkela early this year, had recommended the building up of adequate stocks of spare parts to improve maintenance. It had also recommended certain additions to workshop equipment and transport facilities as well as recruitment of 40 to 50 additional technical personnel from abroad. The spares and other equipment recommended by the Solveen delegation along with the heavy materials handling equipment considered necessary by the Rourkela Steel Plant were estimated to cost about DM 41 million (Rs. 48.79 million). The cost of employing about 50 German technicians for a period of one to two years was estimated at DM 15 million (Rs. 17.85 million).

The West German Government has agreed to offer to Hindustan Steel long-term loans to the extent of DM 41 million and DM 15 million for implementing the recommendations of the Solveen delegation expeditiously. The loan agreements are expected to be signed shortly. Orders for spares, equipment, locomotives and rolling stock valued at DM 25.30 million (Rs. 30.10 million) have already been placed by Hindustan Steel. Orders for the remaining items are expected to be placed shortly. Arrangements have been made for getting the services of about 40 additional German technicians. Seven of the technicians have already arrived at Rourkela and the remaining are expected to join shortly. Apart from these 40, there are about 184 German technicians, 25 American technicians and 15 Austrian technicians working at Rourkela at present.

Production at the Rourkela Steel Plant has been steadily improving for the last six months. The actual production figures for September and October 1962 given below reveal this improvement. October production, as these figures show, was about 95 per cent of the rated capacity at the pig iron stage and 76 per cent at the steel ingot stage. It is expected that 90 per cent pro-

duction rate of steel would be achieved by December 1962 and full capacity during 1963-64.

(Tons)

	September	October
Pig iron	63,073	72,523
Steel ingots	57,602	63,073
Plates	15,571	13,489
Hot rolled strips ..	28,076	29,015
Cold rolled sheets ..	9,310	8,048
Tinplate	1,028	1,219
Pipes	2,336	3,752

ALLOY AND SPECIAL STEELS PLANT

Messrs. Dastur and Co., consulting engineers, have prepared the report for the Alloy and Special Steels Plant proposed to be set up at Durgapur. As a result of the scrutiny of the Project Report by Hindustan Steel and Messrs. Atlas Steels Ltd., of Welland (Canada), the production advisers, certain additions and modifications were recommended. The tenders for the main plant and equipment have been invited from India and eleven foreign countries. Open tender enquiries have been issued in USA, UK, West Germany, Italy, Sweden, France, Austria, Canada and Belgium. In Japan, tender enquiries have been issued to the Consortium sponsored by the Japanese Consulting Institute. For electrical equipment, tenders have been issued in Switzerland as well. The tentative production programme as considered feasible for the production of finished saleable tool, alloy and special steel of acceptable quality is given below:

Initial Product-mix

(Metric tonnes per year finished saleable steel of acceptable quality)

Steels	Sections	Billets	Sheets	Forgings	Total
Tool	8,000	2,100	2,300	600	13,000
Constructional ..	12,000	3,000	1,000	1,500	17,500
Stainless & Heat Resisting ..	2,500	500	14,000	—	17,000
Die blocks ..	—	—	—	500	500
TOTAL ..	22,500	5,600	17,300	2,600	48,000

DEVELOPMENT OF PETRO-CHEMICALS

Dr. Henny of the French Institute of Petroleum, whose services were requisitioned by the Government of India, has made his report on petro-chemical industry. Dr. Henny, it is learned, favoured the Esso project of 200,000 tons as well as the Union Carbide project of 60,000 tons naphtha cracking capacity. The Government of India, it may be added, has approved of 200,000 tons naphtha cracker project in private sector with Esso, Union Carbide and Maffatlal and Company as participants. Whether the Planning Commission will modify this decision in view of Dr. Henny's Report is not yet known. Meanwhile, Shell International Chemicals, which has been permitted to set up a Solvent Plant with Burmah-Shell refinery feed stock, is planning its Rs. 1.7 crores project at an early date. In the first stage the plant will produce fifteen thousand tons of isopropyl alcohol to be converted into acetone and other solvents. This in its turn will be used in the manufacture of paints, varnishes, acetate rayon, hydraulic brake fluids and a new product in India, namely, polymethoyl methacrylate. Doctor W. Bernard Hawes of Shell International Chemicals, who is at present here, is also looking into the possibilities of manufacturing synthetic rubber and synthetic detergents in which his company has a world-wide interest. He is also examining the possibilities of producing other types of petro-chemicals. All these schemes, however, depend on the commissioning of the naphtha cracker unit for which final decision of the Planning Commission is being awaited.

OIL EXPLORATION IN GANGA VALLEY

An agreement has been signed between the Oil and Natural Gas Commission of the Government of India and the SNAM/Saipem, a group of companies under the E.N.I. of Italy, for contract drilling in the Ganga Valley.

The approximate cost of the project, including expenditure in foreign exchange is about Rs. 3 crores.

Under an agreement signed in August, 1961, the E.N.I. agreed to advance a credit upto a maximum of Rs. 46 crores to the Government of India for various petroleum projects. A sum of Rs. 3 crores was earmarked in this for oil exploration.

The present agreement covers half of the E.N.I. credit specified for oil exploration.

SURVEY OF POWER RESOURCES

The Government of India has decided to set up a high-level committee, including at least four foreign experts, to survey power and energy potential in India in order to prepare a 15-year plan for their utilization. The Committee will survey water, coal, oil and gas resources of India and inter alia examine economies of conventional versus atomic power stations. This committee is expected to draw up short-term and long-term plans for the setting up of thermal, hydro-electric and atomic stations.

The World Bank has agreed to set up a committee of experts to examine and make recommendations for effective transport of coal in India. Preliminary study of this problem was made by a two-man team of Messrs. Bell and Slater. This was followed by the Bank by setting up a Steering Committee of Mr. G. L. Bansal, Secretary-General of the Federation of Indian Chambers of Commerce and Industry, and Mr. Dean Mason of the World Bank to assist the Expert Committee in its task. Mr. Dean Mason is expected to arrive in New Delhi shortly.

Meanwhile, the Planning Commission in its latest appraisal of the power availability during the current Plan period has made the following estimates of the achievements of targets. The table show that power shortages are likely to continue right up to the end of 1964-65 financial year. It is only in the last year of the Third Plan that power situation is anticipated to improve to some extent.

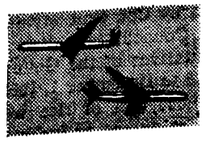
(In million KW)

Year	During the year		At the end of the year	
	Plan Book	Present Appraisal	Plan Book	Present Appraisal
1961-62 ..	0.60	0.58	6.30	6.17
1962-63 ..	0.73	0.60	7.03	6.77
1963-64 ..	1.05	1.05	0.08	7.82
1964-65 ..	2.07	2.18	10.15	10.00
1965-66 ..	2.54	3.28	12.69	13.28

INDO - SOVIET TRADE

The Soviet Embassy in India has made it known to the press that the Soviet Union had every intention of fully implementing its trade commitments with India. Indo-Soviet trade has continued to increase during the last several years, and it was hoped that it would be stepped up by at least 25 per cent during 1963. In 1961, for instance, the Soviet exports to India totalled Rs. 250 million, of which machinery and equipment was 41.5 per cent, petroleum products 17 per cent., steel and iron rails 14.8 per cent. A feature of the 1963 plan, it was indicated, was a trial order for 1,000 tons of bananas from India and, in addition, some iron, steel and raw jute. In 1963, India had contracted for the import of 1 million tons of petroleum products, mainly kerosene and including 300,000 tons of furnace oil. A long-term agreement to this effect would be signed shortly. India has made no request as yet for the import of Russian



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crude. A group of Indian manufacturers of footwear and handicrafts is expected to visit Moscow by the end of December to contract for the supply of their products in 1963.

The Soviet exports to India in 1963 will also include newsprint, cellulose, caustic soda, rails, medicines, machine tools, and tractors. Russia is likely to increase deliveries of machinery, capital equipment, including power generating and electrical equipment, asbestos and non-ferrous metals. These exports are expected to be balanced by a larger intake by the USSR of, among other things, tobacco, jute bags and footwear. The Soviet spokesman also added that his Government had offered two months ago to set up a factory to manufacture MIG 4 helicopters in India, but has had no reply as yet as to whether New Delhi was interested in the deal.

KHADI EXPORTS TO U.S.

With a view to promote the exports of Khadi to the United States, two ten-year contracts were signed by the Bombay Suburban Village Industries Association, on behalf of the Khadi and Village Industries Commission, with two firms in the United States. The first agreement on Khadi (cotton) exports provides for purchase by the US firms of between 4 lakh and 6 lakh metres in the period November 1962 to October 1963. The quantity will be increasing every year so that by 1966-67 between 20 lakh and 25 lakh metres will be exported. For the subsequent five years of the contract the 1966-67 level will be maintained. The second agreement also stipulates for an annually increasing scale of purchases by a US firm from India of Khadi silk fabrics. In the first year of the contract—June 1962 to May 1963—the company has agreed to buy between one lakh and three lakh metres of silk fabrics. The exports will increase annually and by 1966-67 between 3 lakh and 12 lakh metres of Khadi silk will be exported. This rate of exports will continue under the contract for the next five years also. The value of the Khadi to be exported in the first year of the contracts will be about Rs. 53 lakhs and from the fifth year onwards about Rs. 2.25 crores annually.

U.N. FUND FOR FOREST SURVEYS

The United Nations Special Fund is likely to assist in the Government of India's Rs. 140-lakh scheme for the survey of forest resources in the country on a scientific basis. This project, which has already been included in the Third Plan for meeting the requirements of the forest-based industries such as rayon, chip board and fibre board, has assumed importance in the present emergency when the timber resources will have to be utilised more rationally and scientifically. The Fund is expected to contribute about Rs. 40 lakhs mainly in the form of technical experts and equipment, including helicopters and aerial survey apparatus.

The project will include improvement of logging methods in accordance with modern developments. The survey will prepare a forest inventory, conduct an appraisal of industrial development possibilities and suggest a plan for industrial plantations, especially of the quick growing species. The pre-investment survey will cover about 12,000 sq. miles to begin with. The three regions intended to be covered are: (1) The Himalayan ranges in Uttar Pradesh, Himachal Pradesh and Punjab; (2) Central Zone consisting of Madhya Pradesh, Orissa, Andhra Pradesh and Maharashtra; and (3) Western Ghats consisting of Kerala and Mysore.

REGIONAL ADVISORY COMMITTEES FOR DIRECT TAXES

The Union Ministry of Finance has decided to set up Regional Direct Taxes Advisory Committees at the headquarters of the Commissioners of Income-tax on the model of the Central Direct Taxes Advisory Committee. The Commissioner of Income-tax concerned will be the Chairman of the Committee, which will include five non-official members, namely, a Member of Parliament elected from the region concerned, and two representatives each of professional tax experts, and commerce, industry and professions. The Committee will meet twice a year and will consider matters relating to income-tax and other direct taxes with a view to removing any administrative and procedural difficulties in the region concerned, and improving public relations.

DEFENCE LABOUR BANK

The Union Ministry of Community Development, Panchayati Raj and Co-operation has proposed that every Panchayat in the country should organise a Defence Labour Bank based on the donation of free labour at the rate of one day per month, or monetary contribution in lieu thereof, from every adult. With 150 million adults in the rural areas, the scheme, when in full operation, would contribute to the national defence effort a massive volume of labour valued at Rs. 200 to Rs. 300 crores per annum. This pool of labour is proposed to be utilised for building local *community assets* capable of yielding quick results.

IN BRIEF ...

An agreement for the establishment of a heavy transformer factory at Ankamalai in Kerala with Japanese aid was signed recently. The authorised capital of the project, which envisages the setting up of a public limited company to be called the Kerala Heavy Electricals, Limited, is Rs. 2.2 crores. Electrical transformers, having a range from 1,000 KVA to 50,000 KVA are to be manufactured in the factory. The factory is expected to go into production in June, 1964.

*

The import policy of the Government of India, it is expected, will be announced by the end of this month. In the nature of things, it will cover the period ending March 31, 1963. A further cut of about fifteen per cent over previous six months' cut is envisaged.

*

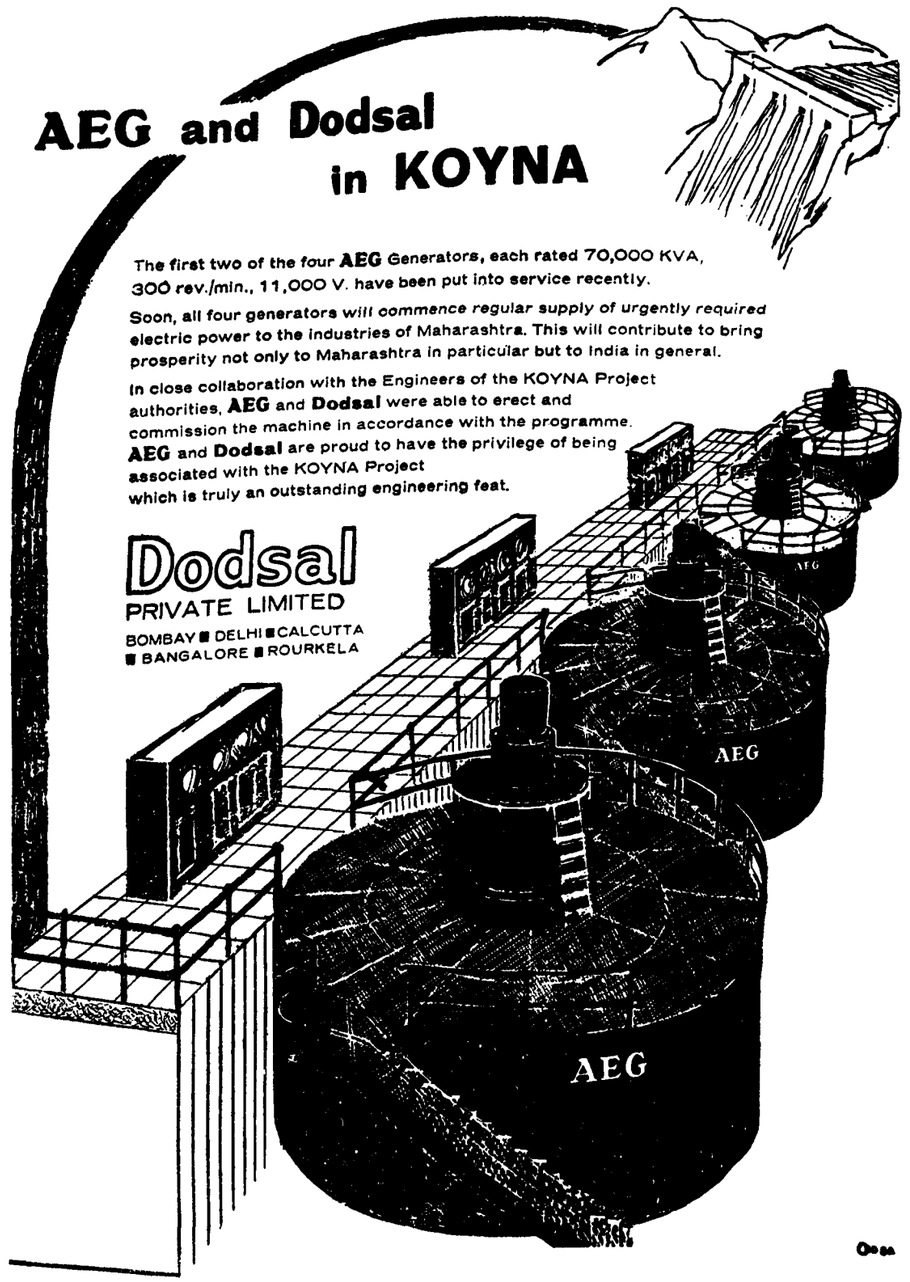
An official delegation, led by Mr. V. Shankar, Secretary, Department of Food, Ministry of Food and Agriculture left for Rangoon for talks with Burmese Government representatives for a long-term trade agreement. It may be recalled that a Burmese Delegation, led by Col. Chit Myaing, Member of the Revolutionary Council, had discussions in New Delhi with representatives of the Government of India from November 25 to December 1, 1962. It had then been agreed that 225,000 tons of rice would be made available by Burma for export to India in 1963. Information about the commodities which either country can export to the other was exchanged and it was decided that the talks should be concluded in Rangoon.

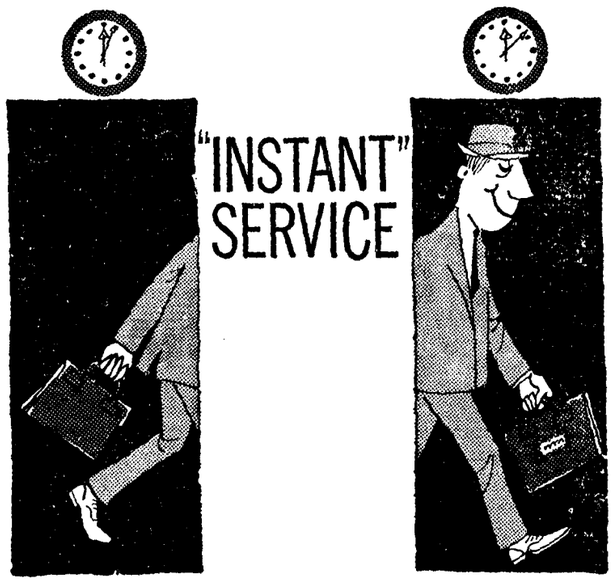
*

A new trade agreement between the Government of India and Iraq was signed here last week. The agreement will be valid for a period of two years initially and will come into force immediately on ratification by the two Governments. The agreement provides for increased trade between the two countries in traditional items as well as for trade in some new items. The main commodity of import from Iraq is dates. Iraq, which is a developing country, offers large opportunities for Indian engineering products. It is also an important market for tea, jute manufactures, textiles and spices.

*

The Government of India, in consultation with the Forward Markets Commission, has decided to ban forward trading in art silk yarn and staple fibre yarn with immediate effect throughout the country. All the outstanding contracts in these commodities have been ordered to be closed at the rates prevailing at the close of business on December 17, 1962.





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NEWS IN BRIEF

INDIAN

The Orissa Government is considering a programme to set up coffee plantations in the cold regions of Koraput and Phulbani districts.

•

The Union Government proposes to set up marketing boards for sugar and agricultural commodities in an effort to regulate prices.

•

The Union Government has set up an Export Promotion Committee for Engineering, Chemical and Plastic Goods at Madras under the chairmanship of Dr. A. Ramaswami Mudaliar.

•

The Gujarat Government has decided to establish 13 wholesale stores and 360 primary stores in the State in an effort to check the rise in prices of daily necessities.

•

The foundation of the fourth blast furnace of the Bhilai Steelworks was laid on December 10. It will have an effective capacity of 1,719 cubic metres when completed and will be the biggest of its kind in Asia.

•

A preliminary survey conducted by the Geological Survey of India has indicated deposits of bituminous coal in Chingleput District, Madras State.

•

The National Productivity Council will sponsor four productivity study schemes in 1963 in hotel, instruments, agricultural machinery, plywood and coir industries.

•

India has been promised a gift of 8,000 tons of paper every year for the next five years from Sweden and 2,000 tons per year for a similar period from Australia, for printing and distribution of textbooks to poor children.

•

The Union Government is considering a proposal to amend the Constitution to protect land reform legislation.

•

A seven-mile-long ropeway system will be installed at a cost of Rs. 6 crores in the Raneegunge Coalfield, West Bengal, to carry sand for stowing purposes.

•

The Rajasthan Government has announced a programme for doubling the State's annual cotton crop by the end of the current Plan.

•

The Overseas Communication Service has expanded its existing radio-phone service to Afghanistan.

•

The Punjab Government has decided to appoint a registrar to be responsible for the management of cooperative sugar factories in the State.

•

An agreement providing for closer economic ties between India and Iraq was signed in Delhi on December 13.

•

The Union Government has decided to import 600 marine engines from Japan and Yugoslavia for the fisheries industry.

•

The cotton crop of 1962 has been estimated at 56 lakh bales as against 45 lakh bales in 1961.

•

An agreement recently signed at Trivandrum, provides for the establishment of a heavy transformers manufacturing unit near Alwaye, Kerala State, with the technical and financial collaboration of Hitachi Ltd., Japan. The factory, which is scheduled to go into production in 1964, will manufacture electrical transformers having a range of 1,000 KVA to 50,000KVA.

FOREIGN

The U.S. Army has developed a light-weight portable X-ray unit, weighing less than 100 lbs., for field use.

•

The Cuban Government has issued a decree nationalising all textile, footwear and hardware business.

•

President Kennedy has appointed a Special Committee to scrutinise the performance of United States Foreign Aid Programmes.

•

A new statutory body, the Australian Wool Board, has been set up to take over the functions till now performed by three separate organisations.

•

Foreign investment in Brazil from 1957 to 1961 has been estimated at $511 million. Of this, 43 per cent came from the United States.

•

The Swedish Agency for International Assistance has provided a technical assistance grant of $800,000 to the United Nations Relief and Works Agency for Palestine refugees. This sum will be utilised for a technical and teacher training institute to be built at Siblin, near Beirut, Lebanon.

•

The Saudi Arabian Airways plans to build a new airport at Jeddah on the Red Sea Coast.

•

Egypt will provide goods worth £6 million to Yemen under a recently signed agreement.

•

Japan's longest cross-country gas pipeline, 300 kilometers in length, constructed at a cost of about $14 million, was recently completed.

•

The Inter-American Development Bank has approved a technical assistance loan of $400,000 to Paraguay for the construction of a hydro-electric plant on the Acaray river.

•

Nigeria has announced a six-year development plan involving £676 million. Out of this sum, an amount of £412 million is earmarked for capital expenditure.

•

JAT, the Yugoslav Airline, will introduce "Caravelle", French jet aircraft, on its international services next year.

•

The Ethiopian Government will set up three cotton farm stations, covering 45,000 acres, at a cost of $14 million, in collaboration with a group of British companies.

•

The first commercial plant using a new wool scouring process developed by the University of New South Wales will be set up in Melbourne, Australia, early in 1963. The new process known as the "aqueous compression jet scour" simplifies cleaning, disentangling and preparing of wool, and is expected to effect a substantial reduction in manufacturing costs.

•

The Dawood Company of Pakistan has entered into an agreement with the Mitsubishi Shoji Trading Company for the supply of equipment worth $12.5 million for a bamboo pulp plant to the located at Chandrakana, East Pakistan. The factory, scheduled to go into production in 1965, will produce 18 tons of bamboo pulp per day, from which 10 tons of rayon pulp and 5 tons of cellophane are to be manufactured.

GOVERNMENT OF INDIA

PREMIUM PRIZE BONDS, 1963

PREMIUM ASSURED ON EACH BOND

AMOUNT OF PRIZES INCREASED

BONDS AVAILABLE FOR SALE IN DENOMINATIONS OF Rs. 100|- AND Rs. 5|- FROM 1ST JANUARY 1963

ISSUE: The Premium Prize Bonds, 1963, will be on sale with effect from 1st January, 1963, at:—

(i) Offices of the Reserve Bank of India at Bombay, Calcutta, New Delhi, Madras, Bangalore and Nagpur:
(ii) Branches of the State Bank of India and its Subsidiary Banks conducting Government Treasury business;
(iii) Treasuries and Sub-treasuries in India at places not covered by items (i) and (ii); and
(iv) Head Post Offices and Departmental Sub-Post Offices.

FORM AND DENOMINATION: The Bonds will be issued in two denominations of Rs. 100|- and Rs. 5|- and will be in the form of bearer bonds. No application will be required for their purchase.

REDEMPTION VALUE AND PRIZES: The Bonds will be repaid with premium of 50 nP. and Rs. 10|- for every bond of Rs. 5|- and Rs. 100|- respectively five years after the date of their sale. In addition to the premium, every bond sold will be eligible for participation in two draws for prizes to be held in the year 1964 on such dates as may be announced by the Government of India.

For every one crore of rupees of Bonds sold of each denomination, prizes as under, will be awarded in each of the two draws:—

Rs. 100|- DENOMINATION

1	Prize of Rs. 50,000	Rs.	50,000
2	Prizes of Rs. 25,000 each	Rs.	50,000
5	Prizes of Rs. 10,000 each	Rs.	50,000
10	Prizes of Rs. 5,000 each	Rs.	50,000
75	Prizes of Rs. 2,000 each	Rs.	1,50,000
150	Prizes of Rs. 1,000 each	Rs.	1,50,000
Total 243		Rs.	5,00,000

Rs. 5|- DENOMINATION

1	Prize of Rs. 15,000	Rs.	15,000
2	Prizes of Rs 10,000 each	Rs.	20,000
10	Prizes of Rs. 5,000 each	Rs.	50,000
25	Prizes of Rs. 2,000 each	Rs.	50,000
200	Prizes of Rs 1,000 each	Rs.	2,00,000
330	Prizes of Rs 500 each	Rs.	1,65,000
Total 568		Rs.	5,00,000

In respect of the sale proceeds in excess of round crore of Rupees, the prize-money will be increased proportionately and distributed in suitable number of additional prizes. Thus, the amount and number of prizes are not limited but will increase with every increase in the sale of the Bonds.

The draws for prizes will be held under the supervision of the Government of India and only **sold** bonds will be eligible for prizes. No bond will, however, be eligible for more than one prize in each draw. If an unsold Bond draws a prize, that prize will be awarded to the bond bearing the nearest lower number among the sold Bonds which has not, at that time, drawn or been awarded a prize.

PAYMENT OF PRIZE: The holder of a prize-winning-Bond may present his claim together with the Bond at any of the selling offices (except the Departmental Sub-Post Offices) mentioned above. The prize money will be paid at the office at which the claim is lodged after the claim is admitted by the Reserve Bank of India. The Bond will be returned with the prize money.

PUBLICATION OF WINNING NUMBERS: The particulars of the prize-winning Bonds will be published in the Gazette of India and the Press as soon as possible after the date of the relative draw.

TAX FREE CONCESSION: The prize-money and the premium on the Bonds will not be liable to tax under the Income-Tax Act, 1961.

SUPPLEMENTARY PROVISIONS: The Bonds will be on sale up to 31st December 1963 but the sale may, at the option of Government, be discontinued earlier.

COMPLETE DETAILS: For complete details a reference may be made to the Government's Notification F.No. 25 (41)—NS|62 dated the 1st November, 1962, copies of which are being exhibited at the Selling Offices.

Company Meetings

THE ASSOCIATED CEMENT COMPANIES LIMITED

SUMMARY OF CHAIRMAN'S STATEMENT

The following is a summary of the statement which has been issued to shareholders by Shri Dharamsey M. Khatau, Chairman, The Associated Cement Companies Limited, dealing with the Company's working for the year ended 31st July 1962. The Annual General Meeting of the Company will be held on Friday, the 18th January 1963 at 4 p.m. at the Sunderbai Hall, off Queen's Road, Bombay-1.

We are today under a grave national crisis caused by unprovoked aggression. Our policy and all actions affecting each of us as individuals and our business must therefore be governed by the overall consideration of the great and urgent task of repelling the invader. The Company's factories, collieries and engineering workshops will naturally be utilised to the fullest extent in the service of the country. Your Company has already donated Rs. 10 lakhs to the National Defence Fund and I am proud to say that the employees of the Company, numbering many thousands, are solidly behind the Government.

If, against this background, I appear somewhat critical of certain Government policies, I want to make it clear that such criticism is made both in view of the urgent need to stimulate the growth of the cement industry — a vital industry both in times of peace and war — and of the part which your Company can play in this great emergency.

During the year the most important event was the recommendation of the Tariff Commission for an upward revision in the retention price of cement and Government's action thereon. The Directors' report has mentioned the difficulties — operational and other — which prevented the Company from achieving better results than were actually obtained and why, despite higher profits it has not been possible to recommend a higher dividend.

PROSPECTS FOR THE FUTURE

PRICING AND INDUSTRIAL POLICY OF GOVERNMENT

As regards the profit-earning capacity of the Company and its future prospects, these are so largely dependent on the retention prices and Government's industrial policy and action, that there is very little I can say. I can only assure you that our efforts in increasing productivity and reducing costs are being ceaselessly pursued. As you are aware, Government arbitrarily scaled down the increase in price which the Tariff Commission had recommended. The retention price allowed to your Company was inadequate even by the Tariff Commission's standards; and in the absence of automatic escalator clauses, the relief afforded by such price increase is being rapidly reduced, since prompt adjustments to cover subsequent increases in the price of fuel and power, railway freight rates etc., are unfortunately not forthcoming.

It is a matter of deep regret that the Government should ignore the recommendations of a statutory body like the Tariff Commission — an independent body consisting of people, known for their capacity and judgment, who make their recommendations after scrutiny of all relevant facts and giving weight to all affected interests. It is therefore most disturbing that there is a tendency to dub this body as 'outmoded'. In the absence of an independent organisation of this kind, one fears that fixation of prices by Government could be completely arbitrary.

The incidence of the enhanced Tax on Corporations from 45 to 50 per cent is substantial. The heavy financial burden imposed by these and other charges has further reduced the profit element. One of the recommendations of the Tariff Commission was that the retention price should be revised if and when adjustments become necessary owing to increases in costs due to governmental action. A representation has been made to the Government through the Cement Manufacturers' Association.

CEMENT INDUSTRY IN THE NATIONAL ECONOMY

Cement is a key industry whose continued progress and prosperity are vital to the economic development of the country. The measure of work to be done can be seen from the fact that the target of installed capacity at the end of the Third Five-Year Plan, fixed at 15 million tonnes, has been considered inadequate, and it has been mentioned in authoritative circles that the figure should be 18 million tonnes. Even against a target of 15 million tonnes, the current capacity is only 10 million tonnes. The rate of growth is thus certainly not as vigorous as might be expected. Even conceding that numerous difficulties exist, it is difficult to escape the conclusion that this slow growth is largely due to lack of incentives, through the imposition of rigid Government controls on price, distribution and in the manner of licensing of new factories.

THE ROLE OF ACC

I would like to remind you of the role which ACC has played in building a sound cement industry and in developing a demand for cement in the country. ACC has a proud record of pioneering during the past quarter of a century. To serve consumer as also national interests, it has dispersed its factories carefully and has put to good use even substandard raw materials by employing beneficiation processes. The wisdom of such planned dispersal must be evident to the S.T.C. which, I have reason to believe, is deriving considerable monetary advantage by low freight leads on despatches from ACC factories, which helps it to subsidise the higher freights on cement despatched from factories belonging to other interests. ACC has been a pioneer in employing new processes and producing new products. The dry process of cement manufacture, the manufacture of white cement, blast furnace slag cement, oil-well cement, water-repellent cements, low-heat cement etc. have all been introduced by ACC after much study, research and development. The credit for manufacturing cement-making machinery at its own workshops and thus helping to lay the foundations of a sound heavy engineering industry in our country must also go to ACC. Our Engineering Works at Shahabad and the AVB Heavy Engineering Works at Durgapur, established in collaboration with Vickers and Babcock & Wilcox, will not only meet ACC's own requirements, but also serve the needs of the cement industry as a whole, thus helping India to conserve a great deal of foreign exchange.

Much foresight, money and effort have gone into these projects and products. ACC has therefore paved the way for other manufacturers to share in the benefits of its pioneering and developmental efforts. Far from discouraging new entrants in the field, ACC has, on several occasions, lent a helping hand to them.

I have dwelt on this somewhat pointedly as there appears to be a tendency, especially in licensing new factories, to consider a Company like yours as a monopoly, for which reason it must take a lower place in the queue!

During the year your Company's contribution towards the National and State finances was Rs. 27 crores in the form of Income-tax, Corporation Tax, Excise and other Duties, Sales Tax, Railway Freight, Import Duty etc.

These direct and indirect contributions to the national revenues, and the Company's record of progress and service are impressive. All this can continue to be harnessed to good use and I sincerely hope that Government will not stifle this by a doctrinaire approach. I believe that the 'know-how' we possess and our organisational vigour can help to expedite the expansion of the cement industry and make it easier to hold the price line.

COAL AND PACKING MATERIAL

Coal supplies continued to cause some anxiety in the early part of the year though, with special arrangements for the allocation and movement of coal introduced by Government, the position has considerably improved. The Company has also been able to draw about 30 per cent of its coal requirements from its own collieries. With increasing emphasis laid on regionalisation of the supply and movement of coal, the importance and utility of our two collieries have grown.

In the matter of packing materials the industry was looking forward to a continuance of the satisfactory position permitting the rational use of second-hand bags in reasonable proportions. However, its hopes were rudely shaken by Government's decision from the last quarter of 1962, insisting that producers pack 50 per cent of their production in second-hand bags — a condition physically impossible to fulfil in serviceable quality. The jute bag is a wasting commodity and cannot be re-used beyond a certain point. From the point of view of the consumers it is likely adversely to affect the standard of packing and will result in loss of cement by seepage by repeated use. The industry has made representations to Government to restore the **status quo ante** in this respect.

CEMENT DEMAND AND TRANSPORT

Demand for cement in the country is in excess of availability. Transport difficulties have aggravated the situation, creating artificial scarcity in some localities. Your Company has endeavoured to gear road transport to meet the situation. Substantial quantities of our cement were moved by road during the year.

EXPANSION AND REHABILITATION

The Company's planned programme of expansion and rehabilitation has made satisfactory progress. Your Board has taken the decision to resume work on the construction of a new factory at Porbandar.

ACC-VICKERS-BABCOCK LTD.

The Heavy Engineering Plant of ACC-Vickers-Babcock Limited at Durgapur, inaugurated in February last, has commenced production and has received orders for boiler plant, cement-making machinery etc. Full production will be reached by the end of 1963.

LABOUR-MANAGEMENT RELATIONS

The labour situation at our Cement Works continued to be peaceful. At the Katni Firebricks plant and Okhla Bulk Depot where the Wage Board's Recommendations did not apply, we entered into comprehensive wage settlements. The only factory, Madukkarai, where it was not possible to implement the Wage Board's Recommendations has also been brought into line and the settlement of implementation was signed on 31st July, 1962.

The question of bonus, unfortunately, continues to trouble us as it is troubling all industries, in spite of the fact that it has been the policy of the Directors to pay bonus to employees even though strictly according to the Labour Appellate Tribunal Formula no bonus may have been payable. We have four bonus disputes before Tribunals — National and Industrial. These proceedings cost a great deal of money, and drain away the time, energy and attention of personnel, including workers, from the productive side of the enterprise.

Here again, there are hopeful signs in the shape of the appointment of the Bonus Commission by the Government of India. It is earnestly hoped that the Commission will be able to arrive at an acceptable formula which will once for all bring peace in this sphere of industrial relations.

At our Collieries there was one major stoppage and quite a number of lesser dislocations — lightning strikes, go-slow, conciliation and adjudication. Kotma Colliery was closed for 133 days on account of a strike followed by closure. This strike was called on a completely extraneous non-industrial issue, and continued despite the advice of concerned Government Authorities, and was accompanied by violence.

The appointment of the Wage Board for the coal industry during the year to determine 'fair' wages, I hope, will bring peace and improvement in production in this sorely troubled industry.

APPRECIATION

I would like to express on your behalf our warm appreciation of the sustained hard work and wholehearted co-operation of your employees.

BOMBAY, 30th November, 1962.

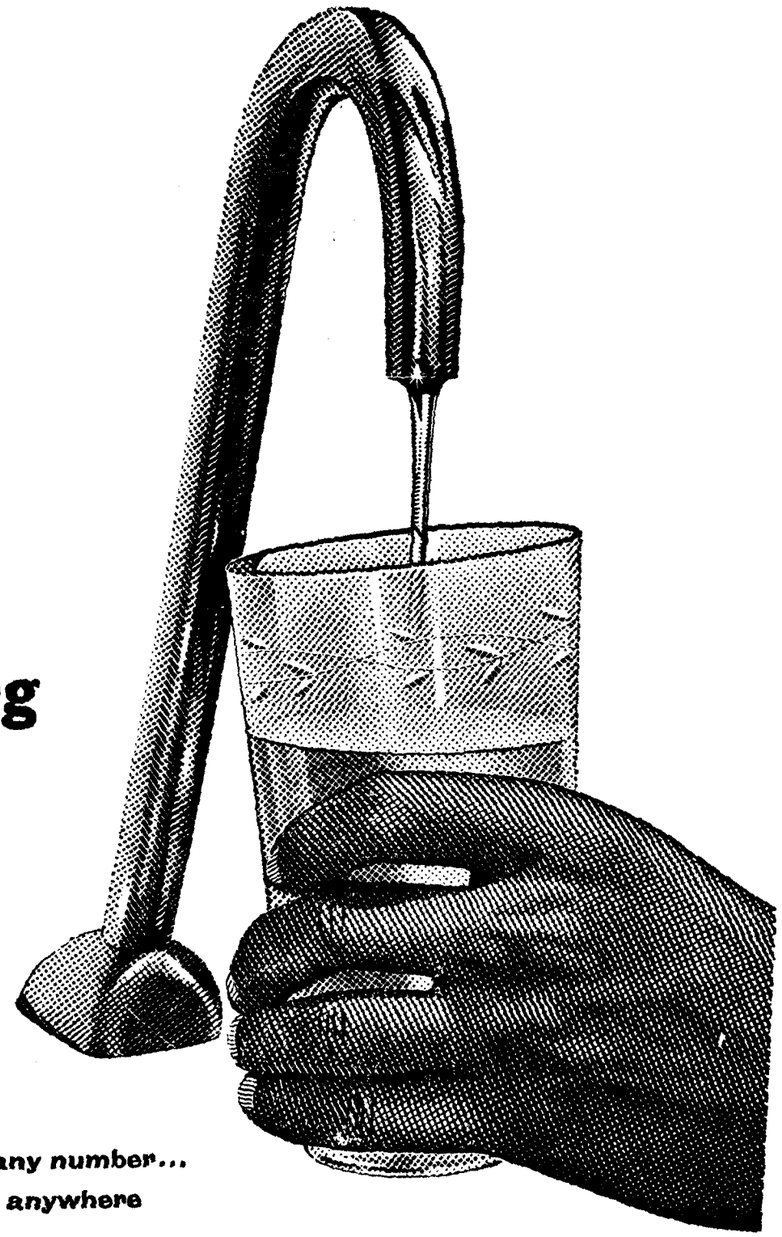
Note: The above summary is not a document purporting to be a report of the proceedings of the Annual General Meeting.

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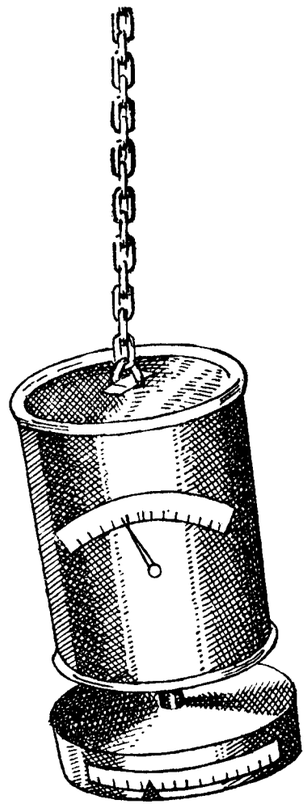
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DOODLE BUG

In the early days of oil, prospectors were introduced to an amazing invention which, it was claimed, would detect underground oilfields. The device appeared to be merely a tin suspended from a chain. Held above the ground it would whiz round and point out the place where oil was sure to be found.

Of course the whole thing was a hoax. Oil explorers have learnt better since then. Today, scientific instruments are in use which really *do* help the search, but the final answer always depends on the driller's test well.

The principal and most successful tools of the modern oil-seeker are the techniques of exploration geophysics. These cannot point directly to oil, but in favourable circumstances they can indicate places underground where oil *may* be found.

B.O.C. *SKILLS EXPERIENCE LOCAL KNOWLEDGE*

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BOC/S/64

THE MYSORE KIRLOSKAR LIMITED,
HARIHAR

Extracts from the Speech of the Chairman delivered on Saturday the 8th December, 1962 at Harihar at the time of the Twentyfirst Annual General Meeting of the Company.

It is my proud privilege to welcome you to this Twentyfirst Annual General Meeting of your Company. Unfortunately, we are meeting today after the sad and premature demise of Sri Rajaram Laxman Kirloskar on the 8th October, 1962 in Bombay.

Your Directors have duly placed on record their very warm and sincere appreciation of the meritorious services rendered by Sri Rajaram Laxman Kirloskar not only to the Company but also to the Machine Tool Industry in India as a whole.

From the Profit and Loss account of your Company you may have noticed that the net sales of the manufactured goods during the year amounted to Rs. 1.75 crores as against Rs. 1.57 crores in the previous year. Sale of stores and Sundries during the year amounted to Rs. 7.36 lakhs as against Rs. 6.05 lakhs in the previous year. Though the sales during the year under report are higher than the previous year, the profits of the Company are not however commensurate with the same. It will be observed that compared to the previous year, the proportion of salaries and wages to total revenues has increased from 23 per cent to 25 per cent on account of the revision of wage structure as a result of the agreement with the Labour Union. The proportion of provision for taxes to total revenues has also increased from 7 per cent to 9 per cent as a result of the increase in the rate of Super-tax with effect from the assessment year 1962-63 in respect of the companies. The Development Rebate provided for 1961-62 is Rs. 1,48,500 which is much less than that of the previous year. This has resulted in a higher provision for taxation for 1961-62. Raw materials, Stores consumed including Works-in-process and Transport charges account for 41 per cent of the total revenues whereas the proportion for the previous year was 42 per cent. The expenses on account of Fuel and Power consumed have increased from 2 per cent to 3 per cent. The proportion of Statutory Depreciation to total revenues remains unchanged at 6 per cent. Indirect Working expenses have reduced from 11 per cent to 10 per cent. The balance of profits which was 9 per cent for the year ended 30th June, 1961 has declined to 6 per cent for the year ended 30th June, 1962.

During the year under report, there has been an addition to the Plant and Machinery valued at Rs. 6.84 lakhs as against Rs. 18.14 lakhs in the previous year. Orders have been placed for the import of the Plant and Machinery required for the expansion schemes and the machinery is expected to be received during the course of the next two years. There have also been additions to the buildings valued at about Rs. 14 lakhs. These include the buildings for our Branch Factory at Hubli and Machine Shop No. 3 as well as the extension of Machine Shop No. 2 and the Packing and Painting Sheds.

As you may have seen from the Directors' Report, the Company's progress in the manufacture of Capstan and Turret lathes could not be according to our plans on account of the delay in receiving the imported components. The speed of development of these lines in future would depend upon the import policy of the Government of India.

At the time of the last Annual General Meeting, I had pointed out the difficulties faced by the Company in procuring quality Hard Coke and Pig Iron. This year the situation became even more difficult. The position of Coke had gone from bad to worse and the supply position of Pig Iron was perhaps at its worst. The timely help received from The Mysore Iron and Steel Works, Bhadravati, however, helped us to maintain the continuity production. The difficulties experienced in getting wagons have also increased because of the speed restrictions on the movement of trains.

I am happy to say that attempts are being made by your Company to export its goods to the South-East Asian countries and a proposal is under consideration to open an office at Kaula Lampur for this purpose.

Today we are facing a national emergency as a result of the border disputes with China. We are already facing an undeclared war. Under the circumstances, the Machine Tools Industry has a special responsibility to shoulder. The Minister of Heavy Industries has rightly urged that every Machine Tool factory should work round the clock to increase production and also to take up new lines which are urgently needed to meet the Defence requirements.

Your Company has already responded to the call of the Nation in increasing production. Your Company is also actively considering taking up new lines of production like Grinding machines, Milling machines, Automatics etc.

A certain amount of understanding and co-operation must exist between the workmen and the management to meet the demands on the industry. Now that a long-term agreement is recently concluded with the workmen, I hope, the workmen will appreciate the need of the hour and will not fail to continue to extend their unstinted co-operation in increasing production.

I am glad to inform you that your Board has agreed to donate a sum of Rs. 25,000 towards National Defence Fund.

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M. J. Maclaren, General Manager.

AB-21

COMPOSITION OF INDIA'S FOREIGN TRADE

IMPORTS

(Rs. Lakhs)

Commodity	April-Sept. 1962	April-Sept. 1961
I. Food		
1. Dairy products, eggs and honey	5,16	5,18
(a) Milk and cream, evaporated condensed or dried	4,88	4,52
(b) Dairy products	20	56
2. Fish and fish preparations	2,44	1,25
3. Cereals and Cereal preparations	57,72	56,58
(a) Wheat and spelt	39,92	44,84
(b) Rice	16,03	9,80
(c) Maize	95	1,52
4. Fruits and vegetables	6,29	5,02
(a) Fruits and nuts, fresh	4,70	4,40
(b) Dried fruits	1,52	57
Total of I (including others)	72,67	69,05
II. Beverages and tobacco	51	1,19
III. Crude materials, inedible, except fuels		
1. Hides and skins undressed	1,27	1,25
2. Oilseeds, oil nuts & oil kernels	4,92	4,17
3. Crude rubber (including synthetic and reclaimed)	5,32	4,48
4. Wood, lumber and cork	1,12	1,41
5. Pulp and waste paper	5,12	3,67
6. Textile fibres	45,30	52,87
(a) Wool and other animal hair	6,17	5,94
(b) Cotton	36,79	42,36
(c) Jute cuttings and waste	1,16	3,43
7. Fertilizers crude	1,54	1,51
8. Crude minerals (excluding coal petroleum and precious stones)	4,37	3,60
9. Metalliferous ores and metal scrap	76	1,47
(a) Non-ferrous metal scrap	37	94
(b) Iron and steel scrap	7	27
Total of III (including others)	70,78	75,61
IV. Minerals fuels and lubricants		
(a) Petroleum, crude and partly refined	16,57	11,67
(b) Petroleum products	25,18	23,13
(c) Coal, coke and briquettes	17	8
Total of IV (including others)	41,93	34,88
V. Animal and vegetable oils and fats		
(a) Animal oils and fats	41	50
(b) Vegetable oils	2,29	2,35
(c) Oils and fats processed	90	28
Total of V	3,61	3,14
VI. Chemicals		
1. Inogranic chemicals	8,68	6,03
2. Organic chemicals	11,45	11,22
3. Coaltar dyestuffs and natural indigo	4,34	5,01
4. Pigments, paints and varnishes	81	1,00
5. Medicinal and Pharmaceutical products	4,85	5,18
6. Fertilizers manufactured	10,58	8,03
7. Explosives	1,40	1,23
Total of VI (including others)	48,89	45,05
VII. Manufactured goods		
1. Leather and leather manufactures	4	13
2. Rubber manufactures	86	1,95
3. Paper and paper boards	5,39	6,48
4. Textile yarn and thread	6,61	5,33
5. Textile fabrics of standard type other than cotton fabrics	22	35
6. Non-metallic mineral manufactures	2,78	4,69
(a) Refractory, construction materials and clay construction materials	85	1,91
(b) Mineral manufactures (not including clay and glass)	1,16	1,83
(c) Glass and glassware	61	64
7. Precious stones & semi-precious stones and pearls	92	42
8. Base metals	68,28	80,30
Iron and steel	38,54	54,89
Copper	13,06	11,02
Nickel	69	83
Aluminium	6,31	4,30
Lead	1,34	1,33
Zinc	4,73	4,35
Tin	3,08	3,23
9. Manufctures of metals	8,31	9,16
Total of VII (including others)	94,75	110,22
VIII. Machinery and Transport Equipment		
1. Machinery other than electric	122,93	116,26
(a) Power generating machinery	21,03	13,70
(b) Tractors other than steam	2,79	2,09
(c) Office machinery	1,01	1,45
(d) Metal-working machinery	17,03	22,70
(e) Mining, construction and other industrial machinery	80,64	75,82
2. Electrical Machinery and appliances	25,79	33,54
3. Transport Equipment	26,33	31,21
(a) Railway vehicles	6,85	5,25
(b) Road motor vehicles	13,63	17,70
(c) Road vehicles other than motor vehicles	28	79
(d) Aircraft	4,42	6,71
Total of VIII	175,05	181,01
IX. Miscellaneous manufactured articles		
1. Scientific, medical, optical and measuring instruments and apparatus	3,78	3,89
2. Photographic and cinematographic supplies	1,64	1,76
3. Watches and clocks	44	40
4. Printed matter	1,39	1,31
Total of IX (including others)	11,47	9,80
X. Miscellaneous Transactions and Commodities	3,16	2,97
Total Imports	522,82	532,92

COMPOSITION OF INDIA'S FOREIGN TRADE

EXPORTS*

(Rs. Lakhs)

Commodity	April-Sept. 1962	April-Sept. 1961
I. Food		
Meat and meat preparations	78	55
Fish and fish preparations	1,39	2,06
Fruits and nuts, fresh	9,67	10,63
Vegetables, fresh and dry	2,02	1,87
Sugar and sugar preparations	9,23	8,09
Coffee	3,90	5,91
Tea and mate	55,43	53,74
Spices	6,16	6,98
Feeding stuff for animals	13,15	7,44
Total of I (including others)	102,41	98,18
II. Beverages and Tobacco		
Tobacco, unmanufactured	12,19	8,20
Tobacco manufactures	33	58
Total of II (including others)	12,52	8,78
III. Crude materials		
Hides and skins, undressed	4,87	3,40
Fur skins, undressed	8	13
Oilseeds, oilnuts and oil kernels	1,37	1,14
Wood, lumber and cork	1,36	1,23
Wool and other animal hair	3,36	5,06
Cotton	9,22	11,84
Vegetable fibres, except cotton and jute	1,15	89
Fertilisers crude	9	20
Crude minerals (excluding coal, petroleum, fertilizer materials and precious stones)	6,83	6,09
Metalliferous ores and metal scrap	13,98	17,48
(i) Iron ore and concentrates	8,24	7,36
(ii) Iron and steel scrap	84	4,11
(iii) Ores of non-ferrous base metals and concentrates	4,87	5,96
Animal and vegetable crude materials	9,52	10,07
Total of III (including others)	52,86	58,11
IV. Mineral fuels and lubricants		
Coal, coke and briquettes	1,61	1,22
Petroleum products	1,76	1,74
Total of IV (including others)	3,37	2,96
V. Animal and Vegetable oils and fats	5,59	3,75
VI. Chemicals		
Chemical elements and compounds	69	58
Dyeing, tanning and colouring materials	15	16
Medicinal and pharmaceutical products	47	50
Essential oils, perfume and flavour materials	2,47	2,36
Explosives and other miscellaneous products	15	8
Total of VI (including others)	4,18	3,98
VII. Manufactured goods		
Leather and leather manufactures	11,22	13,76
Rubber manufactures	31	20
Paper and paper board	32	36
Textile yarn and thread	7,02	5,48
Cotton fabrics of standard type	21,36	24,10
Textile fabrics of standard type (other than cotton fabrics)	50,65	39,14
Lace, embriodery, ribbons and other small wares	71	41
Special textiles fabrics and related products	85	1,02
Made-up articles, wholly or chiefly of textile materials	31,23	39,62
Floor coverings and tapestries	4,01	4,19
Lime, cement and fabricated building materials	29	80
Mineral manufactures (not including clay and glass)	10	48
Jewellery and goldsmiths' and silversmiths' wares	58	46
Iron and steel	1,11	6,87
Total of VII (including others)	131,66	138,27
VIII. Machinery and Transport Equipment		
(i) **Machinery other than electric**	1,17	99
of which: Power Generating machinery	30	19
Mining, construction and other industrial machinery	80	75
(ii) Electrical machinery, apparatus and appliances	53	47
(iii) Transport Equipment	32	29
Total of VIII	2,02	1,74
IX. Miscellaneous manufactured articles		
Footwear	95	1,07
Clothing (except fur clothing)	38	35
Furniture and fixtures	11	15
Travel goods, handbags, and similar articles	14	19
Printed matter	49	51
Total of IX (including others	5,07	4,91
X. Miscellaneous Transactions	1,75	2,04
Total Exports*	321,44	322,72

* Excluding re-exports.

INDEX NUMBERS OF WHOLESALE PRICES — IMPORTANT COMMODITIES

(Base: 1952-53 =100)

Average of months/ Average of weeks	Rice	Wheat	Jowar	Bajra	Gram	Ground-nut Oil	Mustard Oil	Sugar	Gur	Tea
1955-56 ..	78	72	67	84	49	74	104	94	88	170
1956-57 ..	97	88	123	122	71	104	176	95	100	165
1957-58 .	105	88	114	126	68	105	164	110	107	164
1958-59 ..	105	105	105	126	96	107	148	121	131	169
1959-60 ..	105	96	119	126	75	118	150	124	161	186
1960-61 ..	108	90	122	130	87	138	168	127	136	206
1961-62 ..	105	91	112	132	83	144	177	125	116	193
June 1961 ..	106	86	113	141	81	159	169	127	122	206
July „ ..	108	88	118	145	81	160	175	127	121	220
August „ ..	110	89	113	142	82	149	174	127	123	218
September „ ..	110	87	107	128	81	141	173	127	122	190
October „ ..	108	89	110	130	82	129	176	125	118	205
November „ ..	106	92	108	128	86	135	183	125	118	180
December „ ..	102	94	109	126	88	134	187	125	109	164
January 1962 ..	101	98	115	130	91	136	187	122	108	177
February „ ..	102	100	120	131	90	140	186	122	108	181
March „ ..	103	94	120	126	82	136	179	124	118	163
April „ ..	106	92	122	123	81	135	171	131	121	155
May „ ..	109	88	126	125	84	132	176	131	129	166
June „ ..	110	88	131	128	86	132	179	130	161	169
July „ ..	112	91	137	135	89	135	187	131	165	172
August „ ..	114	93	141	137	95	138	193	134	161	170
September „ ..	115	91	141	136	93	137	193	131	168	174
October „ ..	114	91	139	126	95	133	192	129	174	N.A.
November „ ..	117	91	137	124	92	133	192	128	168	190
3-11-1962 ..	116	92	135	125	94	135	193	128	176	178
10-11-1962 ..	117	92	137	123	93	133	191	128	170	188
17-11-1962 ..	117	91	140	125	92	134	192	128	166	195
24-11-1962 ..	116	90	135	124	90	130	191	128	161	198

Average of months/ Average of weeks	Spices & Condi-ments	Tobacco Raw	Coal	Cotton Raw	Jute Raw	Ground nut	Cotton Manu-factures	Jute Manu-factures	Silk & Rayon Manu-factures	Machi-nery
1955-56 ..	110	77	101	97	117	79	105	96	91	102
1956-57 ..	97	80	116	111	126	111	116	95	88	104
1957-58 ..	96	92	128	106	133	108	116	95	86	107
1958-59 ..	127	93	133	99	118	117	112	87	93	109
1959-60 ..	152	98	135	106	125	131	117	91	96	111
1960-61 ..	128	111	141	112	210	146	128	131	104	116
1961-62 ..	140	96	142	109	178	155	128	122	120	120
June 1961 ..	151	95	141	110	208	167	126	125	117	118
July „ ..	145	93	141	107	215	171	126	131	119	118
August „ ..	143	95	141	105	180	167	128	121	118	118*
September „ ..	143	95	141	104	155	156	128	114	119	119
October „ ..	145	95	141	107	150	143	128	119	119	119
November „ ..	143	93	141	108	149	143	128	116	121	123
December „ ..	140	89	141	109	145	144	128	118	123	122
January 1962 ..	141	92	143	110	146	145	128	116	122	122
February „ ..	140	94	143	112	148	149	128	113	125	122
March „ ..	140	95	145	113	148	149	128	117	127	122
April „ ..	143	94	145	112	141	149	128	115	129	123
May „ ..	149	95	145	113	139	145	129	113	129	124
June „ ..	152	92	149	113	144	144	130	118	130	124
July „ ..	152	91	152	115	149	146	129	117	130	124
August „ ..	154	92	152	114	146	151	129	111	131	124
September „ ..	156	92	152	112	151	151	129	113	133	124
October „ ..	158	93	152	111	151	144	130	108	135	124
November „ ..	164	93	153	113	147	136	130	113	134	124
3-11-1962 ..	162	93	153	110	149	136	130	110	135	124
10-11-1962 ..	162	93	153	111	149	135	130	114	135	124
17-11-1962 ..	165	92	153	116	150	137	130	114	135	124
24-11-1962 ..	165	92	153	115	141	134	131	114	132	124

* Estimated.



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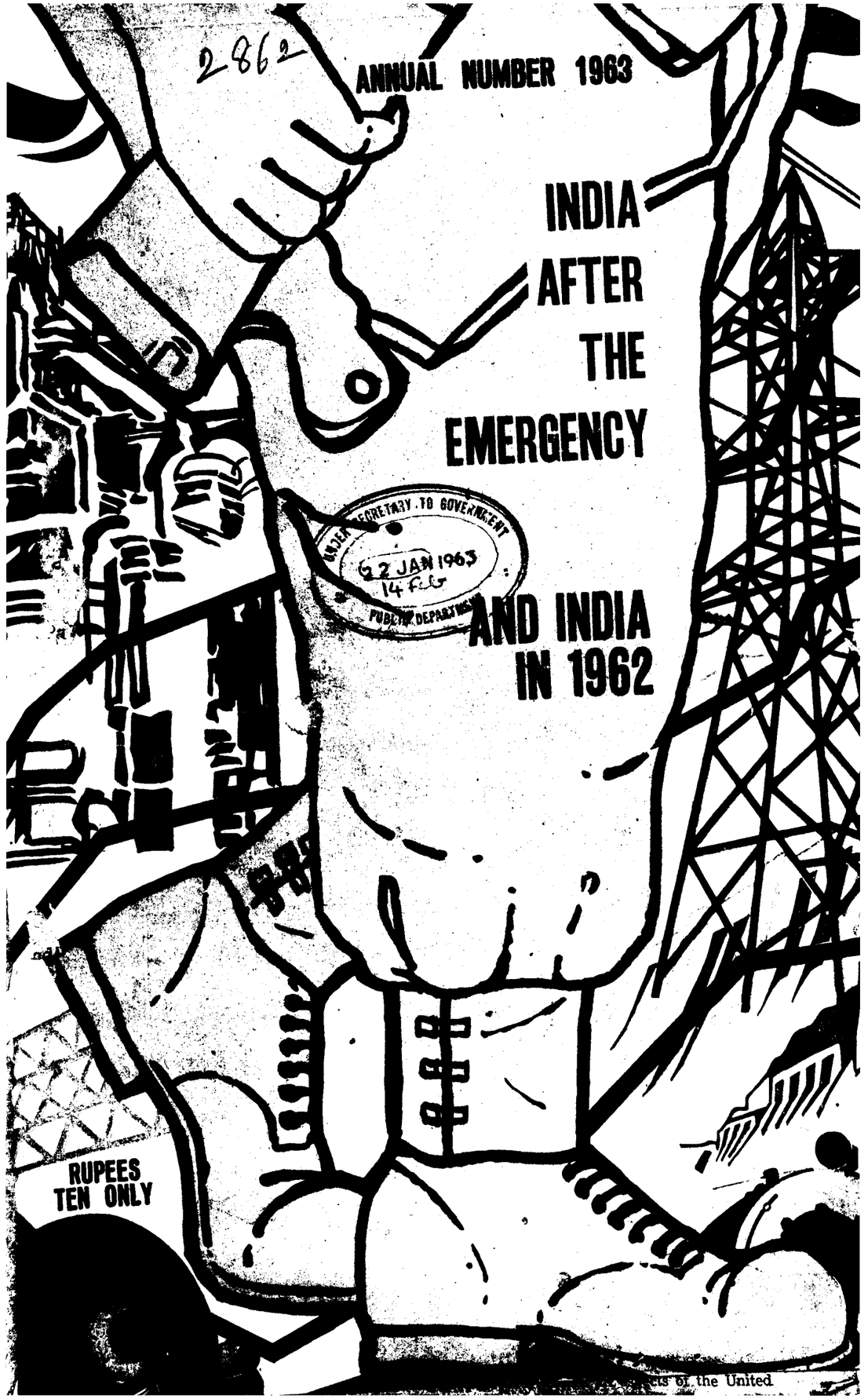
• PHARMACEUTICALS

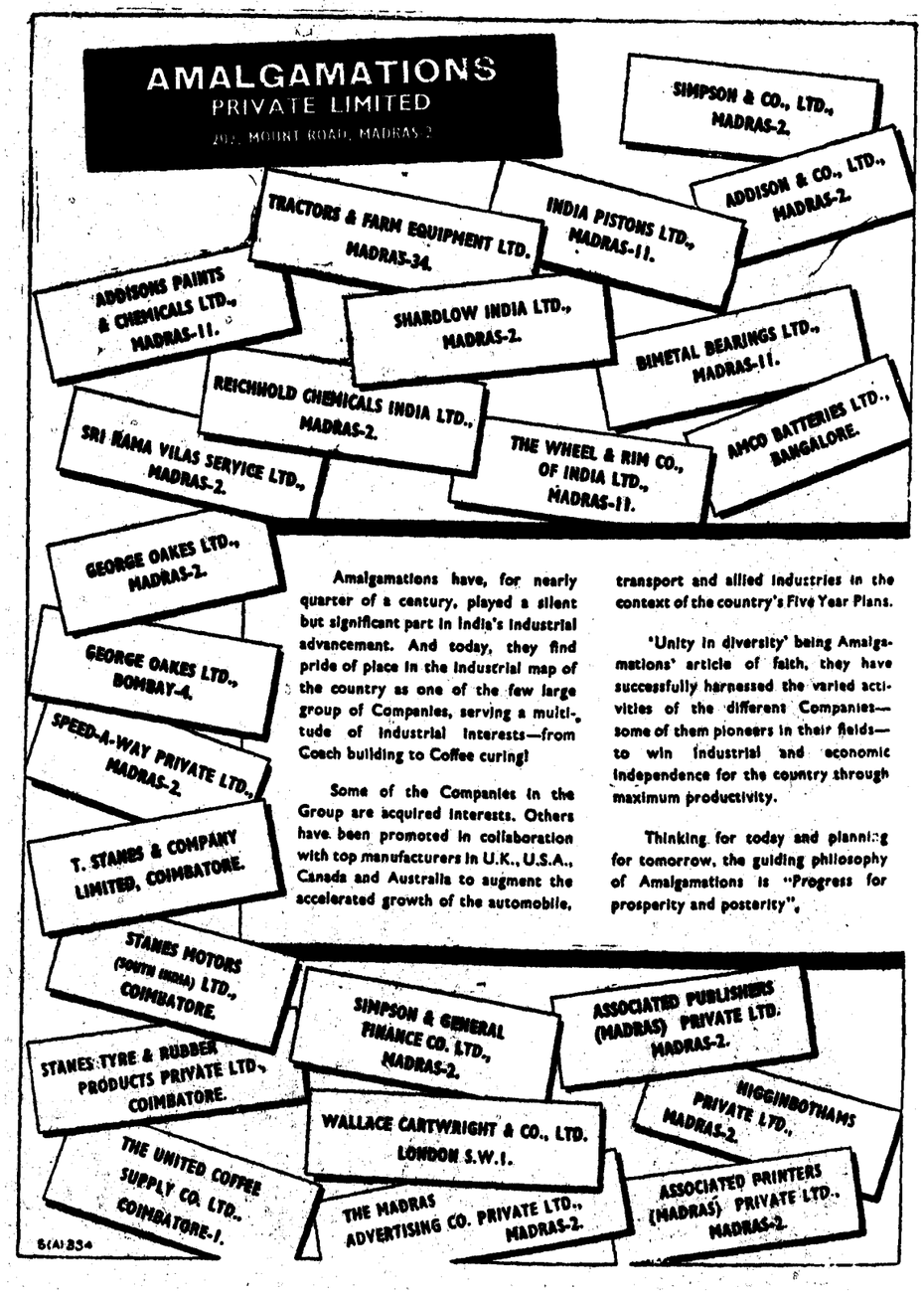
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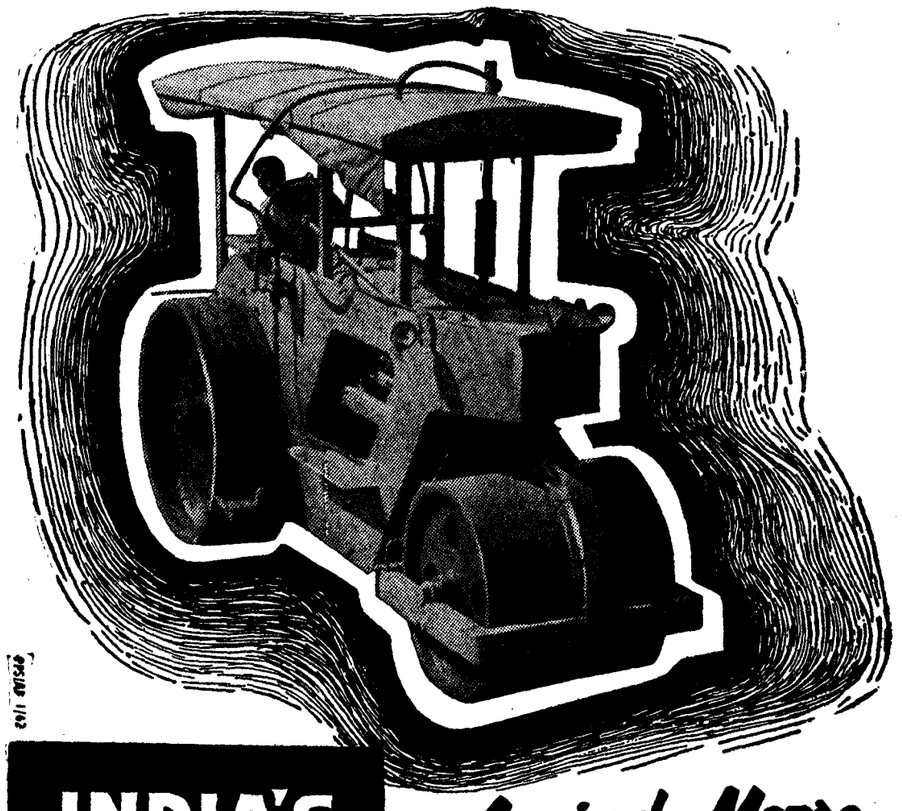
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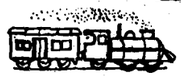
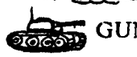
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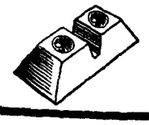
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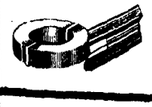
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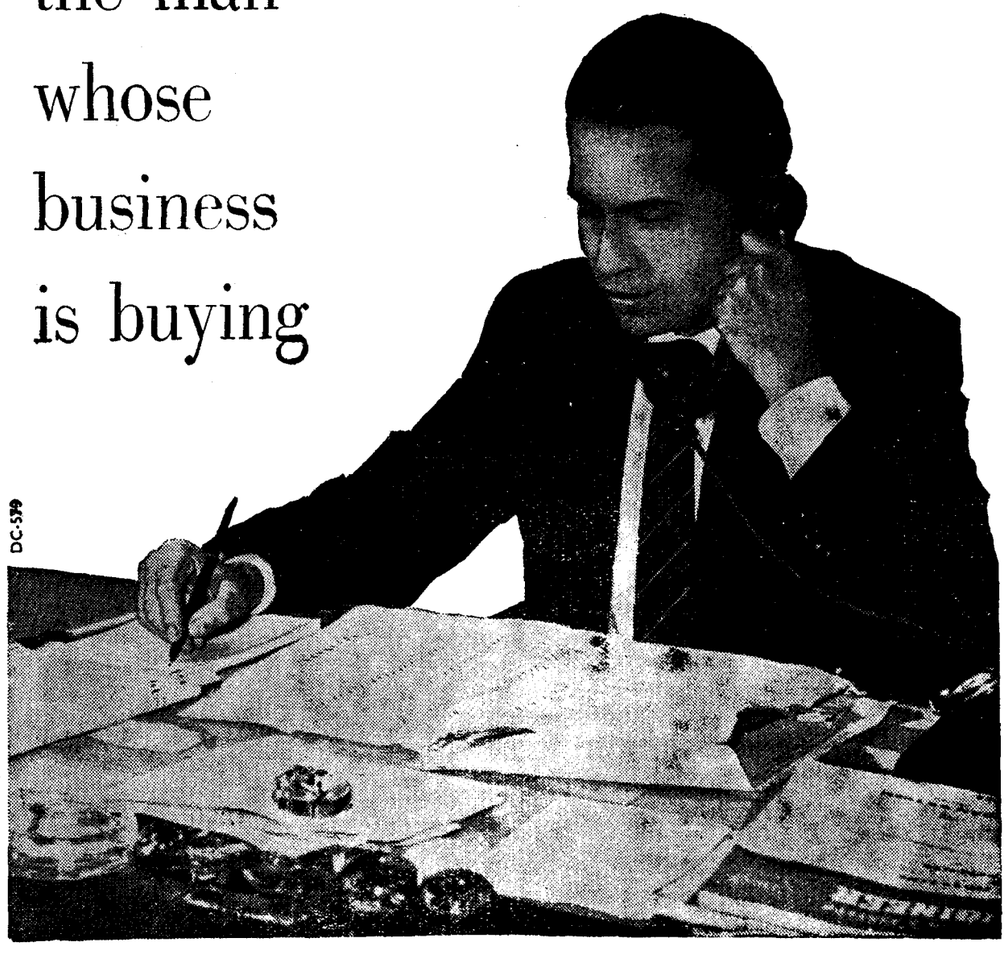
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DC-539

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Bird-Heilgers' part in it...

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A SIMPLE PHRASE...
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"...special emphasis is being placed on... steel and machine-building and the manufacture of producer goods". The Third Plan very rightly stresses the need for rapid industrial development. Every new project for domestic production creates employment, saves foreign exchange, adds to the national striving for economic independence. The expansion of indigenous manufacture is critically important, and Bird-Heilgers is deeply committed to this decisive aspect of the Plan.

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Steel is the very life-blood of an economy. Industries, utilities, homes, all depend on steel. Steady steel production depends, in turn, on the uninterrupted supply of minerals to the nation's blast furnaces. Bird-Heilgers supplies these minerals. Between 1957 and 1961, the group's output of minerals—coal, dolomite, iron and manganese ore and limestone—shot up almost 100% to well over 6,000,000 tons. The group will continue to help meet demand...to feed the blast furnaces with the minerals they must have

"Made in India"—by Bird-Heilgers

A vast range of products, hitherto imported, are now manufactured in India by Bird-Heilgers. The group produces jute goods, paper and board, water treatment equipment, air compressors and springs, castings and fabricated steel. The refractory manufacturing plant is the largest single unit in the East. A factory for the production of coal washeries was the first in India.

The group's engineering units are extremely flexible. They contribute, with equal facility, to projects as far removed as blast furnaces and ceramic plants. Planned diversification finds the group engaged in shipping, insurance, exporting and importing. The agency department handles everything from heavy capital equipment to light consumer goods.

Towards a self-generating economy

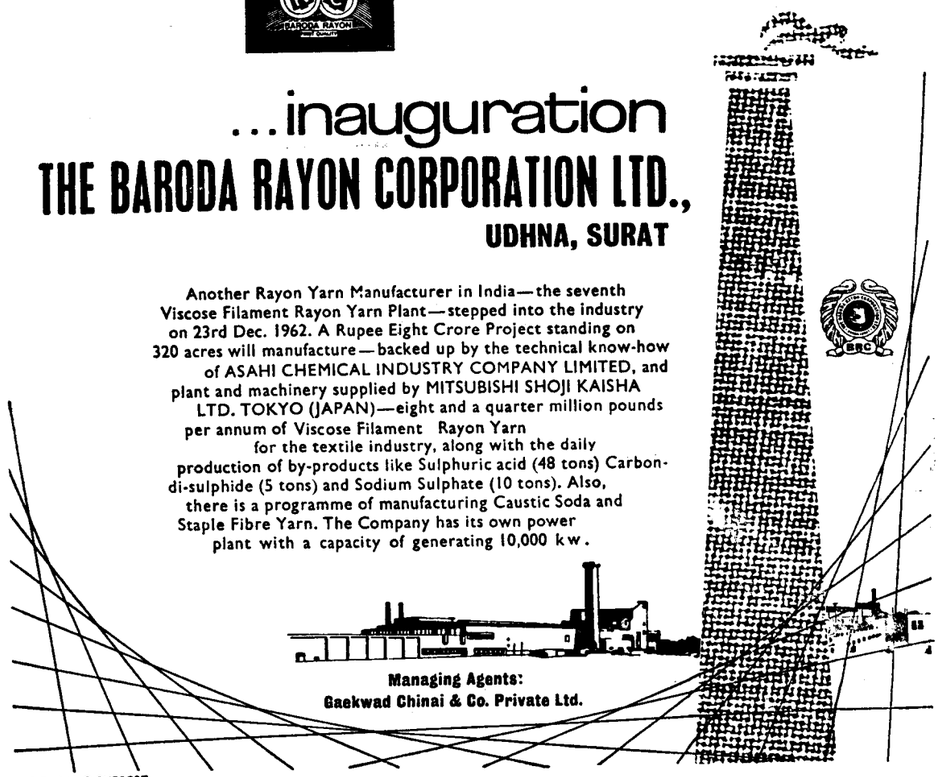
A phrase on everyone's lips. A phrase that finds concrete expression in the urgent activity of an economy on the move. Bird-Heilgers reflects the nation's striving. The group is alive to the problems of a growing economy. It deploys the full potential of a century's resources, technical knowledge and executive skill to broaden its activities...increase domestic production ..join in the national drive to economic independence.

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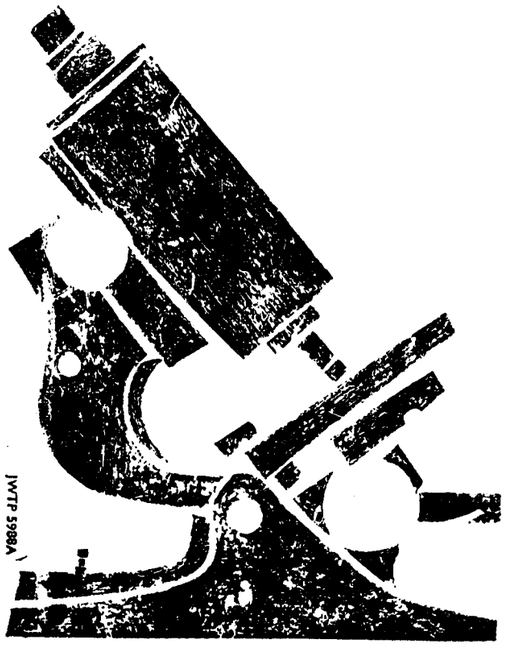
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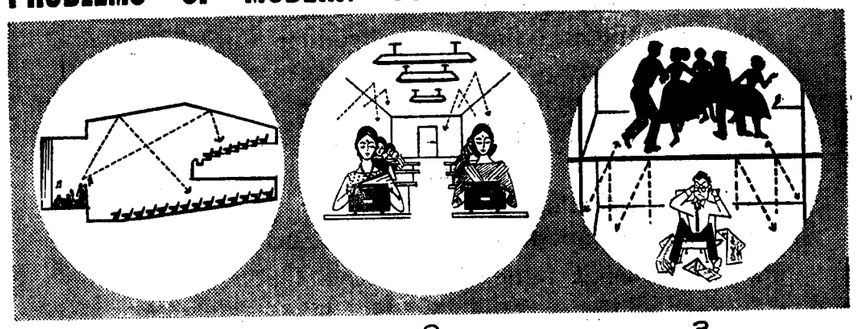
Today, Babulal's fleet of T-M-B trucks hauls his fortune; many years hence they will continue to be Star performers for his children.

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Auditoriums constructed without proper acoustical environment often annoy audiences with sound reverberations. Wherever good hearing conditions are important, great care must be given to the introduction of sound-absorbent or reflective surfaces to the right extent and in the right place. Such acoustical correction is therefore necessary in auditoriums, halls, theatres, churches and similar places, so that sounds are transmitted throughout the room and can be heard clearly, and with a natural quality by every listener in the audience.

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Hard, non-absorbing surfaces like that of smooth concrete, plaster or hard wood, cause sound waves to reverberate within a room. This results in overtones at high levels, which are disturbing and irritating to occupants. This problem is frequently encountered in offices, typing rooms, banks, factories, etc.

Acoustical materials should be used to reduce the reverberation time or the sound level within the room, thus reducing the level of annoying noise.

3. **SOUND TRANSMISSION**

The present trend towards construction of framed buildings as blocks of flats or maisonettes, in which floors and partitions have been reduced to the minimum thickness and weight, has created the problem of transmission of unwanted or irritating noise.

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Reserves	**Rs. 4.50,000**
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Total Resources as on 30-6-1962	**Rs. 3,04,28,287**
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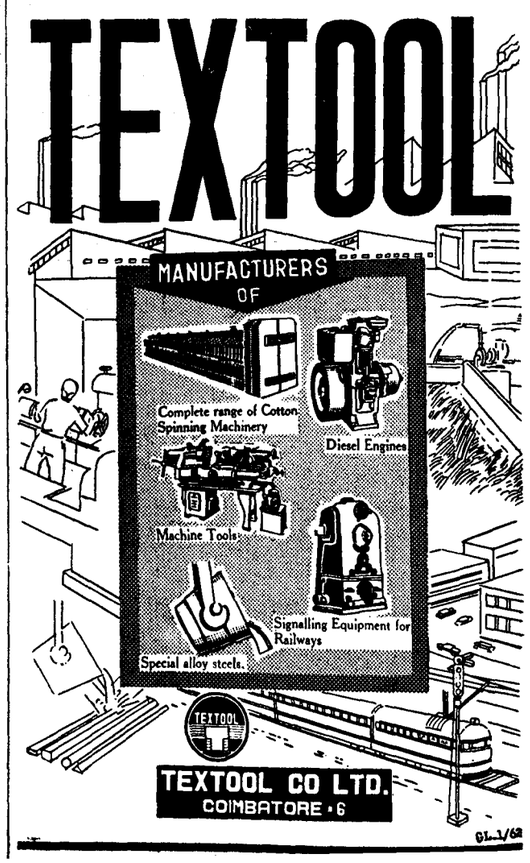
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MBGC-1F

On the firm foundations of the First and Second Five Year plans, the task of successfully executing the Third Five Year Plan has began. Development work is taking place in eve.y village. There is activity in every farm and factory and in every small & cottage industry. From Rs. 72 crore and Rs. 155 crore spent respectively during the First and Second Plans, there is a significant rise in the Third Plan provision of Rs. 293.15 crore for West Bengal. Aiming at all-round progress, the Third Plan provides Rs. 53.60 crore for Agriculture, Rs. 63.86 for Irrigation & Power, Rs. 81.32 for Social Services, Rs. 26.50 for Transport & Communications, Rs. 17.43 for Co-operative and Community Development, Rs. 12.14 for Industry & Mining and Rs. 38.30 crore for other development works.

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In the past ten years food production increased from 39.7 to 54.5 lakh metric tonne ; Irrigation : 24.4 to 31.6 lakh acres ; Schools: 16,317 to 31,310; Students: 20.5 to 34.2 lakh ; Hospitals & Dispensaries : 1,284 to 1,912 ; Doctors : 18,336 to 20,834 ; Hospital Beds : 18,329 to 27,611 ; Nurses : 2,988 to 5,001 ; Handloom Cloth : 10 to 19 crore yds. ; Road (Surfaced) : 1352.9 to 5,888 miles ; Electricity : 1046.7 to 1803.7 million K. W. H. ; Jute : 13.5 to 18.0 million bales ; Factories : 2,530 to 3,943 ; and Co-op. Societies : 15,583 to 27,715.

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to build a BETTER BENGAL in a NEW INDIA

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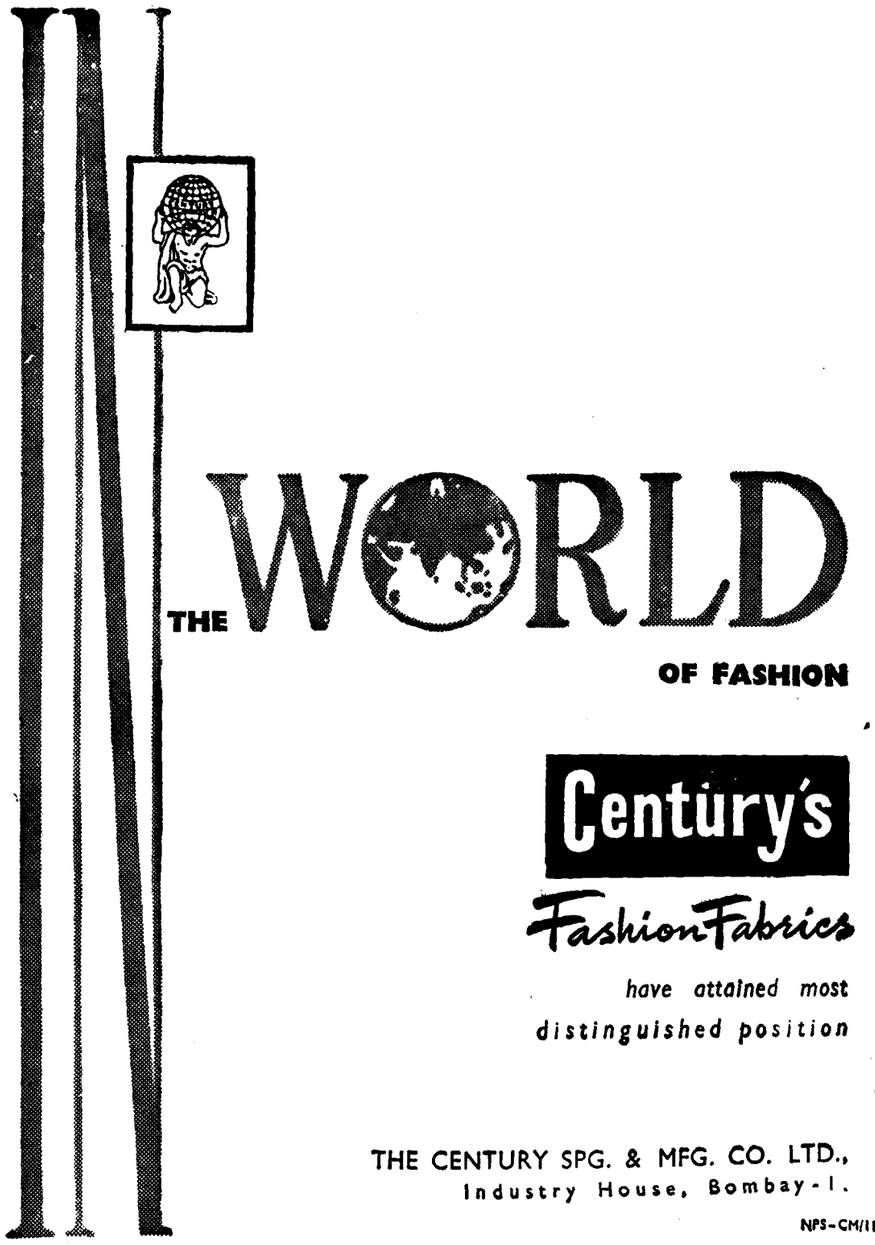
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THE EASTERN ECONOMIST

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THE EASTERN ECONOMIST

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With a Supplement

on

INDIAN ECONOMY IN 1962

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INDIA AFTER THE EMERGENCY

"If we could first know where we are and whither we are tending we could better judge what to do and how to do it ..... The result is not doubtful. We shall not fail—if we stand firm, we shall not fail."

Abraham Lincoln

"A reluctance to face the full magnitude of our task and overcome it is a coward's part. Yet the nation is not in this mood and only asks to be told what is necessary. It is a fool's part too. For victory may depend on our making it evident, that we can so organize our economic strength as to maintain indefinitely the excommunication of an unrepentant enemy from the commerce and society of the world."

John Maynard Keynes

How to Pay for the War

"But I tell you, out of this nettle, Danger,
We pluck this flower, Safety ....
Can we identify the nettle? The flower?
Can we agree what Danger is?
Can we agree what Safety is? We must try ....."

Hotspur in Shakespeare's

King Henry IV

"Farthest from him is best
Whom reason hath equalled, force hath made supreme
Above his equals. Farewell happy fields
Where joy for ever dwells: Hail horrors, hail
Infernal world, and thou profoundest Hell
Receive thy new possessor: one who brings
A mind not to be changed by place or time.
The mind is its own place, and in it self
Can make a Heav'n of Hell, a Hell of Heav'n."

John Milton

Paradise Lost

India After the Emergency

Preface

IN the Annual Number 1963, as in the long series that has gone before, it might be truly said that the subject has chosen itself each year. The dramatic and, in many respects, agonising events since October 20, 1962, have decreed that the original subject planned for this Annual Number should become irrelevant to the great course of India's problems as they gathered feverishly towards the end of the year. Thus it has come about that "The Eastern Economist," no less than the country as a whole, has had rapidly to change its course. In some respects, as indeed is inevitable, many of the problems, dealing with economic affairs, in the difficult state to which they had arrived, independent of the Chinese invasion, overlap with older assessments. Nevertheless, the framework and the emphasis are entirely changed. Security, otherwise described as the Defence of the Realm, has become, for as long as we can see, the overwhelming condition of all our strivings. In a sense, wholly new to the Indian people, we have been brought into sharp challenge with our own philosophy and our own inadequacies in the context not of our own welfare but of our very survival.

Partly because the co-ordinates of our political and economic system have thus changed, it is necessary to recognise that the solutions for the Emergency must be different from those considered even barely three months ago. The old French proverb which says that the more things change, the more they remain the same, is at times such as these a momentous denial of the truth. Things have changed so deeply that the superficial resemblance that they have to previous events is apt to be a source of giant error. Mr. B. K. Nehru, our Ambassador in Washington, who has explained in a brilliant televised Press Conference the structure of Indian thinking, described the change as a "traumatic" experience in Indian political and economic thought. Now that the signs of normalcy are so abundant and that the indignant passion, which attended on the first attack has receded so considerably, we are very apt to feel that things can go on as before. One of the purposes of this Annual Number is to show that this cannot be done. In the first place, so far as foreign policy is concerned, our friends are now better seen with the absence of the great veil of ideology which often hid their true nature from their expressions of understanding. The word 'non-alignment' has now an undefined area of doubt. Again India's foreign policy, particularly her relations with the People's Republic of China, have been hammered on the anvil and have been beaten out of shape. In the great debate on the efficiency of India's defence system again history has swept, in one dramatic week, out of the arena not merely the Defence Minister, Mr. V. K. Krishna Menon, but also the Chief of the Army Staff and a Corps Commander who ranked in military reputation amongst the high in the country. These might be described as the debris of the volcanic eruption that has taken place in the body politic of the country. To say that the thread can be taken up where it was left on October 20 is to ignore the point that a permanent scar has been left on the minds of the Indian people. The solution for their problems at this time must take account of the fact that they are, in fact, sick and need a physician.

Something of the character of the operation is suggested by the quotations found on the opposite page. The quotation from Lord Keynes reflects the present mood of the Indian people and stresses how our defence is rooted in our economic strength. The quotation from Shakespeare indicates the change of direction in our policy and that from Milton the extent to which a psychological turn-around is required in order that we should live at peace with ourselves. It is probably true that the biggest burden which lies upon the Indian people at the present time is in respect of their own philosophy. This gives relevance to Abraham Lincoln's quotation set in a very different time, except that it was a time of overwhelming crisis for his own country. India is not clear as to where she is sailing and, indeed, this absence of direction and of firm rudder and compass, whether in the political or economic sphere, is a major challenge that we face at this time.

The pattern of this Annual Number follows that of the Annual Numbers of the fifteen years preceding. In the first place, there is 'A Politico-economic Prologue' which deals briefly with the problems of assessing the confused political currents and the psychological malaise as well as the challenge to the economy which now engage almost every thinking Indian. Secondly, there is an Economic Review which deals particularly with problems of production and mobilization of resources for the Emergency.

As in all previous issues, this Annual Number is dedicated to the Indian people. It is dedicated with some trepidation because "The Eastern Economist" is in no better position than the rest of India to prescribe a dogmatic counsel at this turning point of our history. All that is claimed is that it is a contribution to be thrown, as during every year, into the common pool. If there should come from these pages a new element in rethinking of our political and economic policies, we shall be rewarded beyond our hopes.

PART A

A Politico-Economic Prologue

The Chinese Invasion: Its Genesis and Aims*

By SIR N. RAGHAVAN PILLAI

(Formerly Secretary-General, Ministry of External Affairs)

THE question has often been asked, "Why has China chosen to alienate — mild word this — good-neighbourly India, who has from the first extended to China her warm and genuine friendship?" To this there has been no fully satisfactory answer, because, of a country seemingly so friendly as China, few in India and even abroad were prepared to believe the worst. Earlier transgressions by China, though they caused surprise, were seen as lapses on the part of a still suspicious and inexperienced revolutionary Government as yet unused to the ways of international behaviour, and these did little damage to the public image of China as a country bound to India by brotherly ties. But incident following upon incident in the different sectors of the long border between India and China shed an increasingly sinister light on the real aims and intentions of the Chinese Government; and the present massive Chinese aggression reveals with sufficient clarity China's grand design for India which she has set about to achieve with a ruthlessness and cynicism and a degree of deception unparalleled in modern times.

Communist China, at the time of its triumphal birth, must have exulted in its imagined destiny. China, vast in area, rich in resources, the most populous in the world; a country with an ancient civilisation which has made an impressive contribution to human thought, culture and achievement; a country inhabited by a people, hardy, industrious and amenable to discipline — that was the country whose fate lay in the hands of its new rulers. Vistas of limitless possibilities opened before their eyes. China had just got to its feet; in time it would draw itself up under communist care and tutelage to its full stature and when that time came, it would be the most powerful country in the world. An intoxicating thought; almost an over-fulfilment of the age-old Chinese dream! But first things first; the way had to be prepared for this delectable future.

The vast Eurasian land mass holds three very large countries, the Soviet Union, China and India; and by an irony of geography the three are grouped together in close juxtaposition. Big neighbours were always a nuisance, and should have their wings clipped at the earliest suitable opportunity. So Communist China must have thought, looking round its frontiers. The Soviet Union, however, was in a special position. It had had an earlier start, and had become the second strongest power in the world; there was, moreover, between the two countries an ideological bond, which enjoined a certain discipline on both countries in their mutual relations; and finally China was dependant on the Soviet Union for help in her material development. These considerations overrode others in the determination of policy towards the Soviet Union. This did not mean of course that problems did not exist, or that new ones would not arise, between the two countries. But these could wait until China had had time to build up its material strength and establish its ideological supremacy. Meantime, any cracks which appeared could be papered over with fresh protestations of fraternal solidarity.

With India the position, as Communist China saw it, was different. After China, India had the largest population in the world; it, too, had a long history and an ancient civilisation, and it had greatly enriched th religious and philosophical thought of the world Throughout the centuries there had been friendly intercourse between the two countries, and their cultures and civilisations had in the past spread to distant lands and had met and intermingled in some. Their contacts, wherever they occurred, had been peaceful in the past, but the same could not be confidently predicted for the future. Both countries had been victims of colonialism; but, while India had fallen fully under foreign domination, China, though humiliated and enfeebled, had not been conquered and had always retained the trappings of sovereignty. India, however, had won her independence two years before the Communists came into power in China, and had embarked on a long-term programme of economic development. Though still linked to Britain and the Commonwealth and steeped in the liberal traditions of the capitalistic West, she had declared for non-alignment in international relations and had set a socialistic pattern of society as the goal of her national effort and policy. She had in addition extended the hand of friendship to China, and had given China her support on major international issues. But this made little difference, in Chinese estimation, except to the extent of enlarging the scope for, and period of, deception. Capitalist or socialist, aligned or non-aligned, India, by reason of her size and her growing strength and importance, was a potential challenger to China who had set herself on a course leading to power and leadership. It was imperative, therefore, in Chinese interests that, as soon as China's preparations were complete and before India became too strong, India should be effectively cut down in stature; and no consideration, either of sentiment or even of honour, was to be allowed to deflect China from the pursuit of this objective.

It is a singular fact that communism, for all its vaunted universality, can graft itself on hoary nationalism in a way that makes the two indistinguishable. Through selective marshalling of facts and re-interpretation of historic events and movements, communism was presented to the Chinese people as the culmination of a historical process rooted in Chinese traditions and peculiar to the genius of the Chinese people. On this presentation, nationalism became the grand ally of communism; and communism underwrote even the baser aspects of nationalism. Thus was popular support won for the expansionist policies of successive Chinese Governments which had long been in cold storage and which the Communist regime for reasons of its own wished to resuscitate. Chinese maps had for years past shown large tracts of Indian territory as part of China, and the claims based on these maps, though long defunct, were seized upon by the People's Republic for use as the best means of enforcing their policy of expansion against, India. And for full measure they decided, as time went on, to add a few new claims of their own. Two ends were thus to be served: the realisation of Chinese expansionist ambitions with securing strategic command of the northern approaches to India and humiliating India in the eyes of the world, and of her neighbours in particular, and reducing her to a state of impotence.

There are those in our country who think that the Chinese attitude to India has been partly caused by

their delusion that, because India takes aid from the West, India must be regarded as "a virtual allay of the Western block". This is not only ridiculous but dangerously fallacious. The Chinese leaders can be under no such delusion, and for us to say that they are is not only to find a gratuitous excuse for the Chinese but to render a positive disservice to our country by encouraging our people to believe that we are also somehow to blame.

Let us examine the facts. It is true that the leaders of China, with the exception of Chou En-lai, have had little contact with the outside world. They are all, however, intelligent and experienced men, and well-informed on world affairs. They must be aware of India's stand on international issues, and more particularly of the help and support she has consistently given to China. If, in spite of this, they reproach India with being an ally of Western imperialism, they merely show themselves to be inimical to India for reasons which it would not be in their interests to disclose.

Nor is this all. On her southern frontier China has border claims against Burma and Nepal, and, because she holds a part of Kashmir, against Pakistan as well. All these countries are taking (or have taken) economic aid from the US; and Pakistan is in addition accepting massive military aid. With these countries, however, China has cordial relations, her cordiality increasing with the degree of estrangement of those countries from India. Does this not show that China's hostility is directed to India as such and not because she takes aid from the US? Even if we were racing headlong towards communism, China would still sternly prosecute her territorial claims against us; only, in that event, we would not fight a war, but be cowed into submission and "voluntarily" cede the territory claimed. To prove this, one has only to look to the examples of Poland and Rumania, both of which countries in the last war parted with territory to the Soviet Union.

The story of how China set about to execute her grand design against India is a depressing study in human cunning and deception. After the initial phase when the Prime Minister of India was still in Chinese eyes "a running dog of imperialism", there came a thaw and growing friendliness which found its first expression in the agreement between the two countries on the Tibet region of China concluded in April 1954 — an agreement under which India, true to her principles, renounced all her extra-territorial rights in Tibet. India had already announced that her policy was to be one of peace and non-alignment. As if to give India's unilateral declaration sacramental value and to prove her own devotion to peace, China proposed at the time the inclusion of the famous five principles in the preamble to this Agreement. As later events have shown, this was intended to do no more than bemuse and stupefy us. (The first Chinese intrusion into India at Barahoti took place in July 1954, less than three months after the signing of the Agreement. Not a word was said at the time that the Chinese had territorial claims against us; and to any suggestion for the discussion of a subject, other than they themselves brought forward, their invariable reply was, "the matter is not ripe for discussion". Experience has since shown that what they mean by this phrase is that they are prepared to discuss a matter in issue only at a time when they are confident that a settlement could be obtained on their own terms. Against this background one realises the utter hypocrisy of the frequent Chinese invitations to us to enter into negotiations over the border problem. They could have done so as far back as 1954, but they waited until they had illegally occupied large tracts of our territory and gained, by fradulent means, a military advantage.

The Prime Minister himself spoke to Premier Chou En-lai on more than one occasion about the inaccuracy of Chinese maps, and was given the reply that these were but reproductions of old KMT maps and that the People's Government had no time to revise them. Once Chou En-lai went to the extent of assuring the Prime Minister that the maps would be speedily revised. Ruefully we must admit that this was done; but the revision was to our further detriment.

Having lulled us into a feeling that all was well, China proceeded to conclude border agreements with Burma and Nepal, accepting the "watershed principle" for the determination of the boundary line—a principle which she has stoutly declined to concede in relation to her boundary with India. This was plainly done to isolate India—the only country which could become a formidable rival to China—and to win world sympathy and a general reputation for sweet reasonableness. And now Pakistan is about to enter into negotiations with China. Little do these countries realise that if China did have her own way with India, then their own agreements with China would be rendered quite worthless. We are battling not only for ourselves but for our neighbours as well.

The successive probings and intrusions carried out by the Chinese along the whole length of our northern border are well known and need not be recounted here. But a certain basis of settlement between the two countries which was never seriously discussed but which was thought to be acceptable to the Chinese calls for comment. That basis was the cession by India of the large area claimed by the Chinese in Ladakh in return for China's recognition of the McMahon line. It is unthinkable that public opinion in India would even in the early days have found any concession to China acceptable which went beyond some kind of perpetual lease of the highway across Aksai Chin connecting Sinkiang with Western Tibet and a belt of land on either side of the highway. That apart, to have traded in the greater part of Ladakh for formal recognition by China of a boundary which we regard a inviolate would have been a pussillanimous way of buying peace. Such a peace, moreover, would never have endured. As subsequent events demonstrate, the ultimate aim of the Chinese is to push the border to a line commanding the plains and valleys of North India and to establish a Chinese presence along that line which would be a constant menace and source of apprehension to India. In furtherance of this objective the Chinese would have, if an earlier settlement had been reached on the basis described above, resorted to every device and stratagem to subvert and foment disaffection among the inhabitants of the sub-Himalayan belt until India ceased to have any effective administration, control or influence in those areas. Better by far that they should come into the open, as they have now done, than pursue their clandestine, subversive activities.

In fighting their undeclared war on India, China is employing her customary techniques of falsehood and misrepresentation. After a long preparation for this surprise invasion the Chinese falsely accuse India of having made the first attack. Not content with this falsehood, they allege India's motive for so doing to be her desire to obtain more aid from the US. This is clearly an attempt, in view of the known Indian psychology, to raise a doubt in the Indian mind as to the wisdom of accepting military aid in any form from any Western country. Having thus tried in advance to

shame India into refusing foreign aid, China then proposes negotiations on terms which would put us at a serious disadvantage. The Government of India's rejoinder to such hypocritical overtures is clearly correct; and it has the added merit of not being likely to prove acceptable to the Chinese.

Is the war likely to develop into a total war between India and China? We must bear in mind that a total war between these two countries might easily lead to a global war. The indications are that China ould not like such a development, not because of the moral issues involved, but because it is her belief that she would be certain to win if it were a straight fight between the two countries. We, on the other hand, are equally confident, that, given the weapons and the equipment, we could drive the Chinese out of NEFA; and we in any case abhor the thought of involving other nations in this war and thus starting a world conflagration. The war is therefore more than likely to remain localised, and clearly it is better so.

If our victory is to be assured, it is essential that we should have the proper weapons and equipment and in sufficient quantities. It has long been known that in the event of an attack by the Chinese in NEFA, we should have to suffer initial reverses, because of the surprise nature of the attack, of the possible numerical superiority of the Chinese forces, and of the nature of the terrain. It was never thought, however, that Indian troops would be armed with inferior weapons; and the disclosure that such is the position has caused the country painful surprise. Clearly the first duty of the Government today is to correct this grave situation as speedily as possible.

Doubts have been expressed whether India could accept arms from other countries, consistently with her policy of non-alignment, except on payment of the full price. There is unfortunately much loose thinking on the subject. In the first place, what non-alignment properly means is abstention from entering into a military or similar alliance which would make it obligatory for a member-country to judge of an international issue as a member of a group rather than as an independent nation free to express its views on the merits of the issue. The acceptance of arms unconditionally offered by friendly countries during a defensive war would not therefore prejudice the position of a non-aligned country. If it did, non-alignment would cease to have any significance as a practical policy for any nation which wished to survive in this world. It must be remembered that, when Stalin turned his wrath on Yugoslavia, President Tito accepted military aid from the US; and no one can deny that Yugoslavia continues as a Communist country, except perhaps in Chinese and Albanian eyes.

Secondly, it should be possible to acquire arms otherwise than as gifts and on terms compatible with the principle of non-alignment, in howsoever narrow a sense it is interpreted. Our reported recent deal in MIGs with the Soviet Union seems a case in point. It is believed that the price quoted was low, much lower than that demanded by aircraft manufacturers in the West for less suitable types of aircraft. Even allowing for the high profits which Western manufacturers expect to make on military requirements, one cannot help thinking, in view of the Soviet Union's normal practice of charging world prices, that an excessively low price charged by them must necessarily include an element of subsidy. Moreover, the payment is to be made in rupees. The explanation that a transaction is concluded on the basis of payment in rupees and is therefore unexceptionable is sometimes merely a verbal evasion. What rupee payment means is simply this: instead of paying in foreign currency for a purchase made from the seller country we hope to have exported to that country by the agreed settlement date goods of the same value as those we have imported (including the goods covered by the transaction in question) from the same country during the period. If our export performance has not been adequate and the deficit against us is written off, it is tantamount to our receiving a gift, either wholly or partly; if, on the other hand, the settlement date is postponed, the effect will be the same as if there had been an extension of credit. With the precedent of the MIG deal before us, surely it should not be difficult to devise terms upon which we could accept arms from any friendly country without infringing the principle of non-alignment.

Faced with the present grave emergency, we cannot afford to be doubting theoreticians. Our conscience is clear; our hands are unsoiled. To repulse and throw back a ruthless and unscrupulous enemy, we need the best and most modern weapons which we can obtain from any of our friends willing to help us. If we fail to equip ourselves with the right tools through fear of being mocked by our enemies and ill-wishers and if in consequence India is humbled and despoiled by the Chinese, then the principle of non-alignment itself will lie with India's security in a heap of ruins.

Financial Implications of the Present Crisis

By H. V. R. IENGAR

(Formerly Governor of the Reserve Bank of India)

ALTHOUGH the position is at the moment rather nebulous, we have to proceed, as a working hypothesis, on the assumption that the increase in defence expenditure may have to be of the order perhaps of Rs. 400 crores per year, excluding the cost of equipment to be supplied by the USA and UK on lend-lease or similar arrangements. This expenditure will be wholly unproductive in the sense that it will not produce additional goods for consumption by the community; on the contrary, it may well result in shortages and varying cuts in consumption standards. What will be the effect of all this on the Third Five-Year Plan and succeeding Plans?

We may first examine whether expenditure of the magnitude now assumed, is 'per se', excessive, having regard to experience in other countries. The national income of India is at present running at the rate of something over Rs. 15,000 crores per year. The total defence budget, before the recent supplementary demand approved by Parliament, was of the order of Rs. 340 crores; as a percentage of national income, it was therefore a little over 2¼ per cent. With the supplementary grant recently approved, it would be still less than 3 per cent, and if we assumed that the total budget was of the order of Rs. 750 crores, it would be 5 per cent of the national income. To set the percentage against similar expenditure in other countries, we may note that in the United States, against a national income of approximately 428 billion dollars, the defence expenditure in 1961 was of the order of 45 billion dollars; that is, about 10½ per cent of the national income. The corresponding percentage in the United Kingdom was about 8 per cent. The Indian figure appears relatively modest. But it has to be recognised that a comparison with the UK and the USA is inappropriate because it is far easier for countries with a high standard of living

to appropriate a fair part of the national income to defence than it is for an underdeveloped country with a vast majority of its population living on the bare subsistence level. Perhaps a better method of assessing the dimensions of the problem in India would be to relate the additional defence expenditure to the total Plan expenditure each year. The total Third Five-Year Plan expenditure is a little over Rs. 10,000 crores, so that the average per year would be Rs. 2,000 crores. An additional Rs. 400 crores per year really means, therefore, some 20 per cent of the total plan expenditure each year. This is a very large amount indeed. If everything else remained equal, this means that Plan expenditure would have to be cut on the average by Rs. 400 crores per year, in order that the total expenditure of the country may be kept within the resources available, including credit by the Reserve Bank to Government as provided in the Plan.

It is, of course, not the case that everything is equal, changes have occurred since the Third Five-Year Plan was inaugurated, both favourable and unfavourable.

Let us take the unfavourable factors first. The foreign exchange situation has deteriorated to an extent even larger than was anticipated, and our balances have now reached a level barely adequate for even what may be called working balances. As a result of this and of the fact that the bulk of the credits we have received is tied to specific projects, there has been severe pressure on imports, particularly maintenance imports. This is one of the reasons why there is surplus capacity in quite a number of our factories, including factories whose output is essential for defence purposes, such as automobile plants. Exports have not picked up to the extent that was contemplated. In fact, on the basis of the average figure for the Third Five-Year Plan, the performance since April 1961 has been disappointing. The improvement that we anticipated in agricultural production has likewise not taken place. Altogether, on the production side, the performance of our economy has not been very satisfactory. At the same time, the resources side of the Plan has not been moving as well as we expected. The consequence is that the price level has started going up. In the last year of the Second Five-Year Plan the price level was 125 and it showed some tendency to drop last year and, in fact, came down to just below 123. The latest available figure, is however over 130, and, allowing for the seasonal character of the fall in the last few weeks and certain special factors such as transport bottlenecks in Assam, which have affected the price of jute, it does appear that the price level is again subject to a substantial upward pressure.

It is in the above context that we have to examine whether there are any possibilities of deficit financing to an extent larger than was contemplated in the Third Five-Year Plan. The effect of deficit financing for the maintenance of a large-sized increase in the defence forces may be briefly summarized as follows. On the one hand, there will be additional rupee expenditure for the payment of salaries and for the purchase of a variety of locally made goods and services. On the other hand, unless production is stepped up, and for this in many cases more foreign exchange will be required, the available volume of goods will remain static in terms of the whole country and actually will be reduced in terms of the civilian population. To the extent that deficit financing leads to an increase in Bank deposits, steps could, of course, be taken to sterilise it, but, in the present state of our economy, it is clear that the greater part of the money supply, created by deficit financing, will remain in the hands of the public as currency and will thus operate as an active agent in the increase of the price level.

I have used the qualifying phrase, "unless production is stepped up". What are the possibilities of this happening in the near future? There is a considerable volume of evidence to the effect that there is unused capacity in our industry and, prima facie, one would imagine that it should be easy to step up production. In fact, this is what happened during the First Five-Year Plan. There was a fall in prices during the First Five-Year Plan period in spite of some deficit financing, both because of good agricultural production and because of the utilisation of spare capacity in industry. To the extent that only local new material is necessary, there is no reason why this should not happen again, but the difficulty in quite a few cases is that some of the raw material and some balancing equipment have to be imported, and, for this, there is very little free or untied foreign exchange available.

The situation is not, of course, one of unrelieved gloom, for one favourable factor has come into play which no one had expected. It has hitherto been a legitimate criticism of the Indian Plans that they had lacked a great deal of popular backing and that, in fact, the bulk of the population is, as it were, watching the execution of the Plan from the side lines instead of considering that the Plan is part of the entire national effort. By and large, this criticism was true, but I believe the situation has radically changed with the surge of enthusiasm that has swept the country since the Chinese invasion. It is far easier now, than it was at any time since the First Five-Year Plan was inaugurated, to make the people actively interested in the Plan effort. In particular, appeals for small savings, are likely to be more successful now than in the past. Likewise, it may be assumed that subscriptions to Government loans will have greater backing than before. But, even so, popular enthusiasm cannot make up for the basic difficulty of the plan, viz, a relative shortage of resources arising out of the poverty of the country. People may be willing to save more, but the vast majority have not the ability to do so.

Government have made attempts to mobilise the gold resources of the country. It seems somewhat doubtful as to whether enthusiasm has reached limits where it is possible for people to respond to the appeal for gold as voluntary gifts or even in the form of gold bonds. We are dealing here with a matter of psychology arising out of long-standing social and religious customs. Something even more profoundly disturbing than what has recently happened would be required to wean people away from the habit of keeping gold. What I think is likely to happen is, that Government are likely to succeed, broadly speaking, in their effort to see that people do not buy more gold. But the task of actually getting people to hand over their existing gold is likely to prove a very difficult one in the absence of a somewhat drastic exercise of authority by Government.

Taking everything into account it appears to me that the purely psychological backing for the Plan is much greater than before.

The psychological stimulus created by the defence crisis would also be helpful in so far as additional taxation effort is concerned. Experience over the last ten years has shown that, broadly speaking, the Central Government has made vigorous efforts to impose taxation, but State Governments have shown some reluctance to do so, quite often for political reasons. It may be assumed that, to the extent that further taxation is called for—and there is no doubt that a substantive effort

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in this direction is called for—popular reaction will not be as resistant as in the past.

Taking both factors into account, namely, the unfavourable start of the Third Five-Year Plan together with the change in public psychology which is now evident, one has to assess to what extent the Third Five-Year Plan can stand the pressure of additional defence expenditure of the magnitude we have been discussing, without giving rise to serious inflationary pressures. This matter is not susceptible of any precise quantitative analysis at this stage. All that can be said is that it would be foolish to imagine that we can carry on with the Third Five-Year Plan as originally programmed, in the new circumstances, without an intensification of inflationary pressures, already existing in the economy. If this is to be avoided substantial cuts would undoubtedly have to be made. I am, of course, assuming that it is the policy of Government to avoid an intensification of inflationary pressures. In a broadcast which he delivered on November 28, the Deputy Chairman of the Planning Commission, Mr. Gulzarilal Nanda, stated: "If inflationary pressures consequent upon a full scale effort for national defence are to be contained, it will be necessary to take a series of measures for mopping up the surplus purchasing power". The obvious implication is that such measures will be undertaken. I think it is necessary that Government should reiterate in unequivocal terms that it is their policy to contain inflationary pressures. This means in effect that the price level of the necessities of life will not be allowed to go up and that the general price level will be maintained within reasonable limits. I have, from time to time, stated it as my view that in a developing economy such as ours, it will be impossible to maintain absolute stability of the price level; a 2 or 3 per cent rise per year may be unavoidable, but it should not be continuous. The public must be made to feel that the Government have the capacity to keep the level from rising when they want to and even perhaps to bring it down for a time. A clear understanding of this issue is necessary to preserve the health of the economy, to preserve public confidence in Government and also to ensure that our ability to export is not further hampered by an imbalance in prices.

In considering in what directions the cut can be applied, one has to take account of the fact that a good part of the expenditure particularly in the industrial field, is probably already committed expenditure in the sense that orders for plant and equipment have been placed, particularly overseas. To the extent that this has been done, it would not be possible to retrace our steps. Moreover, in the case of many of these industrial and power schemes, there can be no such thing as a proportionate cut. For example, if we have ordered a generating set designed to produce 50,000 KW, we cannot tell the manufacturers that they should produce a set capable of only 45,000 KW. No figures are available to show what orders have actually been placed abroad for industrial schemes included in the Third Five-Year Plan, but, prima facie, it appears that there would be serious difficulties in the way of making any sizeable cuts in major industrial and power projects.

But quite apart from the fact that our hands may already have been tied, we have got to consider what should be the main strategy on which we must base any action intended to reduce the total expenditure on the Third Five-Year Plan.

In the first place, it seems perfectly obvious that, whatever else we do, we must not take any steps which would come in the way of increasing our agricultural production to the extent contemplated in the Plan. There are two reasons for this. One is, of course, that when the whole economy is under a strain and cuts have to be made in the developmental expenditure, it is of special importance that at any rate the consumption standards in regard to food and clothing are not further reduced. The other reason is that increased agricultural production has a decisive anti-inflationary effect. Experience in our country during the last ten years has shown that where money supply is expanding, its effect is mitigated more by an increase in agricultural production than by any other factor. All this means that the fertiliser projects would have to go ahead; that agricultural research and development schemes would have to go ahead; and also that all measures intended to conserve water, provide good seed and distribute insecticides and the like should be maintained at full tempo. Whether administrative economies can be made in the planned expenditure in the agricultural sector is another matter. That is a problem which traverses the entire field of administration. But clearly there can be no reduction in the activities that have been planned for increasing agricultural production.

I suggest that, in the second place, there can be no scope, as a broad matter of strategy, for a reduction in the industrial bias given to the Third Five-Year Plan. It was a basic point in the Second and Third Five-Year Plans that, if we are ever to get out of our foreign exchange difficulties, it is absolutely essential that we must make in India the bulk of the machinery which is required for industrial projects in the country. This proposition is as true today as it ever was, and it continues to be of the highest importance that we should cease, as quickly as possible, to be dependent on imports of what may be called normal types of machinery and equipment. In other words, those parts of the Plan which deal with the manufacture of steel and the setting up of foundries, forges, heavy machinery, machine tools and chemicals, must go ahead. As a necessary corollary, plans for raising more coal, generating more power, and increasing transport facilities would also have to go ahead. There may be some scope for readjustment where final steps have not already been taken, but the magnitude of this is likely to be small.

It would not be altogether easy to carry out even an attenuated Plan confined, in the main, to the agricultural and industrial sections, together with the ancillary section dealing with transport. The lack of adequate foreign exchange is only one of the difficulties, although a major one: it seems essential that steps are taken to get untied credit or free foreign exchange which could be utilised for the import of essential raw material. I have little doubt the Government are doing their best to bring this point home to the Aid India group of countries, and one can only express the hope that these countries will take a more sympthetic view than they have done hitherto. In this context, it would also seem necessary that steps are taken to facilitate the inflow of foreign private capital. There are indications that, in spite of the crisis we are going through—possibly even as a result of the crisis—there are prospects of foreign private capital coming into India in a larger volume than hitherto, provided certain irritations and difficulties caused by our policies and procedures are eliminated or reduced. I do not propose at this stage to elaborate on this point beyond mentioning the possibility and merely adding that it is not necessary for this purpose that we give up basic principles. Some flexibility and understanding of the apprehensions of a foreign investor, however unjustified in our opinion,

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seem to be called for. Internal finance could also be a difficulty, particularly in the field of private enterprise. The behaviour of our Stock Exchanges has been such that the capital market has lost much of the vitality and enterprise it showed in recent years, and the immediate prospects of raising large-scale funds for industrial enterprise seem dubious. There seems also need for a more forthright and positive promise of bank credit to productive enterprise. This seems necessary because the psychology created by some of the recent announcements of the Reserve Bank is one of an all round curtailment of credit which, I am sure, was not intended.

The attempt to carry out the agricultural and the industrial parts of the Plan will itself involve a major draft on our financial resources, administrative ability and technical expertise. On the arguments about priority which I have put forward, a cut in the plan must inevitably fall on what may be called the social side, that is to say, education, possibly even public health except the prevention of epidemics, community development and welfare services. It is unfortunate that this should have to be the case, but I do not see how this can be helped. Undoubtedly, every department or organisation concerned would put forth strenuous arguments for being spared a cut. Surely it is essential in the interests of agricultural and industrial productivity, quite apart from other considerations, that we must have an educated population, so how can we make a cut in education? Surely it is necessary that, in a time of stress, people should be spared the rigours of illness in addition to other difficulties, so how can there be a cut in medical and public health schemes? Surely one way of providing some employment in rural areas without extensive capital cost is to subsidise village industries, so how can there be a cut in, for example, the subsidy for Khadi? But if each argument is accepted, the circle will never be complete. A revision in our order of priorities consequent on intensified defence expenditure together with a concentration on agriculture and heavy industries is bound to lead to a postponement of some of the more socially desirable consequences of the Plan. It might even well be that on balance, it may not be possible to achieve any substantial increase in the standard of living of the mass of people, during the period of the emergency.

This does not mean, however, that inequalities which exist, and which it was part of the Plan effort to reduce, should be intensified because of increased defence effort. On the contrary, if popular enthusiasm has to be maintained for the defence effort, it is more than ever necessary that conspicuous consumption should diminish and that the people should be made to feel that sacrifices are being willingly borne in appropriate measure by all sections and not merely by the poor. In the book published by John Maynard Keynes when the Second World War broke out, entitled "How to Pay for the War", the following passage occurs:

> "Courage will be forthcoming if the leaders of opinion in all parties will summon out of the fatigue and confusion of war enough lucidity of mind to understand for themselves and to explain to the public what is required; and then propose a plan, conceived in a spirit of social justice, a plan which uses a time of general sacrifice, not as an excuse for postponing desirable reforms, but as an opportunity for moving further than we have moved hitherto towards reducing inequalities".

What Keynes said about the need for reducing social inequalities in the UK is even more true of India, and it would have to become the policy of Government to take steps which will ensure that, as a result of the defence effort, the rich do not become richer, and the poor, poorer. This requires the most active co-operation from the sections of the community which are comparatively better off. I do not propose to spell out, at this stage, the concrete steps that would have to be taken either by Government or by the comparatively wealthier sections of the community to give effect to such a policy. But each element of consumption would have to be subjected to a fresh test from the point of view as to whether it is appropriate in the new context. Merely as an illustration it appears to me that the lavish scale on which weddings are celebrated by the well-to-do classes is a scandal. And if the present crisis should have the effect of reducing marriage expenses that would be of lasting benefit to the community. To take another example, is it necessary that we should produce so many varieties of textiles, more particularly when they involve the import of long staple cotton? I know that there are arguments both ways on this particular issue, but clearly this is the sort of problem that requires examination. The responsibility for thinking of ways and means by which, what may broadly be called conspicuous consumption, may be reduced, lies primarily on the wealthier sections of the community and in many cases voluntary action may be adequate to give effect to the reawakened social conscience. In some cases, however, it would be necessary to supplement this by Government decree. To the extent that fiscal measures are called for with a view to reducing the demand for scarce goods of a non-essential type, Government action would of course be essential.

The point of principle that requires emphasis is that if, as a result of increased defence expenditure and the consequent revision of Plan priorities, the mass of our people are subjected to additional burdens or deprived of social benefits which they have previously expected, it would be the height of folly for the better off sections of the community not to take steps and for Government not to enforce them wherever necessary, for equality of sacrifice. At the height of the crisis, this point was well understood. Already, however, there are indications that the emotional response is beginning to wear off. This appears to me somewhat dangerous. If everybody concerned, namely, Government, the well-to-do sections of the community and the mass of the people all play their due part, we might emerge out of the crisis better off than before. We would, at the end of it, have a sound agricultural and industrial base on which we can proceed rapidly to build; and what is more important, a reawakened social attitude without which no plan can really be a success.

Indian Foreign Policy and the Emergency: A Critique

ONE of the most vigorous criticisms of Indian foreign policy over the last fifteen years is that, when the Emergency arose India was bereft of friends on the basis of claims which foreign policy might have built create its own friends. The paradox of this situation is that the Emergency created friends whom we, over the last fifteen years, have done little to woo and to encourage. For the Emergency gave us friends in the

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hence, the problem posed is to raise the additional resources of Rs. 620 crores. How much of this would represent foreign currency expenditure and how much would consist of rupee expenditure, one cannot be precise. But it would be reasonable to assume that a good part of the expenditure on arms, which will take a big slice of the foreign exchange expenditure, will be met by assistance from the Western friendly countries in the form of lend-lease and other arrangements for supply of arms. Nevertheless, a herculean effort will have to be made to meet the residual defence import expenditure by our own resources — largely more export earnings.

The rupee expenditure in the enlarged defence budget may be more than half of the excess of Rs. 620 crores as presumed. Some of the components of the Third Plan will need pruning to conserve rupee resources for defence preparation. Already, in the first two years commitments have been made on the programmes in these components. Making allowance for this fact, it would be safe to suggest that in the remaining three years a saving of Rs. 50 crores should be made in education, of Rs. 85 crores in health programmes and of Rs. 50 crores in the community development programmes excluding specifically programmes of agricultural expansion. In the aggregate an amount of something like Rs. 185 crores or perhaps more could be diverted to defence expenditure. At an annual average rate this would give a relief of about Rs. 65 to 70 crores to the additional rupee finance. But the substantial balance that remains will have to be met by public loans and small savings (which must have priority in view of the urgency to mop up purchasing power to reduce pressures on prices) and taxation. How these resources are to be raised, consistently with the tax policy which has been evolved in recent years, will be a matter for pragmatic decision from year to year.

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PART B

An Economic Review

Emergency and Economic Growth

Introduction

THE Sino-Indian war on our northern borders in October-November this year focussed attention on our unpreparedness in defence. This also blurred the economic picture to a certain extent and put the military demands of the country on top of all others. The instantaneous decision of the Government of India to take up the challenge of the totalitarian Chinese regime and arm the nation, necessitated some far-reaching changes in the economic plans of the country. Even though the Prime Minister as well as the Finance Minister repeatedly stated that the broad co-ordinates of the Plan would be retained and that the intensification of the war effort would in no way clash with the broad objective of speedy progress in the economic sphere, the underlying impression remains that the plans for arming the country so as to match the Chinese military strength cannot fail to bring about substantial alterations in the Third Five-Year Plan. In regard to the priorities of the Plan, some key military sectors will certainly take precedence over the less pressing sectors, especially the consumer goods.

At the moment of writing, hurried discussions are taking place among the various wings of the Government of India and the Planning Commission to determine the extent to which the Third Plan needs to be reshaped with the avowed objective of keeping up the rate of economic growth and preparing the country for a prolonged war with China. There is no doubt that up to a certain limit, the two objectives are compatible. But because the stress is likely to be enhanced on the production of guns, arms and ammunition, the projects for many consumer goods as well as consumer durables will have to be shelved for the time being leading directly to shortfall in consumption. An indication to this effect has already been given by the revision of the import policy in the third week of December, 1962 which has curtailed further imports of some of the semi-luxury goods. Undoubtedly, the war will create a sort of forced march of the economy in one particular direction leading to a diversion of all available resources to the top priority war industries.

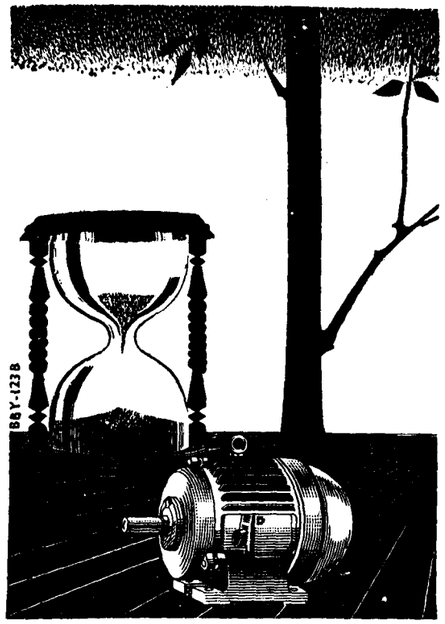
How far can consumption be cut without diminishing the standard of living of the people? In other words, in the present peculiar circumstances, how far can the rate of saving be raised? Is there any possibility of curtailment in living standards if the agricultural crops fail in the way they did in the first year of the Third Plan? Can the rate of saving be stepped up with static national income? Even if production rises ahead of the rate stipulated in the Third Plan, how can savings and investment be increased? These are all relavent questions which need to be answered without loss of time. The emergency demands that investments urgently needed for the war effort must be met whatever their economic implications. 'The Eastern Economist' has in this Annual Number taken upon itself the task of presenting to the country a framework within which the co-ordinates of the Plan need to be recast so as to achieve the dual objectives in view.

It might be argued that the productive resources of the country are not so elastic as to be increased at will simply because an emergency exists in the country. There are, however, instances of nations which proved that the national resources were indeed highly elastic under conditions of stress and strain. This needs to be proved in the case of the Indian economy also. It needs to be demonstrated that under the compulsions of the present situation, the resources available in the country can be employed in such a manner as to yield the maximum return. Indeed, there are certain ways and means which could bring about miraculous achievement only if they could be pressed into efficient service under the altered circumstances. This fact may be illustrated with particular reference to the unutilised capacity which lies in almost all the sectors of the economy, not to speak of the organised industries. The reactivisation of unutilised capacity whether in men or machinery can be instrumental in giving rise to the total supply of goods and services in the economy which may belie many estimates. Coupled with a judicious exploitation of available capacity, attempts need to be made to make the best possible use of the new tools in management which must be employed effectively to increase productivity of land, man and machine.

A feeling exists in this country that proper utilisation of the available resources can raise output by about 20 to 25 per cent in the organised sector of industry at least without any extra use of capital. In the section on industry in this Annual Number, detailed figures have been set out to show that a very large number of industries have not, for one reason or the other, exploited all the available capacity in the past. It is the function of the entrepreneurs as well as the Government to leave no stone unturned for taking full benefit of the available installed capacity. Wherever it is possible to increase production by changing over from single shift to double shift it must be done because of the substantial saving of additional capital. Some of the units which are currently operating on two shifts and can safely be run on three shifts, must start working round the clock. Only in this way will the economy be able to produce both for the war effort and for the civilian population in volume sufficient to meet the demand from both.

This does not, howeer, mean that capacity to produce all our wants exists within the country. There are certain types of machinery particularly war machinery, aircraft, etc. in which we are technically deficient. Here we shall have to seek the assistance of friendly nations who have offered their hand of co-operation at this hour of the nation's need so as to fill up any gaps which may be there. We must make the best use of the friendly feelings which exist in the world towards India.

The corner-stone of Indian economic development since Independence has been the rapid pace of industrialisation for which the foreign exchange available has never been sufficient to match demand. In order to accelerate the tempo of our development projects, we must seek the assistance of our friends from abroad who are willing to participate in this gigantic effort to beat the ruthless enemy. Already, the first instalment of foreign aid for defence equipment equivalent to $100 million has been promised by the United States and the Commonwealth nations. At the same time, armament and equipment needs of the country are being studied



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both by the US and the UK so as to equip the Indian Union with up-to-date and modern sinews of war.

It needs to be re-stated that the Third Five-Year Plan can still attain its allotted rate of growth in national income despite the re-allocation of resources under the emergency. It may be recalled that the Third Five-Year Plan had set down the target of 30 per cent rise in national income till 1965-66. The failure in the first year of the Third Plan may not have any impact on future growth. The history of national income improvement during the last one and a half decades shows that the increases have occurred by fits and starts. There have been particular years when national income has risen by 6 to 7 per cent per annum. At the same time, there have been years of set-back when national income showed only marginal rise. The first year of the Third Plan looks like one belonging to the bottom of the trough. With the current year, the curve of progress seems to be rising to a crest and given the improved agricultural performance as even in normal years, the national income rise in the current year is likely to be very encouraging. It has been suggested in certain quarters—and rightly so—that under the increased inflow of foreign exchange from abroad and under the emergency which has come into operation since October 20, 1962, the national income target could even be raised from Rs. 19,000 crores to Rs. 20,000 crores in 1965-66. If national income takes a favourable trend, it does not mean that it should be diverted to increased consumption.

The exigencies of the situation demand that the rate of investment should be raised from the present level of 11 per cent to nearly 17-18 per cent in 1965-66. The Third Five-Year Plan had envisaged the stepping up of the rate of investment to 14-15 per cent and the rise to 17-18 per cent was stipulated only for the Fourth Plan. Under the altered circumstances, the rate of investment needs to be raised to 17-18 per cent ahead of schedule. In real terms, the stepping up of the rate of investment may mean no substantial rise in the consumption pattern of the people because bulk of the increases in national income is likely to be diverted to the defence effort. It is only the increased numbers of the army which will be better clothed, and better fed. In one way the Sino-Indian war may prove to be a blessing in disguise because it will force the nation to tighten its belt which in normal times it may not have been prepared to do. Thus stepping up of the rate of investment coupled with generous support from abroad and better husbanding of available resources is likely to hasten the progress of both agriculture and industry and will allow the Indian economy to continue its march even beyond the Third Five-Year Plan goals in all the major sectors.

There is no shortage of manpower in the country. In fact the economy has suffered in the recent past because of a plethora of manpower which was not fully employed. The spontaneous response to the call of the nation to swell the ranks of the army for defending the frontiers ever since the declaration of the emergency has shown that India has the means to match China in manpower even without conscription. On equipment also, the indigenous production machinery is competent enough to produce the requisite material to fight the enemy provided the western powers continue to lend the strategic armament and aircraft for which we do not have much capacity. In nutshell, the problems of the present emergency can be tackled successfully if consumption in the economy is restrained by increasing savings and investment, while all efforts are made to raise productivity of both men and machinery by hard work.

How to Pay for the War?

IN 1940, John Maynard Keynes brought out a stimulating pamphlet presenting a radical plan for consideration of the Chancellor of the Exchequer. He discussed in non-technical terms the steps which needed to be adopted for making the nation pay for the war. The Indian Union finds itself today in a somewhat similar situation wherein increased burdens have to be borne by the people for discharging obligations which in normal times would look extremely heavy and even unbearable. The solution offered by Keynes centres round curtailment in consumption. In his words, **"In peace time the size of the cake (consumer expenditure) depends on the amount of work done. But in war time size of the cake is fixed. If we work harder, we can fight better. But we must consume less".** It means that the people must not increase their consumption even if they are able to earn more in money terms because of the increase in expenditure on defence. The increased money earnings must find their way into the national borrowing programmes and therein lies the solution of the basic problems of national defence. If this money is let loose, it will not fail to exert its pressure on the available consumer goods whose prices will rise, causing misery to the less privileged sections of society.

The first place has to be accorded in the solution of the present problem to increase in production. Unless maximum production is organised from the available resources both in terms of men and machinery, there can be an increase in hardship to the civilian population. Now that the Indian Union has decided to increase its armed forces, it means that the highest priority will have to be accorded to all the needs of the fighting forces. If production does not keep in step with the demands imposed by the new situation, it is the civilian population which might have to suffer. There is not enough of foreign exchange, except for the assistance that the Government will be able to obtain from friendly nations to fall back upon. The country has to depend upon its own productive resources. While all attempts are being made to raise output, the fiscal and monetary machinery of the country must start functioning simultaneously in a feverish manner. The productive machinery will need to be oiled by additional capital and the Government will have to start its financial operations by undertaking deficit financing in small dozes; as and when more purchasing power is pumped into the system, steps need to be taken to mop up the increased buying power in the hands of the people either through increased taxation or through voluntary contributions. Voluntary savings would certainly be welcome provided they come forth in sufficient volume. All attempts currently being made to raise the volume of voluntary savings need to be praised, but according to the experience of the nations which have operated under similar circumstances, it has been found that substantial money remains in the pockets of the people which they wish to utilise for consumption and as soon as they take decision to make purchases, the prices start shooting up. This provides an opportunity to the trading class to cash on the popular demand for new goods and services. If the people had refrained from utilising this increased purchasing power and had instead invested it in government bonds, they would have served themselves well. That the nation would have benefited, there is no doubt, but they would have helped themselves as well. Deferment of consumption is to be encouraged along

with the attempts to avoid the initiation of an inflationary spiral; if it is found that voluntary savings are not coming forth in sufficient volume, the Government has no option but to impose fresh taxes which no doubt are obnoxious to the people. The Third Five-Year Plan needs to be re-oriented so as to revise means whereby the people are advised to keep consumption at the present level and any increase in their earnings is invested in bonds or any other saving schemes for deferred consumption. This is the only way to keep down the demon of inflation. Any attempt to raise consumption along with the rise in money incomes will be suicidal both for the individual and the nation. Keynes compared this voluntary restraint to what is popularly called the "road sense". He said, **"A comparison with the rule of the road is a very fair comparison. For the plan is intended to prevent people from getting in one another's way in spending money".**

Accent on Productivity

THE GALLOPING rise in living standards witnessed in the United States and other West European economies has been the outcome of a steep rise in productivity representing improvement in "output per-man-hour". In the United States particularly rising productivity has been the chief source of increased output. The average rate has been around three per cent per annum though in certain years it rose to 7 per cent per annum. The editors of "Fortune" magazine, while forecasting the future trend of the American economy during the sixties, have stated that the productivity rise will be about equal to the post-war average rate of 3 per cent a year. Fifty per cent of the increase in national output during the sixties is likely to acrue from increased productivity alone. It will result in increasing the earnings of every family in the United States. Under the present trying circumstances, the Indian Union has also to make the best possible use of human as well as material resources so as to maximise the production capacity of every worker.

It is not true to say that improvements in productivity can be attained only through the installation of modern and up-to-date machines. The acquisition of automatic machinery is a necessary condition but not a sufficient one. The human factor is equally important in the sense that labour which is to operate modern machinery must be tuned to the spirit of the machine age and should be fully trained to take the best out of the new machines. Productivity techniques are not theoretical formulae which adorn the fat treatises on production but belong to the sphere of the practical sciences where the men operating the machines bring about a revolution in the use of the human labour. The crying need of the hour, therefore, is to initiate training programmes throughout the country, both in the large and the small industries, for educating the workers and the managements in adopting the new techniques for raising productivity.

The National Productivity Council which was set up as an autonomous organisation in 1958 has a positive contribution to make in the war effort. The range of productivity techniques is extremely wide and applies to all spheres of activity in the factory, in particular right from the purchase of the raw materials to the sale of finished products. The new productivity methods can be of great assistance in increasing the national wealth of the country. Within its ambit come the techniques of work study, cost accounting, inventory control, labour-management relations and a host of other aspects which have brought about a miraculous change in the economies of the West. The techniques are available; the people are to be urged to acquire the method of getting the best out of the available resources.

Some improvements have been witnessed in recent years in the Indian Union. The establishment of the productivity councils in all the major cities of India and the organisation of seminars and study courses is slowly developing a new consciousness amongst the entrepreneurs. The emergency should accelerate the tempo of dissemination of the new techniques so that without any increase in capital (which is deficient in the Indian Union) the skilled workers are able to produce more.

WORK STUDY

Instead of discussing productivity in the abstract, it is more pertinent to discuss some of the new tools which are available to top management for increasing productivity. Work study is one such tool which, according to Mr. R. M. Currie, is not a set of minor techniques but "the restless enquiring attitude of mind that acts as a catalyst to basic knowledge and puts it to work". The managements whether in the private sector or the public sector, have to make ceaseless search for new methods whereby savings in initial investment can take place and also the output at every level of work can be improved.

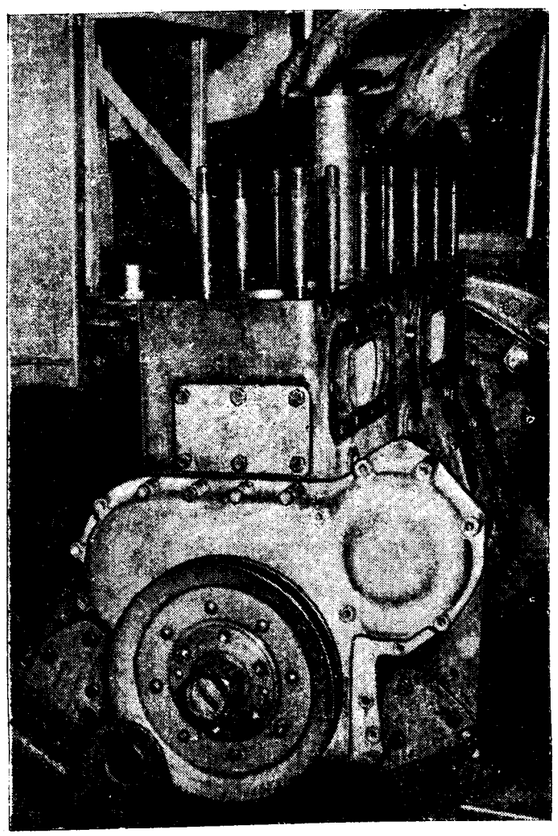
A usual observation made by all work study experts is that the attitude of management in any organisation is of great importance in the successful implementation of the work study techniques. If the management is willing to take decisions, however revolutionary they may be, and is prepared to execute all plans according to the methods suggested by the experts, savings on large scale can be made. In his address to the European work Study Federation Conference at Stockholm in May this year Mr. Currie gave instances of projects where savings on a vast scale were made possible because the top management had sought the assistance of work study experts. The technique is applicable in all spheres of economic activity whether in building a huge dam or a metallurgical plant or even an office. Canteens as well as workshops also come within the domian of work study for better working.

The Indian Union has to make greater use of work study methods because of the promise of savings in capital investment. In many cases, the enquiring approach of an expert in work study has resulted in reducing the cost of a new plant by as much as 50 per cent. Now that expansion for defence industries is likely to take place on a vast scale in the Indian Union it is essential that work study methods should be applied at all levels. A happy beginning was made in the middle of this year when every department of the Government of India was asked to have its own work study cell as a part of its O and M Unit. The same procedure also needs to be extended to the State level and the industries. Then and then alone, can the expected efficiency emerge from the old units as well as the new ones.

STUDY TEAMS

The National Productivity Council has, since its inception in 1958, sent out teams of experts for conducting productivity studies abroad. Some of these studies are very stimulating in the sense that they provide useful information for the benefit of manufacturers in this country. One such report deals with the techniques of stores and inventory control practised in th U.S.A., Japan and West Grmeany. This report high

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lights the various methods which are practised in these countries for reducing the cost on inventories. It is common knowledge that the pipeline for any factory has to be kept full with raw materials, work-in-process and finished goods. The problems is how much of the accumulation of these goods is necessary for the efficient working of a unit. The team which worked under the leadership of Mr. A. K. Basak, of the Indian Oxygen Ltd. was much impressed by the ABC analysis adopted by General Electrics of the USA for the "maximum control with the least amount spent on controlling". On the average, the cost carrying inventory in the United States is placed at 25 per cent of the value of stock. With the methods elaborated in this report by the team, costs could certainly be sizably reduced in this country. Wide publicity needs to be given to this and similar reports which are being published by the Council.

PRODUCTIVITY IN AGRICULTURE

Agriculture in the Indian Union continues to provide nearly half of the total national income and employment to nearly 70 per cent of the population. The need for enhancing agricultural productivity in the Indian Union is of the highest urgency. A comparison with the productivity trends in the ECAFE countries shows that India suffers from low productivity in all the major crops, such as rice, wheat, maize and sugarcane. The graph on page 1256 and the table below bring out clearly the wide divergence between productivity in India and in most of the countries in the ECAFE region. Japan leads all the rest in the rate of output per hectare; every hectare of land under paddy in Japan yields 4.60 tons as against 1.31 tons only in the Indian Union. This wide difference of more than 300 per cent cannot be explained by variations in soil and climate alone. The methods of agricultural husbandry need to be revolutionised if productivity anywhere near that obtaining in Japan is to be realised in the Indian Union. The other countries which have a better record in rice productivity in the ECAFE region are Burma, Ceylon, China (Mainland), China (Taiwan), Federation of Malaya, Indonesia, South Korea, Pakistan and Thailand. Only the Philippines has a record which is poorer than that of the Indian Union. In the case of China (Mainland), the figure of productivity at 2.58 tons per hectare for the years 1957-58 to 1959-60 indicates that productivity in China lies at double the level prevalent in the Indian Union. The production figures for China need to be discounted because of the fact that China's statistics are not reliable. It is known that the statistical machinery in China subserves the political objectives as well. Even after discounting the extravagant production figures announced by the Communist rulers in China, the yield from land in China seems to be better than in India.

The Japanese method of agriculture which has been practised in many parts of the Indian Union has brought about some fruitful results. There is need to extend it to other areas as well so that the pressure on India's food resources may be reduced further.

In the case of wheat again, the average yield in the Indian Union does not compare favourably with Japan

WORLD, ECAFE REGION AND ECAFE COUNTRIES: PRODUCTIVITY OF MAJOR AGRICULTURAL CROPS IN PRINCIPAL PRODUCING COUNTRIES

(Tons per hectare)

Country	Rice (Paddy)		Wheat		Maize		Sugarcane		Tea		Cotton	
	1948-49—1952-53	1957-58—1959-60	1948-49—1952-53	1957-58—1959-60	1948-49—1952-53	1957-58—1959-60	1948-49—1952-53	1957-58—1959-60	1948-52	1957-59	1948-49—1952-53	1957-58—1959-60
Burma	1.46	1.57	..	..	..	..	..	..	..	..	..	..
Ceylon	1.24a	1.49	..	..	..	..	..	..	0.62	0.80	..	..
China :												
Mainland ..	2.17	2.58b	0.69	0.88b	..	..	..	..	..	..	0.20	0.26b
Taiwan ...	2.21	2.97	..	..	..	..	47.0	76.0	..	..	..	..
Federation of Malaya ..	1.85	2.19	..	..	..	..	..	..	..	..	..	..
India	1.11	1.31	0.66	0.72	0.65	0.82	32.0	36.0	0.89	0.97c	0.09	0.10
Indonesia ..	1.63a	1.70	..	..	0.68d	0.91	123.0	78.0d	0.41	0.54	..	..
Japan	4.00	4.60	1.85	2.21	1.42	2.15	..	..	..	..	..	..
Korea—South	2.78	2.93	..	..	..	..	..	..	..	..	..	..
Pakistan ..	1.38	1.40	0.85	0.78	0.98	1.03	33.0	30.0	0.63	0.75	0.20	0.21
Philippines ..	1.18	1.08	..	..	0.72	0.67	..	..	..	..	..	..
Thailand ..	1.31	1.35	..	..	0.91	1.50	17.0	33.0	..	..	..	..
ECAFE region e	1.39	1.58	0.78	0.78	0.75	0.90	35.4f	37.2f	0.70f	0.78f	0.12	0.12
World g ..	1.60	2.06	1.00	1.18	1.60	1.99	..	..	..	..	0.24	0.30

a 1952-53 only.
b Average of two years, 1956-57 and 1957-58.
c 1957.
e Excluding Afghanistan, mainland China and Iran.
f Only for countries included in the table.
g Excluding mainland China.

though the differential between yield in Pakistan and India is not large. The productivity ratio in China (Mainland) is slightly higher but here again it is seen that the Chinese are in no way superior to India in the art of cultivating wheat if their data are discounted for having been inflated for political considerations.

The conclusion is, however, irresistible that there is large scope in this country for raising productivity in the agricultural field. Under the present emergency, a liberal supply of fertilizers needs to be made to the farmer so that the output of crops does not suffer from shortages in supply of the vital salt. In fact, the production of fertilizers should be increased and all projects in the Third Five-Year Plan for fertilizer production should be hastened; no cut need be made in this strategic sector. At the same time, the supply of improved seeds should be increased and the programmes for training the Indian farmer in the utilisation of improved techniques should be intensified.

Activising Unutilized Capacity

A REFERENCE has been made earlier to the vast unutilised capacity which exists in this country in the various economic sectors. In manpower, we have resources which are not fully utilised because the economy has been incapable of providing opportunities to all the available labour force. This has consequently resulted in leaving a large unemployed sector in the economy. At the end of the Second Plan, the unemployed were estimated to be around 9 million. At the beginning of the Second Plan, the unemployed were estimated at 5.3 million. It means while the Second Plan succeeded in creating new employment of the order of 6.5 million, it far from succeeded in bridging the gap. In fact, the gap nearly doubled itself from 5.3 million men without work to 9 million men without work. On top of this high level of unemployment which exists both in the rural areas and the urban areas there are believed to be about 15 to 18 million men in rural areas who are not fully employed in the sense that for considerable time in the year they are unoccupied. Now that the tempo of the economy is to be accelerated and the defence expenditure is to be enhanced so as to raise the strength of the Indian army to that of the Chinese army, a pressure on the able-bodied manpower is likely to emerge. This will result in generating more employment and activising some of the idle manpower. Directly, the army may not employ all the 9 to 10 million people who are without jobs but even a doubling of the army will directly give jobs to half a million people, while indirectly it will place orders on the economy which might give employment to nearly two million people.

Urban unemployment gets speedy recognition because the press is always willing to espouse this cause. It is the vast rural manpower which being away from the seats of publicity gets known very little in official circles as well as in the Press. The Third Plan did pay attention to this problem of vast unutilisation of manpower available in the rural areas. It was believed that programmes of agricultural development, road development projects, village housing, etc., would provide some assistance to the unemployed manpower in the rural areas, though it was known that these programmes could not provide a lasting solution to this ticklish problem which has defied solution for the last two decades. Times out of number experts have made known their findings that without the diversification of the rural economy, the unutilised manpower cannot be economically provided. The farming class has to take to village and small industries in order to make the best use of the time available to it. In due course, the village economies would automatically get linked up with the urban economies. Though electrification of villages is likely to intensify this bringing together of the urban and rural areas, under the present emergency it is probable that the schemes of rural electrification would have to be slowed down for providing power to the priority industries.

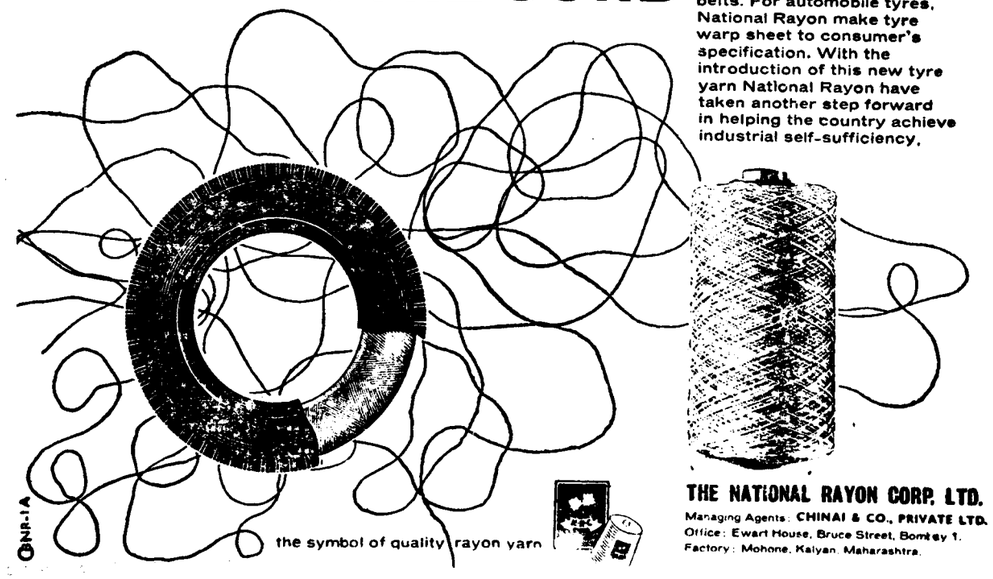
the war effort, it is equally necessary that the agricultural sector should not be neglected. The programmes for scientific management of agriculture need to be intensified so that the vast rural manpower without work can be absorbed into the economic system. At the same time it will result in increasing the output of agriculture in order to cushion the rushing pressure of new money being poured into the system under defence expenditure. The re-activisation of these "men without work" will serve in two ways. On the one hand it will increase the output of the economy and will provide goods and services to match the new money which will be flowing into the system; on the other hand it will provide employment to the under-privileged sections of society who consist mostly of the unskilled workers in the backward areas. It will be a very big step in the direction of providing work to the unemployed in the rural areas.

It is a pity that the educated unemployed in the urban areas also constitute a big drag on the economy. Only rough estimates are available in regard to this wastage emerging solely due to lack of opportunities. Nearly a million young men and women with sufficient qualifications to be called skilled workers still remain unemployed in India's urban areas. While the defective educational system is by and large responsible for this state of affairs, the national emergency demands that a quick re-orientation should be made in the educational schemes of the country so that the skilled manpower can be utilised in those sectors where their services can be used profitably. A brake needs to be placed on the traditional education in the arts which has hitherto produced mere clerks. Stress needs to be laid on technical training so that the elementary knowledge of the three R's coupled with technical skills can earn the youth more and also can be of more use to the economy. Until opportunities are provided to the young men and women of this country, the expected revolution in production may not materialise. It is wrong to blame the youth of today for shunning manual work. The fact is that sufficient opportunities and guidance in this regard are not available in urban areas. The programme for the setting up of orientation and training centres embodied in India's Third Five-Year Plan should be accorded top priority so that the wastage in human effort which is currently taking place may be avoided.

Again, there is vast unutilised capacity in industries —both small and large. In many of the industries, it has not been possible to make full use of the installed capacity because of a lack of demand. The economy is likely to enter a booming period now that the production machinery has started working fast. A fuller utilisation of the available capacity is likely to be hampered by the non-availability of raw materials. In many cases, even if the raw materials are available, power shortage and transport are likely to emerge as big bottlenecks. How these three bottlenecks which have slowed the Indian economy in recent years can be countered is discussed in the sections on Industry and Trans

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What is currently needed, however, is to make those industrial units work round the clock which are operating to fulfil the emergency orders. Those units which are working single shift, should turn to double shift and those which are working two shifts should change to three shifts. This happened in this country during World War II. Similarly during the First Plan most of the increase in production was brought about by better utilisation of available capacity and not by investment of additional capital. The emergency has provided an occasion for re-assessing the capacity in industry and putting a brake on investment in the non-essential industries so that the best possible u e is made of what is available in the country.

A graphic illustration of this aspect was provided by Mr. Morris J. Solomon in a Special Article in "The Eastern Economist" dated May 17, 1961. It was shown that only by reverting to multiple shifts could an industrial unit show substantial profits. Even in those industries where productivity per man or machne could not be increased because of the obsolescence of the machinery, the multi-shift basis could be a great gain. Under conditions of severe competition, prices may have to be reduced while productivity remains unchanged because of the condition of the machinery; here also the multi-shift operation is the key to economic working of a unit.

Considerable time is lost in some of the machines in the process of loading. This is another disguised form of under-utilisation of machinery which could be overcome by re-organsation of the available machinery and as well as the schedules of working. It was estimated by Mr. Solomon that nearly 41.1 per cent of the total time was wasted in the various parts of an industrial unit when various components lose time while waiting to be loaded. There is no doubt that corrective measures need to be taken by the management of these industrial units once these defects are brought to their notice. In some industrial units, the equipment is underutilised because the operator is not available after the unit has been loaded. In such circumstances, the machine time is lost because of the absence of operators. This type of defect can be remedied by increasing the number of operators. It is not necessary to double the number of operators but even having three operators for two machines can be of great help in getting the best out of the machines. By and large, the impression remains that the machines available in this country are not as intensively used as they should be.

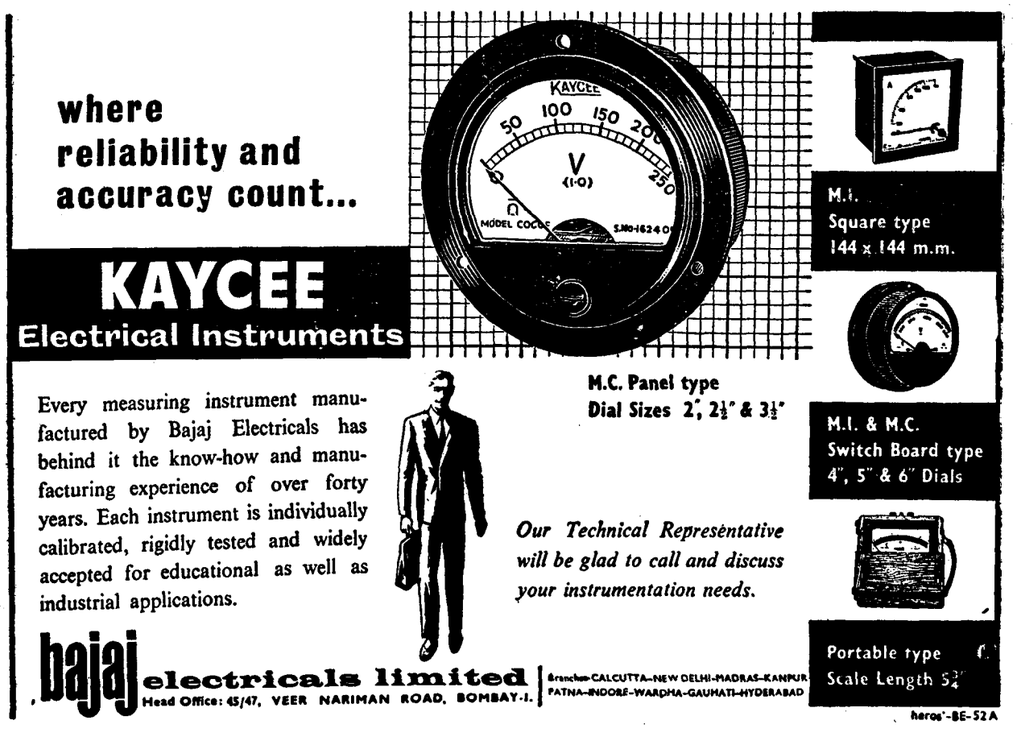
Figures given in the section on industry show that there are some industries—vital from the point of view of the war effort—which are not able to work effectively because of the paucity of foreign exchange. Substantial cuts have been made in India's import bill because exports for the last five years have never matched the total bill of imports. The yawning gap has been growing from year to year and has been filled only by loans from abroad and by private foreign investment. The latest import policy statement issued by the Ministry of Commerce and Industry states that, by and large, the needs of the war machinery have been taken into account. Even with all the caution which might have been exercised, it is feared that some of the war industries cannot fail to be affected by further tightening of imports.

AUSTERITY

Utilisation of idle capacity should be accompanied by austerity in consumption and elimination of waste. Because all available capacity needs to be utilised does not mean that there should be any extravagance in nation. In fact, there seems to be a case for mounting massive propaganda for educating the people in regard to judicious employment of the goods and services which are currently available. Austerity in consumption of food, cloth, kerosene and even transport needs to be advocated. People must restrict their travel—just as they did in the World War II—to only to the barest minimum. In the case of stationery, paper, woollen clothing and even drugs, some restraining influences need to be imposed. This will result in releasing the pressure on these goods so that they may be used for the war effort. Any piece of land which has not been cultivated and any machinery which has not been fully exploited and any man who is sitting idle is a drag on the economy of this country which is fighting a life and death battle. It is the duty of every patriotic Indian to see that a new life is infused in every sector of the economy and every individual is infused with a new spirit to rekindle the flame of energy. The age of plenty has not come to an end. The age of scarcity may take over for a short period. It will indeed be unfortunate if immediate steps are not taken to make proper use of unutilised capacity (or under-utilised capacity) in the Indian economy, wherever it may exist.

While public donations to the National Defence Fund are steadily mounting and the public is also generously contributing towards the Defence Bonds and Defence Certificates, it is imperative that all essential economies should be applied for avoiding wasteful expenditure of national resources. In the Government offices particularly a considerable waste takes place in the shape of cyclostyling of unnecessary circulars. This tendency needs to be curbed in order to conserve both paper and ink. It will also lessen the burden on the staff because preparation of these circulars also needs distributing staff. Suggestions have also been made that during the emergency a ban should be imposed on all exhibitions, ostentatious conferences, celebrations, nairs, melas etc. which tend to dissipate national resources. Just as during the Second World War complete austerity was imposed because of the paucity of some of the essential goods, the Government should now take up the initiative and impose curbs in this regard well in advance of the shortages raising their head. It is true that currently the food supplies in the country are sufficient for our domestic needs but restrictions should also be imposed on the number of guests to be entertained at marriage and other parties. Numerous other suggestions could also be thought out both at the level of the State as well as the Centre for economising consumption of essential commodities.

Attention has recently been invited to what is popularly described as "intellectual waste". This refers to the high percentage of failures at schools and colleges. At the college level the failures in most universities are reported to be around 50 per cent. This is indeed a stupendous wastage of effort and needs some speedy solution. The University Grants Commission had better suggest some screening programmes whereby all and sundry who can afford are not allowed admission to the college. Admissibility tests need to be evolved as to avoid unnecessary wastage of effort in imparting college education to boys and girls who do not have any aptitude for higher education. Already a cut is being suggested in the case of expenditure under education. It will serve the national purpose to keep the number of universities at its present strength. But if the quality of education could be improved it will be a substantial gain. Again, the facilities available at the colleges can be availed of in such a way that more aspiring young boys and girls can get education without the establishment of new colleges. The timing of the colleges could be so arranged as to provide education



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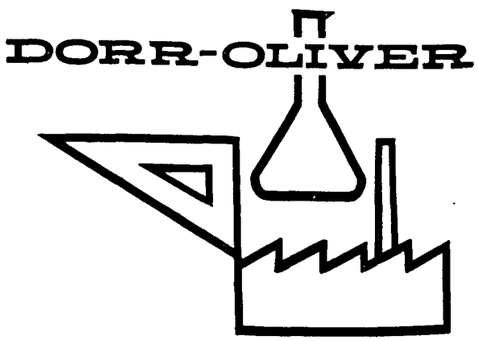
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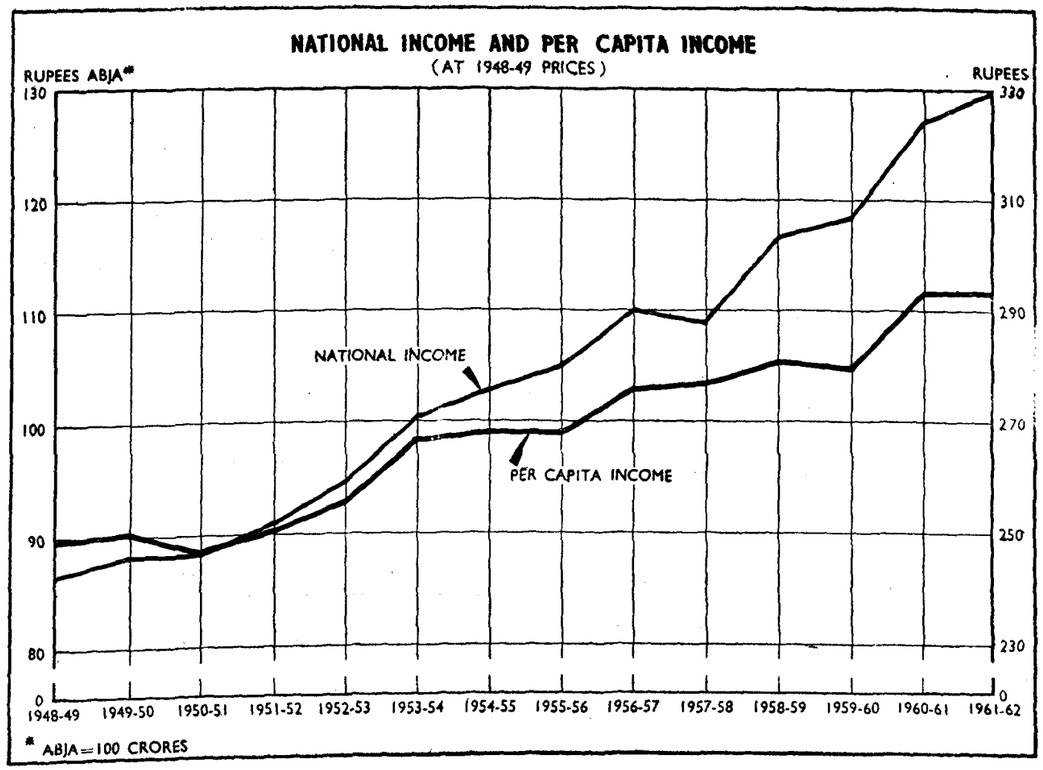
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in double-shift. Similar experiments in multiple shift have been tried in Delhi and elsewhere since 1947. Many youngmen from West Pakistan could not have attained education but for the special arrangements in running evening colleges. Under the emergency, similar measures should also be taken without any loss of time.

While there is expected to be a cut in the educational grants because the total expenditure on education is likely to be curtailed during the period of the emergency, it is necessary that the cut should be made judiciously. Currently, the country is very much short of technical hands. Engineers are particularly in short supply. In order to meet the defence requirements of the country and co-ordinating economic development, the engineers have a very important role to play. There should, therefore, be no curtailment in the scheme for setting up of new technical colleges or in providing adequate equipment to these colleges so that education of the requisite level may be provided to the students.

In another sphere, some immediate remedial measures have become necessary. India is short of not only engineers but also of doctors. The fault lies with the system of examinations which enforces a course of not less than five years for becoming a full-fledged M.B., B.S. doctor. What the Indian Union needs at the present moment is short-term courses whereby in two to three years every student is in a position to provide help in the particular sphere for which he has been trained. The demand for doctors is likely to multiply manifold during the emergency. If hostilities start once over again on India's border, an increased number of doctors and nurses will be essential to cope with the problem of the wounded. Without any loss of time the Government must move in the matter and evolve short-term courses and train doctors in particular branches of medicine or surgery so that they may become useful for the country without undue delay which usually accompanies the education which is being imparted currently.



India and China: A Comparison

THE EASTERN ECONOMIST in its Annual Number, 1957, had attempted a comparison between the economies of India and China. The present emergency has perforce diverted attention to a comparison of the economic strength of the two countries. It is not an easy task to compare the economic gains made by both India and China because the political machinery in China is unscrupulous and non-objective in its presentation of economic facts. The statistical machinery in China is so designed as to subserve the political machinery and hence the task of finding out the truth from the information published by the Communist Government in China becomes a formidable job. The research student has no independent sources of information; he has to fall back upon the official figures as put out by the Chinese Government. The Economic Commission for Asia and the Far East in its Economic Survey for 1961 has presented data in regard to real net product and per capita material product in China between 1949 and 1957. These figures show that the rate of recovery in mainland China immediately on the acquisition of power by the Communists showed substantial improvement. This was indeed expected because the standard of living in China had perhaps slumped to the lowest level in the world because of the continual civil war. Between 1949 and 1955, per capita product nearly doubled itself. This was easy because it meant only recovering the ground which had been lost during the turbulent years.

From 1956 onwards, the economy started facing difficulties originating from the "iron laws of economics." The per capita product in China (mainland) was 143 yuan in 1956; it rose marginally to 144 yuan in 1957. Taking the yuan equivalent to two Indian rupees, it means that per capita product in China in 1957 was around Rs. 288—almost the same as in the Indian Union. Beyond 1957, the ECAFE Secretariat has not presented any estimates of growth in the economy either on the aggregate basis or on per capita basis. In fact, ever since the bubble of the "big leap forward" burst, the Chinese have ceased publishing their statistical figures in regard to production in the major sectors of the economy. No national totals are publicised any longer which has made the research workers sceptic even about the data upto 1957. By and large, it can be stated that the Chinese had come up to the Indian level by 1957, but whether they have scored over India in the years which followed remains a debatable point.

The table on page 1261 gives the aggregate product of the Chinese economy between 1949 and 1957. In a period of nine years, the total national product in China rose from the pitiable low level of 35.8 billion yuan in 1949 to 92.9 billion yuan in 1957. In Indian rupees, the total national product of China (mainland) in 1957 was Rs. 18,600 crores—almost equivalent to the target of India's National income in 1965-66. It may be noted here that China's figures of national income are in terms of 1952 prices, while the Third Plan national income figures for India relate to prices in 1960-61. It is not possible to correct the Chinese figures for any differential in prices because detailed Chinese price statistics are not readily available. Even if the Chinese figure of national product were assumed at Rs. 18,500 crores in 1962, (meaning that since 1957, the Chinese economy had not made any progress) it is reasonable to infer that the Chinese defence expenditure at about 5 per cent of the national income comes around Rs. 1,000 crores a year. The recommendation, therefore, has been made by all commentators (here or abroad) that India's defence expenditure must be raised to Rs. 1,000 crores a year, or from the present level of 2.5 per cent to 7 or 8 per cent of the national income.

CAPITAL ACCUMULATION

The economic resurgence in China was brought about by speedy accumulation of capital between 1950 and 1957. The percentage of net investment to net material product was a little above 5 in the rehabilitation period extending from 1950 to 1952. During the First Five Year Plan which ranged from 1953 to 1957, the rate of capital accumulation was raised to 11 per cent of the total material product. In 1956, it had been raised to even 17 per cent of the total material product. It must also be noted that these estimates do not include the voluntary labour contributed by people who were forced to work on such projects as "water conservancy construction," "afforestation," etc. either without any monetary gains or nominal payments. This voluntary effort when computed on the national scale would have certainly been a sizeable amount.

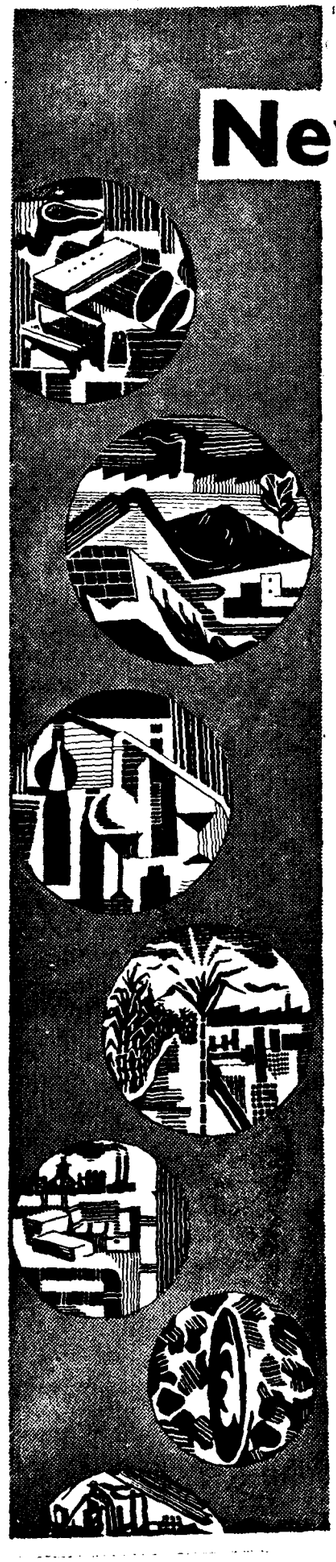
The distribution of government expenditure into the various economic heads shows that China allocated a substantial proportion of its expenditure to national defence. Table I below shows the distribution of Government expenditure, in percentage terms, between economic development, social development, national defence, administration and others. It will be seen that the proportion on national defence in percentage terms fell from 34.5 per cent in 1950-52 to 22.3 per cent during 1953 to 1957. This drop in percentage is, however, misleading in the sense that by 1957, the total national product in China had more than doubled and, therefore, in absolute terms, the expenditure on defence had increased and not decreased. Economic development took away nearly half of the total expenditure and, here again, as will be shown later, the emphasis was mostly on rapid industrialisation in the heavy industry section. In the period 1953 to 1957, the distribution of investment between light industries and heavy industries was 1 : 6, meaning for every yuan spent on light industry, six yuans were spent on heavy industry. Special emphasis was placed on new branches of industry such as manufacture of aircraft, motor vehicles, modern machine tools, power generating equipment, metallurgical and mining equipment and equipment for smelting high grade alloy steels and important non-ferrous metals. In the order of priorities, industry was followed by transport and communications; agriculture occupied the third place.

TABLE I

(Percentages)

	1950-1952	1953 1957
Economic development	36.3	49.4
Social development	12.3	14.5
National defence	34.5	22.3
Administration	13.5	8.6
Others	3.4	5.2
TOTAL	100.0	100.0

In the case of the Indian Union, accumulation has been slowly stepped up from 5 per cent of the national income in the beginning of the First Plan to about 10 per cent of the national income at the end of the Second



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Plan. Table II below gives India's aggregate savings, as well as sectorial break down by use and sources for the years 1951-52 to 1960-61. The highlight of the analysis presented in this table is that the household sector continued to be the largest contributor to national savings. Whereas 79 per cent of the net domestic savings during the First Plan period came from households, both in the rural and urban areas, the percentage rose to 84 during the Second Five-Year Plan. The urban sector of households has during both the plans contributed roughly double of the rural savings. In other words, the capital accumulation which has occurred in the Indian economy during the first two Plans has come by and large from the urban households.

TABLE II

AGGREGATE SAVING, SECTORAL BREAKDOWN BY USE AND SOURCE, 1951-52 — 1960-61

	First Plan 1951-52 — 1955-56	Second Plan 1956-67 — 1960-61*
Users (per cent of gross aggregate savings):		
Government	24	34
Corporations	8	10
Households	68	56
Composition (per cent of gross national product at constant 1958--59 prices):		
Gross domestic saving	14.0	16.3
Foreign saving	0.4	2.9
Gross aggregate saving	14.4	19.2
Savers (per cent of net domestic saving):		
Government	16	12
Corporations	5	4
Households:	79	84
Rural	28	24
Urban	51	60
Saving-income ratios (per cent of sector income):		
Government	10.3	8.2
Corporations**	37.0	32.4
Households***	5.3	6.7
Rural	2.5	2.7
Urban	12.6	16.9

* The classification of savers and saving-income ratios refers to only three years, 1956-57 to 1958-59.

** Saving from income after tax.

*** Saving out of disposable income.

Saving as a percentage of income was the highest for corporations, as represented by the organised sector of industry, commerce and trade. These savings were computed after allowing for taxes. The urban households took the second place followed by Government savings and savings of the rural households. Even national product seem high, it does not compare favourably with the high net rate of accumulation which has currently been recorded in China. (Even though there is wide divergence between the figures put out by the Planning Commission and the Central Statistical Organization, it is believed that India's current net rate of savings is around 10 per cent of the net national product.) It must rise at least to 15 per cent during the Third Five-Year Plan, if the ambitious objectives of simultaneously pushing the economic plans and arming the country against the Chinese aggression are to be realised.

It is a pity that rural India has been slow in picking up the virtue of thrift and austerity so as to raise savings. If and when the rural households are in a position to save, they have unfortunately taken to unproductive means of savings such as accumulation of gold and jewellery. The measures initiated by the Union Government since the declaration of the national emergency, especially the issuance of gold bonds, did not have a very encouraging response. It seems that a vast and imaginative campaign needs to be started to educate the people in the futility of keeping their savings in the shape of bullion. Then and then alone can any Government policy of dehoarding of bullion be successful. The dilemma in the rural areas is not whether to save or not to save but in what manner the savings should be kept. There are, for the Government, limitations in raising the volume of national effort through taxation. While some tinkering with the taxation machinery here and there may yield more revenue but by and large the present rate of taxation is extremely high. What is needed is tightening of the taxation machinery in the country so that even at the current level of taxation, additional revenue should accrue.

The ECAFE secretariat has also attempted a sectoral distribution of the national product of Mainland China and India for the years 1952 and 1956. The results are presented in Table III below. It will be seen that in both

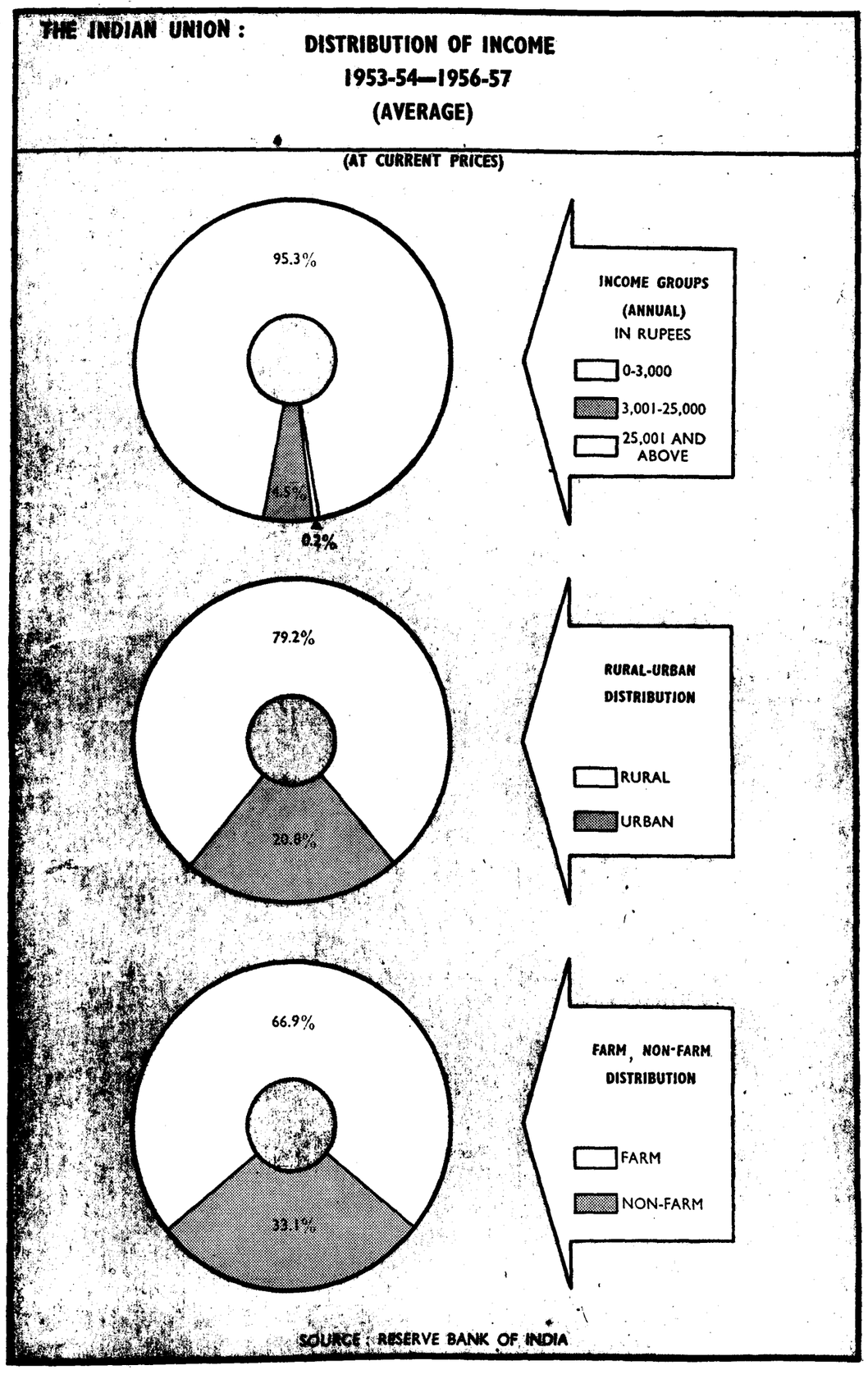
TABLE III

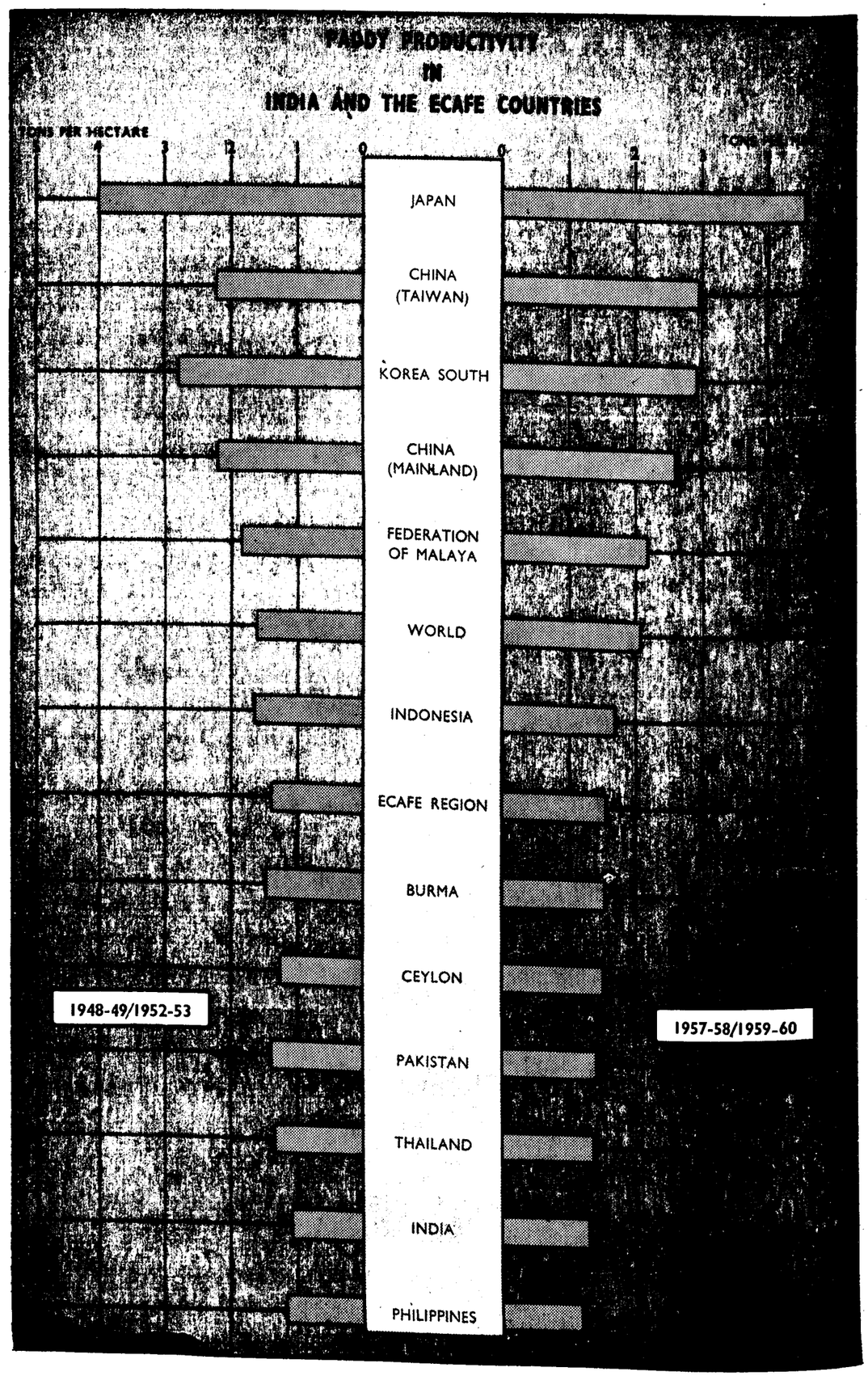
(Percentages)

	Mainland China		India*	
	1952	1956	1952	1956
Agriculture	59	48	49	48
Industry	18)	26)		
Construction	) 3)	) 6)	17	17
Commerce	16)	16)		
Transport	) 4)	) 4)	19	19
Services	—	—	16	16

*At 1948-49 prices.

the countries, agriculture commanded the highest proportion of the national product. Strangely enough, the percentage was the same (that is, 48) for both India and China in 1956. It was in industry and construction that mainland China scored over India. As much as 32 per cent of the national product in mainland China was allocated to industry and construction as against 17 per cent only in the case of the Indian Union. For commerce and transport, the allocation was almost the same for the two countries, it being around 20 per cent in





Indian Union had allocated about 16 per cent of the national product to the services, no details are available in the case of mainland China. Even if it is assumed that the services in China were provided in the same manner as in India, the absolute level of the national product of China will need to be marked up. These percentages by no means demonstrate that China has neglected its agriculture. It is only the unfavourable natural factors since 1958 which have turned the apple cart and slowed down the progress of its economy.

The Army and the Manpower

THE DETAILED reports of the fighting in NEFA highlighted the numerical superiority of the Chinese forces over the Indian fighting forces. It was reported that the Chinese technique of fighting was to throw wave after wave of soldiers in order to keep up the pressure on a particular front regardless of the number of casualities. An impression was created that the Chinese cared the least about the number of soldiers they lost on the battlefield. In other words, the enemy seems to have abundance of "cannon fodder." Estimates of Chinese army vary from 2 million to 5 million soldiers as against the reported strength of the Indian army at half a million.

The army of a nation has some relationship to its total population. In the case of the Indian Union, it may not be difficult to raise an army equal in strength to that of the Chinese. This will be a slow process, though currently efforts are being made to double the present strength of the Indian army.

The total population of the Indian Union provides sufficient background from which an army of 4 to 5 million can easily be drawn. The age distribution of India's population shows that 42.4 per cent of India's total inhabitants in 1961 belonged to ages between 20 and 54. If the 40 million people belonging to the age-group of 15-19 years are also included, then the percentage may rise to 51.6 meaning more than half of India's population of 442 million belongs to the age pattern which can provide soldiers for India's army. In the case of China, Mr. S. Chandersekhar has estimated that in 1958, 45 per cent of the total population belonged to the age-group between 18 to 48 years. Currently, the Chinese population is estimated at 686.4 million with a rate of rise at more than 3 per cent per annum as compared to India's rate of 2.2 per cent.

Explosion in Population

ESTIMATES PREPARED by the United Nations in regard to the probable growth in population in India and China show that rise in China is likely to be much faster than in India. The present strength in numbers of the Chinese is not to be matched by the Indian Union even by 1980. Currently, the differences between the populations of the two countries is around 250 million. By 1980, this difference is expected to rise to more than 450 million. These projections assume that no unforeseen catastrophe will overtake India or China during the next two decades, even though historical growth of population in China shows a different trend. Whenever China has had a period of political peace, it tended to multiply in numbers. The last decade seems to have provided a similar period. At the end of every such cycle, the pressure of population invariably tended to acquire relief either through famine or war, meaning if widespread havoc is not caused by disease or famine, China attempted to seek relief by waging a war under one pretext or the other. Has that saturation point been reached in China today? Has China reached its limit of over-population? Is it because of this pressure of over-population and because of intolerable pressure from within that China has launched the present prolonged war with India It may not be possible to answer these questions with the evidence that is currently available. It is, however, a fact that continued destitution in the agricultural sphere since 1959 has been responsible for changing the course of political events in China.

The Indian Union cannot follow the suicidal course of letting its population increase in such a manner as to slow down the standard of living of the people. The Indian Five-Year Plans have been so designed as to bring about a substantial rise in the living standards. Planned growth in population is essential for avoiding economic stagnation. The Indian Union need not imitate the Chinese is swelling her numbers but should concentrate on improving the quality of the population. Greater attention needs to be paid to improving the health standards. People need to be widely educated on the benefits of "planned parenthood". The family planning programmes which have been initiated under the Third Five-Year Plan need not be slackened. In manpower the Indian Union is sufficiently strong to raise an army more efficient than that of the Chinese and even more than theirs in numbers.

The Census Commissioner in India announced in July this year that India's population inclusive of Goa,

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Daman ad Diu and the areas in North-East Frontier Agency came to about 442 million. It means the rise of a little more than 2 per cent per annum as against rate of rise at 1.3 per cent only during the fifties. Presumably, this improvement has been caused by the widespread health services, speedy control over widespread diseases such as malaria and the availability of medicines and medical services at cheap cost. While this is in the national interest to provide all these medical facilities, it is also imperative that a check on new births should be propagated. There was some talk during the current year in regard to providing the people with cheap contraceptives. This may not be possible during the Emergency, but no attempt should be made to shelve all those programmes which have already been finalised for this purpose.

Family Planning

IT WILL be a fatal mistake if the family planning programmes initiated after great deliberations during the last 15 years are shelved because of the emergency. Dr. Sushila Nayar, the Union Health Minister, rightly pointed out in a recent speech in New Delhi that the need for well-nourished and educated children was greater today than ever before. It is better to have fewer but well-nourished children than to have many ill-nourished ones. The decision of the Government to lay more stress on the educational campaign in favour of the family planning needs to be commended. The propaganda machinery of the Government needs to be re-oriented so that people automatically feel the necessity of resorting to better techniques in "planned parenthood"; even the expenditure that is currently being incurred on the distribution of free contraceptives may have to be dropped. Once the people understand the implications of family planning, they would be prepared to spare money from their own budgets for this essential expenditure. Recently a family planning institute has also been set up to study the educational, social, biological and other aspects of family planning. This institute is expected to advise the Government on medical and biological methods and to advise the scientists in this particular field. It will also provide special courses to train workers and will be in a position to test indigenous drugs and plants and will also provide other laboratory services.

INDIA AND CHINA

(Projection in population to 1980)

(In thousands

Year	India	China
1950 ..	358,020	546,815
1960 ..	433.200	686,400
1965 ..	475,948	769,100
1970 ..	522,914	861,700
1975 ..	574,513	965,400
1980 ..	631.205	1,081,700

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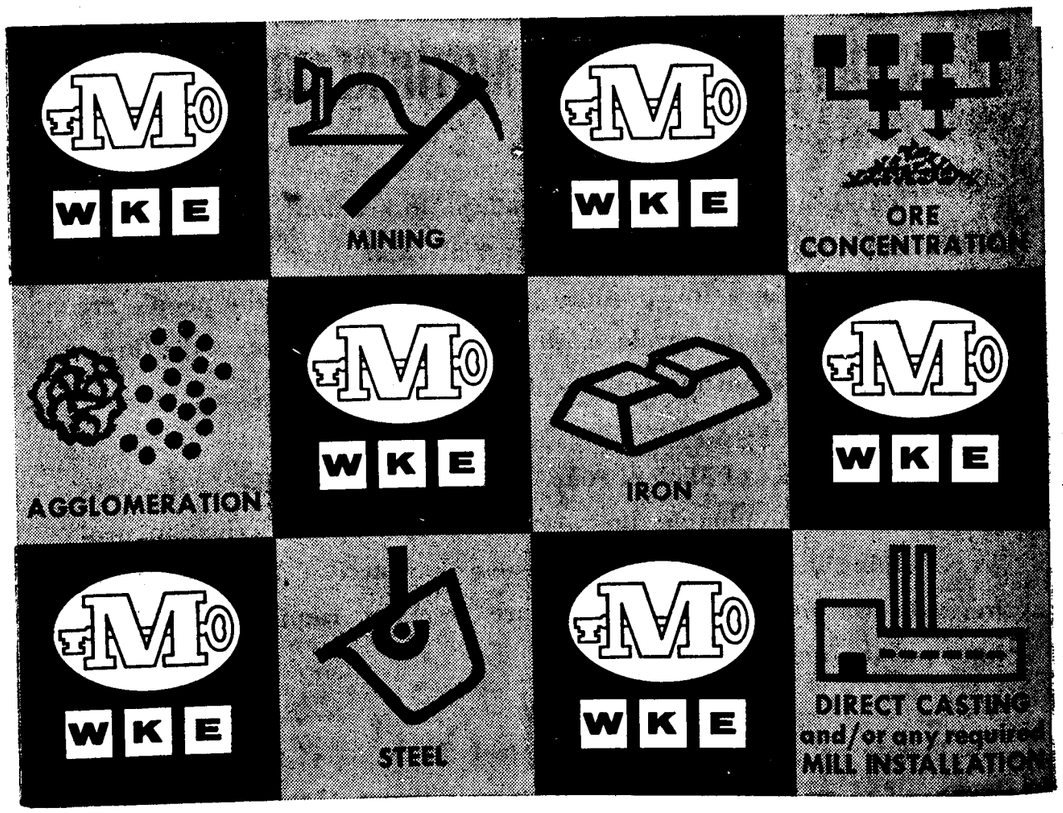
In the villages of Madras State, the peasants are awake to the danger and are at the plough, the network of power and irrigation projects helping them to get all the water they need. The workers in the industrial units, big and small, are working round the clock to increase production.

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Who lives if India dies and who dies if India lives?

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MAINLAND CHINA: REAL NET AGGREGATE AND PER CAPITA MATERIAL PRODUCT: 1949 - 1957

Year	Aggregate product (billion yuan at 1952 prices)	Population (Million)	Per capita product (yuan at 1952 prices)	Aggregate product		Per capita product	
				Index numbers (1952 : 100)	Percentage increase over the preceding Year	Index numbers (1952 : 100)	Percentage increase over the preceding Year
1949	35.8	536	67	59	..	63	..
1950	42.5	547	78	70	18.7	73	16.4
1951	49.7	557	89	82	16.9	83	14.1
1952	60.7	569	107	100	22.1	100	20.2
1953	69.2	583	119	114	14.0	111	11.2
1954	73.2	595	123	120	5.8	115	3.3
1955	77.9	608	128	128	6.4	120	4.1
1956	88.9	621	143	146	14.1	134	11.7
1957	92.9	643	144	153	4.5	135	0.7

Source: Economic Survey of Asia and the Far East, 1961.

ECAFE COUNTRIES: LEVEL OF GROSS AND NET SAVING, 1950-59*

	Gross total saving a	Foreign saving b	Gross domestic saving	Depreciation	Net domestic saving	Net Total Saving
Burma	19.5	0.1	19.4	5.8	13.6	13.7
Ceylon	12.1	— 0.6	12.7	2.3	10.4	9.8
China:						
Mainland c	17.8 d	1.0	16.8 d	6.5 d	10.3	11.3
Taiwan	17.1	7.5	9.6	5.7	3.9	11.4
Federation of Malaya	11.8	—10.2	22.0	4.5	17.5	7.3
India	16.4	1.5	14.9	6.4	8.5	10.0
Indonesia	6.2	0.4	5.8	3.0	2.8	3.2
Japan	28.9	— 0.2	29.1	8.2	20.9	20.7
South Korea	13.2	9.8	3.4	4.6	— 1.2	8.6
Pakistan	7.8	1.8	6.0	3.5 d	2.5 d	4.3 d
Philippines	8.5	1.6	6.9	4.9	2.0	3.6
Thailand	16.1	1.8	14.3	5.0	9.3	11.1

* The period begins with 1951 for Burma, China: Taiwan and Indonesia, 1952 for Thailand 1953 for South Korea and 1955 for the Federation of Malaya, and ends with 1957 for Mainland China and the Federation of Malaya.

a) Equals gross domestic capital formation.

b) Equals imports of goods and services minus exports of goods and services minus net factor income from abroad; it does not include current transfers to and from the rest of the world whether on government or on private account.

c) Percentages of net material product.

d) ECAFE secretariat estimates.

MAINLAND CHINA: RECONCILIATION OF OFFICIAL NATIONAL ACCOUNTING DATA WITH THE UNITED NATIONS CLASSIFICATION OF NATIONAL ACCOUNTS 1950-57

Items	1950-52	1955-57	1950-57
	Per cent of net material product		
1. **Government net domestic investment:**			
a. State Budget	4.3	13.6	10.1
b. Outside State Budget	0.8	1.0	1.2
TOTAL	5.1	14.6	11.3
2. Estimated depreciation of capital in general government and public undertakings(a)	5.5	7.0	6.5
3. Government gross domestic investment	10.6	21.6	17.8
4. Private domestic investment	..	..	..
5. **Total domestic investment & aggregate saving:** (b)			
a. Net	5.1	14.6	11.3
b. Gross(a)	10.6	21.6	17.8
6. Foreign saving	1.4	0.7	1.0
7. Total gross domestic saving	9.2	20.9	16.8
8. **Government gross saving:**			
a. State Budget: Revenue	24.2	33.4	31.0
Current expenditure	18.9	19.7	20.2
Saving	5.3	13.7	10.8
b. Outside the State budget(c)	0.8	1.0	1.2
c. Depreciation on general government and public undertakings (a), (d)	5.5	7.0	6.5
TOTAL	11.6	21.7	18.5
9. Gross private saving(e)	—2.4	—0.8	—1.7
10. Government saving surplus(f)	1.0	0.1	0.7
	Per cent of gross material product (a)		
11. Total gross domestic investment(g)	10.0	20.2	16.7
	Per cent of gross material product (a)		
12. Ibid (h)	8.3	16.8	13.9

(a) ECAFE Secretariat estimates. These relate to only two categories: Estimates of depreciation to conve net estimates of saving, investment and product into gross estimates, and an assumption that nation product, including the services which are normally included in the United Nations system of national a counting, would be some 20 per cent higher than the material product as estimated in the official es mates of centrally planned economies.

(b) Excluding private investment or disinvestment.

(c) Same as item 1b., since revenue and current expen diture data, outside, the State Budget, are not availab

(d) Same as item 2.

(e) Gross domestic saving (item 7) minus gross gove rnment saving (item 8). Since private investment ca not be estimated, the figure represents the excess of private saving over private investment. In oth words, it is the offsetting element to the government saving surplus (item 10) and foreign saving (item

(f) Excess of gross government saving (item 8) over gross government investment (item 3.).

(g) Item 5(b).

(h) Eighty-three per cent of the ratios in item 11.

Source: Economic Survey of Asia and the Far Ea 1961

Agriculture
After the Emergency

DEVELOPMENT of agriculture in an under-developed democratic country in peace times is sought to be fostered with three ends in view; firstly, to provide for the growing food requirements of the population and the expanding demands for raw materials from the industrial sector; secondly, to increase the investible economic surplus, both in the form of domestic capital and in foreign exchange; and thirdly, to create an internal market for the manufactured goods which an expanded industrial sector starts turning out. All these three objectives have been the focal points of agricultural development in India since 1947, particularly during the era of planning after 1951. And India's agrarian economy has, inded, made some fairly rapid strides all these years, notwithstanding the occasional setbacks caused by vagaries of weather.

But, today, following the unscrupulous invasion by China on our northern frontier — a frontier on which peace had reigned supreme for over 2,000 years — a new situation has emerged which calls for an accelerated growth of our economy, particularly of the agrarian sector. The need to make the country self-sufficient in food and self-reliant to a large extent in agricultural raw material requirements is all the more great today in the interest of saving foreign exchange for the more pressing needs — for purchase of armament and other sinews of war. Exportable agricultural surpluses have also to be increased without any limit to earn as much of the precious foreign exchange as possible.

There is yet another consideration for stepping up our farm output today — a political one, of course. China has ambitions to emerge not only as the undisputed leader of Asia but also as the torch-bearer of communism in the world. Her these dreams, she conjectures, rather fears, would be frustrated if India's rate of economic growth outstrips her own. The setbacks China's economy by and large, and agriculture in particular, has suffered since 1958 when she proclaimed a "Great Leap Forward" in her economic growth, in the face of a steady development in India, have according to economic experts the world over, prompted her to embark on an adventurous course, which, besides diverting the attention of her discontented masses from their economic travails, would help in implementing her grandiose expansionist plans. A recent comment by the New China News Agency to the effect that the Sino-Indian "border conflict" has forced India to spend more on defence, at the expense of her economic development, gives a good deal of substance to this analysis.

By forstering agricultural development through democratic means, despite the new burdens placed on her economy by the Chinese invasion, India has to show to the newly independent nations of the Asian and African continents that her ways of economic development are in no way less effective than, if not superior to, the Communist mode of development through regimentation and dictatorship. India's triumph in the Sino-Indian war, thus, would be of historic significance in world politics, inasmuch as it can be instrumental in changing the course of events in Asia and Africa.

Against this background, an attempt is made in this section to spotlight the weaknesses of our present-day agricultural development, the new tasks enjoined on the peasantry by the current emergency and to suggest ways and means of strengthening our agrarian economy. The emergency is not going to end soon. Even if it does owing to some wise counsels prevailing on China's warlords, India can never be complacent now about strengthening of her vulnerable northern border.

The current weaknesses of our agrarian economy have been sought to be spotted in the light of the past experience. The first article, thus, traces the growth of our agriculture under the first two Plans. Next comes an appraisal of its development in the first year of the Third Plan and the likely achievements in the current year. This is followed by an assessment of the agricultural development in China, the failings of our agrarian economy and the task ahead. Some measures to redeem the situation have been suggested in the end.

Development Under First Two Plans

AT THE time of regaining independence in 1947, the present regime in India inherited from the British a stagnant farm economy, more oriented towards providing agricultural raw materials to feed the industries abroad and saddled with feudal landlords whose predominant concern was to provide a prop for the alien rule. This class was not so much interested in improving the soil or agricultural practices and remained content as long as it could derive enough by way of exactions from the tenants to satisfy its needs. Some sporadic attempts, of course, were made by the then authorities to cater to the development of agriculture through enactment of legislation to protect the tenants from gross high-handedness of the feudal landed aristocracy, through provision of credit by encouraging the establishment of co-operative societies and through extension of the canal systems. But these benign measures, by and large, were pursued with some vigour only in the States (then Provinces) which provided the Crown with faithful sepoys for the armed forces. The result was that since the turn of the present century to the time of the setting up of the Interim National Government in 1946, while the population of India increased by nearly 38 per cent, the food output remained practically stationary and the agricultural output as a whole recorded an increase of only about 12.6 per cent.

The first task to which the National Government, therefore, addressed itself was to activate the farm economy through initiation of measures which slowly, but steadily, could bring about a healthier state of affairs. With a view to vest the land-ownership in the actual cultivator, land reforms were undertaken and for the transitionary period, interests of the tenants were sought to be protected by rigorous tenancy legislation. Agricultural development was made the pivot of all economic activity and by far the greatest emphasis was laid on it in the formulation of the First Five-Year Plan. Although greater stress came to be put on industrial development under the Second and the Third Plans, agricultural content in them still remained impressive.

Despite some serious setbacks occasionally, as in 1954-55, 1957-58 and in 1959-60, due to vagaries of weather — farming in India even today remains to a great extent a "gamble in rain", notwithstanding the assurance provided by extension of irrigation facilities over the decades — Indian agriculture during the

'fifties recorded a fairly rapid and steady growth (see table Agri.-1). The index number of total agricultural production, excluding livestock output, (with base 1949-50 = 100), went up from 95.6 in 1950-51 to 139.9 in 1960-61, showing a linear rate of growth of 4.6 per cent per annum. Even if allowance is made for the slightly more favourable weather conditions in 1960-61 and the influence of fortuitous circumstances is ironed out by calculating the average rate of growth over a period of three or five years, the annual growth does not come to less than 3.5 per cent per annum. Whether this rate of growth has been commensurate with the growing needs of the Indian population, expanding at a strident rate of 2.1 per cent per annum, or with the requirements of her industrial economy, developing at a rate of 7 to 8 per cent per year, is, however, a different question. The implications of this are discussed at a later stage.

Sceptics may raise the bogey of unrealiability of farm statistics in India in an attempt to belittle the achievements on the agricultural front under the first two Plans, but this does not amount to a denial on their part of the fact that Indian agriculture after its development in the 'fifties did regain some measures of dynamism. This is evident from the improvement in unit-area yiedls of various crops (see Table Agr-11), though again not commensurate with the tasks enjoined on the peasantry.

The growth in Indian agriculture between 1950-51 and 1960-61 could be fostered only through massive investments both by the State and the cultivators themselves. An estimated investment of over Rs. 1,400 crores (see Table Agr.-2) was made during this 10-year period by the State alone. No data are available of the investment effected by the agricluturists themselves, but an idea of it can be had from the growing demands put by the peasantry on the co-operative credit societies and the increasing use they have made of farm machinery, chemical fertilizers, improved seeds, irrigation facilities etc.

This massive input of capital in Indian agriculture in the 'fifties helped in not only increasing the area under cultivation, but also in greater application to it of modern scientific knowledge and technology. The net area sown increased from 118.8 million hectares in 1950-51 to 131 million hectares in 1958-59. There must have been effected some further additions to the cultivated area after this year, but no data are yet available in this respect. Gross area sown during these years presented even a slightly better picture, implying thereby that greater resort was had to multiple cropping than had been the case previously. Area sown more than once

TABLE AGR-1

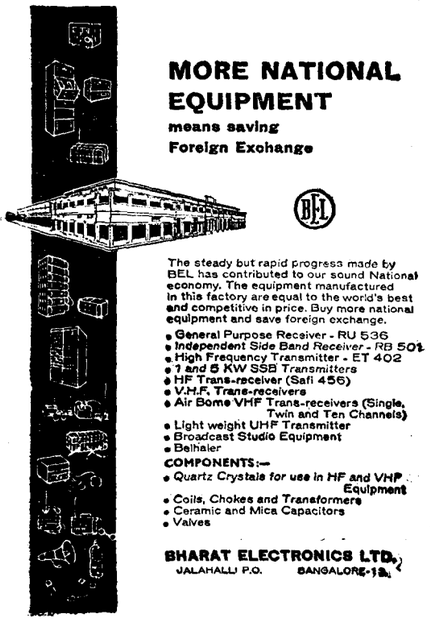
INDEX NUMBERS OF AGRICULTURAL PRODUCTION IN INDIA: 1950-51 — 1961-62

(Base: 1949-50 = 100)

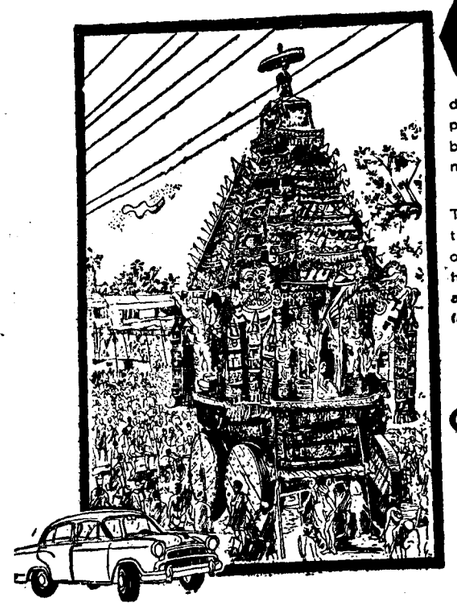
	Weight	1950-51	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62
I. **Foodgrains** ..	66.9	90.5	115.3	120.8	109.2	131.0	126.8	135.6	135.2
a) **Cereals***									
Rice ..	35.3	87.9	114.2	120.4	105.7	128.4	125.3	136.2	136.0
Wheat ..	8.5	101.1	131.3	140.7	118.5	147.4	151.7	162.7	174.8
Jowar ..	5.0	89.8	96.7	105.3	124.1	129.8	116.9	134.6	111.9
Bajra ..	2.7	83.8	108.3	90.1	113.5	121.3	112.1	101.2	111.6
Maize ..	2.1	84.4	112.3	132.8	135.9	135.5	146.5	144.5	146.2
b) **Pulses**** ..	8.6	91.7	118.4	122.9	103.0	136.0	120.0	128.6	121.1
Gram ..	3.7	98.0	138.9	159.8	125.8	180.3	143.5	162.3	152.7
II. **Non-foodgrains** ..	33.1	105.9	119.9	131.5	129.5	139.4	132.0	148.5	149.4
a) **Oilseeds**†** ..	9.9	98.5	108.6	120.3	119.0	136.8	118.3	131.2	136.9
Groundnut ..	5.7	101.4	112.4	127.2	137.5	149.0	122.5	136.5	145.5
Sesamum ..	1.2	101.6	104.8	98.2	85.7	123.1	92.0	81.0	93.8
Linseed ..	0.8	87.8	97.1	90.3	60.0	104.7	104.9	94.7	95.2
Castorseed ..	0.2	80.5	96.1	95.3	68.7	85.9	82.8	69.5	78.9
Rapeseed and Mustard ..	2.0	94.6	105.8	128.3	114.8	128.3	130.9	166.9	160.6
b) **Fibres**††** ..	4.5	108.6	149.7	170.7	164.4	175.8	141.2	175.7	182.3
Cotton ..	2.8	110.7	153.9	181.2	178.8	175.8	138.5	203.3	169.7
Jute ..	1.4	106.3	135.8	138.7	128.8	158.7	140.7	121.7	191.6
Mesta ..	0.3	100.0	174.7	221.5	196.2	255.9	168.5	170.5	257.6
c) **Plantation Crops**	3.6	104.0	113.2	123.0	122.7	127.3	128.4	131.3	138.7
Tea ..	3.3	103.8	107.2	117.2	115.7	119.4	119.6	116.7	130.3
Coffee ..	0.2	112.3	196.1	204.1	229.8	240.8	259.6	355.1	257.6
Rubber ..	0.1	93.8	146.1	152.9	140.1	160.2	154.6	165.2	177.0
d) **Miscellaneous Crops**§ ..	15.1	110.3	120.1	129.2	127.5	133.1	139.1	155.8	150.4
Sugarcane ..	8.7	113.7	119.8	137.2	138.1	141.5	150.3	173.9	162.0
Tobacco ..	1.9	97.3	112.9	113.7	89.4	118.2	106.5	116.4	128.5
III. **All Commodities** ..	100.0	95.6	116.8	124.3	115.9	133.8	128.5	139.9	139.9

* Including Ragi, small Millets and Barley. ** Including Tur and other pulses. † Including Sesamum.
†† Including Mesta. § Including Potato, Pepper Chillies and Ginger.





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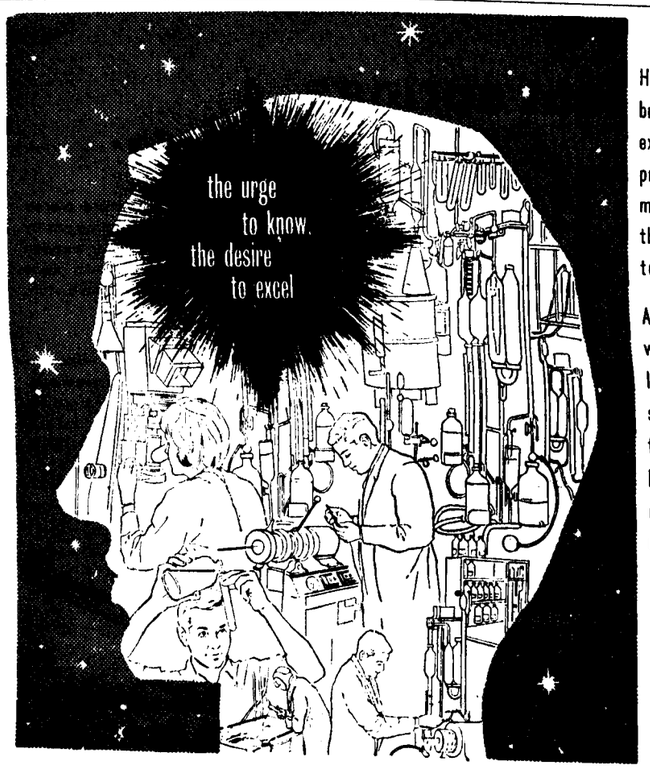
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in a year registered an increase of 6.6 million hectares in the course of these eight years, from 13.1 million hectares to 19.7 million hectares. The rate of progress in this regard can only be expected to have recorded further improvement with the extension of community development services and spread of scientific knowledge to a greater degree.

TABLE AGR-2

EXPENDITURE ON AGRICULTURAL PROGRAMMES IN INDIA

(Public Sector only)

(Rs. crores)

Head of Expenditure	First Plan (Actual Outlay)	Second Plan (Estimated Outlay)
Agriculture, Community Development, Co-operation and Irrigation	487.3	950.3
(a) Agricultural Production*	176.1	193.0
(b) Major Irrigation Projects	197.4	420.2
(c) Animal Husbandry**	15.5	33.5
(d) Forests and Soil Conservation	11.5	36.9
(e) Fisheries	2.7	9.1
(f) Co-operation and Warehousing etc.	5.0	38.8
(g) National Extension and Community Development	79.0	194.1
(h) Local Development Works and Village Panchayats	..	24.7

* Including minor irrigation.
** Including dairying and milk supply.

Increased application of scientific knowledge and modern technological methods to Indian farming has taken various forms, the most important of them during the 'fifties being extension in irrigation facilities, use of chemical manures, pesticides, improved seeds and farm implements. As between these, owing to the peculiar conditions obtaining in this country, greater stress has obviously been placed on the former two.

The net area under irrigation increased from 20.9 million hectares in 1950-51 to 28.3 million hectares in 1960-61. The gross area irrigated during this period went up from 22.6 million hectares to nearly 34.1 million hecres (see Table Agr.-3).

Application of chemical fertilizers, which upto 1950 was mainly confined to aiding the production of plantation and commercial crops like tea, coffee and cotton, picked up appreciably during the 'fifties. So much so that in the late 'fifties demand outstripped supplies by a fairly big margin. In 1960-61, only about 45 per cent of the estimated demand for nitrogenous fertilisers — the chemical manure most popular with the Indian peasantry due to nitrogen being the limiting factor of soil fertility in large parts of India — could be met because of their still low indigenous output and difficulties of importing them from abroad owing to tight foreign exchange situation. Even then, total consumption of fertilizers (see Table Agr.-4) improved from about 58,000 metric tons (N) in 1950-51 to 313,600 metric tons in 1960-61. Application of phosphatic fertilizers (P2O5) and potash fertilizers increased from 6,900 metric tons and 7,700 metric tons in 1951-52 to 63,000 metric tons and 30,400 metric tons in 1960-61, respectively.

TABLE AGR.-3

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
1960-61* ..	28.3*	5.8	34.1

Along with increased use of chemical fertilizers, development and application of organic manures — urban compost and rural manuring resources — too showed some improvement. It is estimated that urban compost output increased to about 3 million tons by 1960-61 and that of rural compost to nearly 73 million tons. Green manuring practices were also developed to a fairly large extent — by 1960-61, 4.8 million hectares were estimated to have been brought under green manuring.

The use of improved seeds also went up by an appreciable degree, especially in late 'fifties, when the sporadic attempts being made earlier were converted into concerted efforts. Over 3,600 new seed farms (about 10 hectares each) were set up under the Second Plan, bringing their total to about 4,000. Approximately 22.3 million hectares of agricultural land were estimated to have been brought under improved seeds by 1960-61.

TABLE AGR.-4

CONSUMPTION OF NITROGEN, PHOSPHATE AND POTASH FERTILISERS IN INDIA

(Agricultural Year)

(Thousand Metric Tonnes)

Year	Fertilisers			
	Nitrogen (N)	Phosphate (P2O5)	Potash (K2O)	Total
1937 ..	10.7	1.2	2.7	14.6
1945 ..	13.9	0.1	0.9	14.9
1947 ..	4.3	0.9	1.8	7.0
1949 ..	56.0	8.5	2.4	66.9
1951 ..	58.7	6.9	7.7	73.3
1953 ..	85.5	8.1	8.5	102.1
1955 ..	111.0	12.8	10.2	134.0
1957 ..	150.0	21.6	15.5	187.1
1959 ..	220.0	38.9	21.6	280.5
1961 ..	313.6	63.0	30.4	407.0

Some improvement was also registered in the use of improved farm implements and agricultural machinery such as tractors, electric pumps for irrigation, oil engines with pumps (also for irrigation), cane crushers, etc., although difficulties of importing steel for their manufacture, in the absence of adequate quantities being available from indigenous sources, continued to act as a drag in this regard. As many as 34,000 tractors were stated to be in use in Indian agriculture in 1961, as against about 9,000 in 1951. Mechanical cultivation had been extended to nearly 0.21 million hectares by the end of 1960-61 agricultural year. Figures for 1961 in respect of the other farm machinery and improved agricultural implements in use in India are not available. But in 1956 as many as 1,367,000 iron ploughs were said to be being used by the agriculturists in this country, as against 931,000 in 1951. The number of sugarcane crushers worked with power went up from

viding irrigation facilities in 1956, as against 82,000 in 1951. The number of electric pumps used for agricultural purposes went up from 26,000 in 1951 to 47,000 in 1956. There must have been registered substantial improvements in the use of all these under the Second Plan.

Some progress was as well registed in the adoption by the Indian agriculturists of improved farm practices such as crop rotation, line sowing, proper spacing, eradication of weeds, etc. The most notable fact in this connection, however, has been the introduction in Indian agriculture of the Japanese method of rice cultivation. It is estimated that nearly 3.1 million hectares of land under rice cultivation had been brought under the Japanese method upto 1960-61.

Increased use was also made of pesticides, insecticides, and herbicides, especially in the late 'fifties, with a view to cut down losses to crops by pests, insects and plant diseases. The plant protection programme covered approximately 6.5 million hectares of cultivated area at the end of the Second Plan.

Some concerted efforts as well came to be made under the Second Plan for soil conservation on agricultural lands. The progress registered in this respect, however, was only slow. At the end of the Second Plan in 1960-61, slightly over one million hectares of agricultural area were covered by soil conservation measures.

A good deal of help was provided in the propagation of improved farm practices and utilization of the modern prerequisites of agricultural production by extension of the Community Development Programme and co-operative credit facilities. 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. It was estimated that in many of these intensive development blocks, unit-area yields of various crops had gone up by 20 to 25 per cent. There were in existence in 1960-61 as many as 2,10,000 primary agricultural co-operatives — approximately double the number in 1950-51 — to provide credit facilities to the peasantry and about 1,870 engaged in marketing of agricultural produce.

Side by side with the stepping up of farm output, some concerted efforts were also made, especially after 1955-56, to improve the production of protective foods. For this purpose, attempts were made at the development of animal husbandry, poultry, dairying, fisheries and forestry. Nearly as many as 260 key village blocks were set up for cattle improvement during the five years to 1960-61. Another 72 extension centres were also established for animal husbandry. Over 31,000 superior calves were reared, 5.7 lakh scrub bulls castrated and 83.4 lakhs inoculations given for prevention of cattle diseases in these five years. Under a scheme for better utilization 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 was stated to have increased by about 20 per cent over the 1956 level. For the development of fisheries, greater resort was taken to mechanisation of fishing craft — over 17,000 mechanised boats were there in the country at the end of the Second Plan period. A start was also made to provide refrigeration facilities with a view to improve fish marketing practices.

The growth of Indian agriculture in the 'fifties obviously would have been better if the targets laid down for various farm developmental activities under terms, the actual outlay on agriculture, community development, co-operation and major irrigation works at Rs. 487.3 crores fell short of the First Plan provision by as much as Rs. 180 crores. Similarly, under the Second Plan, about Rs. 950.3 crores could be actually spent, as against the planned outlay of Rs. 1,028 crores.

In physical terms, the achievements in regard to the various agricultural development programmes under the first two Plans were as follows:

TABLE AGR.-5

PROGRESS IN AGRICULTURAL PROGRAMMES: FIRST FIVE-YEAR PLAN

Programme	Target	Estimated Achievement
Major and Medium Irrigation (Gross) (Million hectares)	3.4	1.3
Minor Irrigation (Gross) (Million hectares)	4.5	3.8
Land Reclamation (Million hectares)	1.5(a)	1.1
Consumption of Nitrogenous Fertilizers (N) (Lakh tons)	1.2	1.05*
Consumption of Phosphatic Fertilizers (P2O5) (Lakh tons)	0.29	0.13*
Area under improved seeds (Million hectares)	N.S.	1.9+
Soil Conservation on Agricultural Lands (Million hectares)	N.S.	0.3

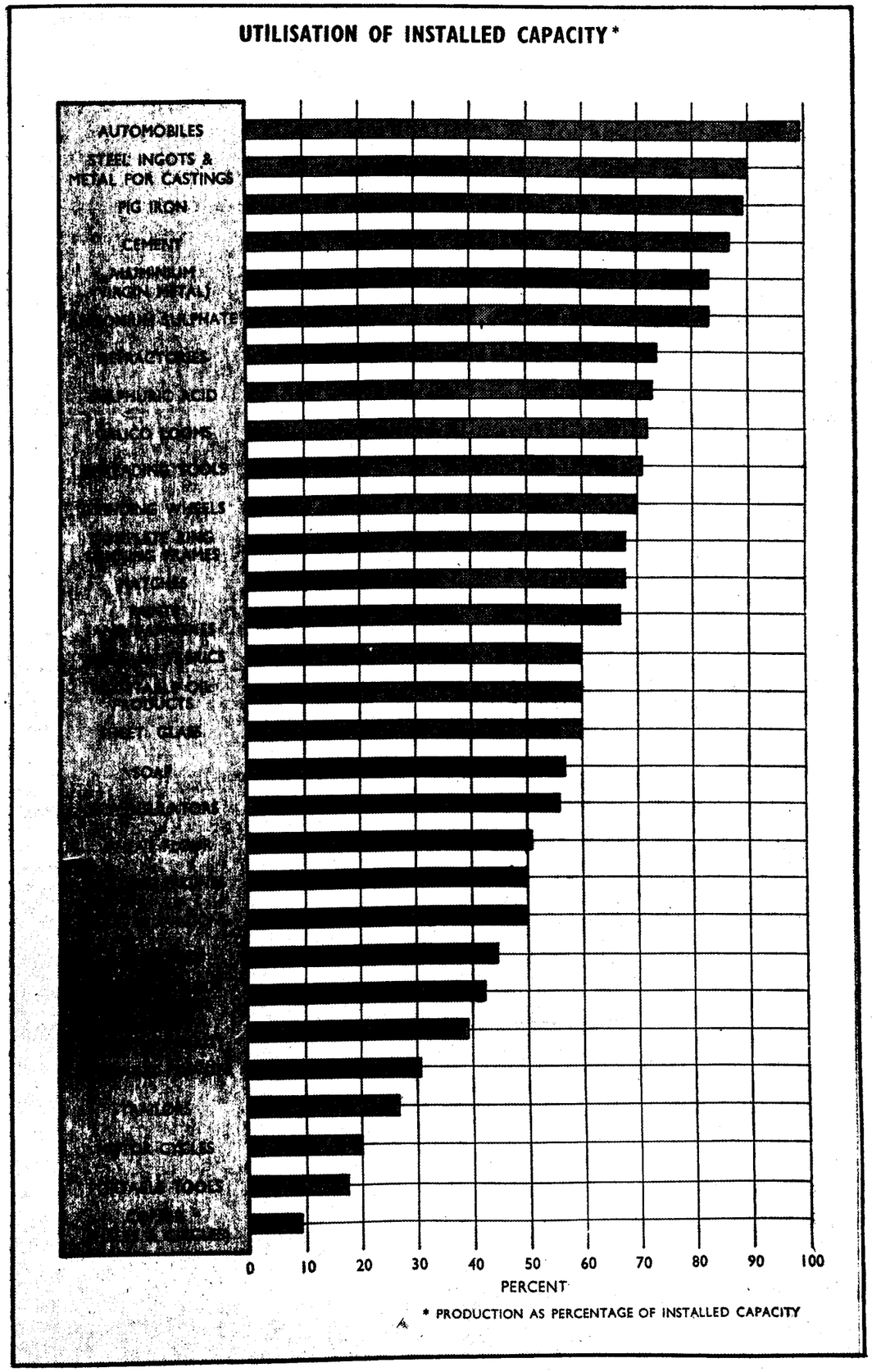
(a) Includes land reclamation by CTO, STO, and private parties with State help.
* Level reached in 1955-56.
\+ Provisional estimate of level reached in 1955-56.
N.S. Not specified in the Plan.

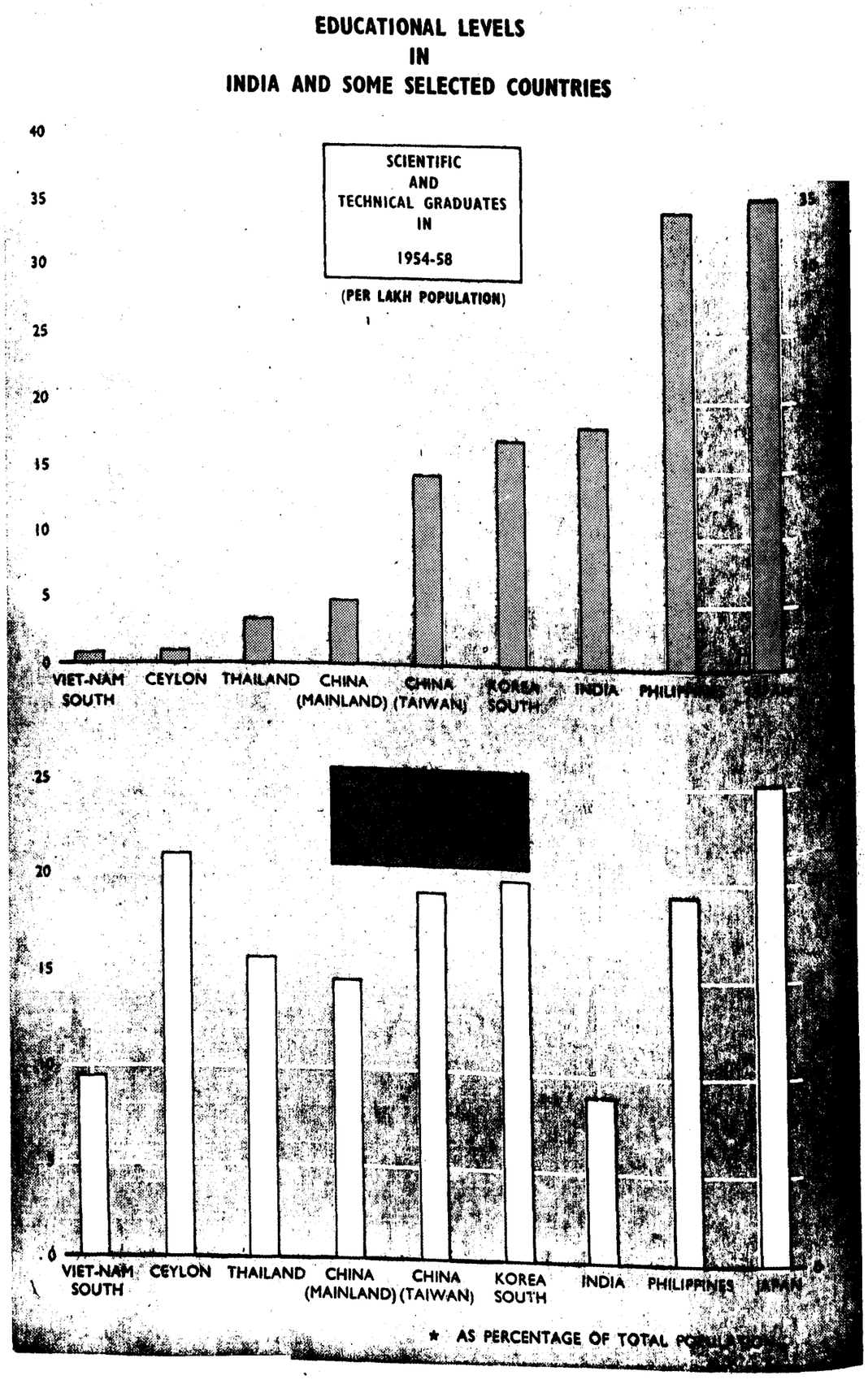
TABLE AGR.-6

PROGRESS IN AGRICULTURAL PROGRAMMES: SECOND FIVE-YEAR PLAN

Programme	Target	Estimated Achievement (P)
Major and Medium Irrigation (Gross) (Million hectares)	4.2(a)	2.8
Minor Irrigation (Gross) (Million hectares)	3.6	3.6
Land Reclamation (Million hectares)	0.6	0.5
Consumption of Nitrogenous Fertilizers (N) (Lakh tons)	5.0(a)	3.1*
Consumption of Phosphatic Fertilizers (P2O5) (Lakh tons)	1.5	0.7*
Urban Compost (Million tons)	3	3*
Seed Farms (Gross) (Numbers)	4328	4000
Area under Improved Seeds (Foodgrains) (Million hectares)	N.S.	22.3
Soil Conservation on Agricultural Lands (Million hectares)	0.8	1.1(b)

(P) Figures are provisional and subject to revision.
(a) Revised Target.
(b) Revised Estimate.
* Levels reached in 1960-61.





Under both the First and the Second Plans, there was, thus, left quite a good deal of leeway in respect of provision of irrigation facilities through major and medium works, as also in the field of application of chemical manures. Land reclamation work also d.d not proceed according to the chalked-out programme.

Development Under Third Plan

Against registering a fairly rapid progress in the 'fifties, agricultural output in the first year of the Third Plan, however, did not show any improvement. Production of wheat and jute, of course, revealed considerable advance, but it was all negatived by shortfalls elsewhere, the net result being that the index number of overall farm output remained unchanged at 139.9 (see Table Agr.-1).

This brake to agricultural growth may have been brought about by adverse weather conditions, but that cannot be held to be the sole factor responsible for it. The tempo of development also slackened appreciably, may be owing to a sense of complacency being induced by the slightly comfortable supply position that came to prevail in this year, particularly on the food front, or due to delays in gearing up the administrative machinery to the new tasks. Both the sense of complacency and the administrative delays, however, were unwarranetd in view of the fact that the Third Plan envisages an outlay of over Rs. 1,750 crores on agricultural development.

How the various agricultural development activities slowed down in 1961-62 should be apparent from the following facts:

(1) Supplies of nitrogenous fertilizers, both from indigenous sources and imports, amounted to nearly 2.9 lakh tons (N), as against the planned target (for this year) of 4 lakh tons and an estimated demand of 5.3 lakh tons. The five-year target is for stepping up consumption of nitrogenous fertilizers to 10 lakh tons.

(2) Urban compost output could be stepped up only marginally to 3.1 million tons, as against the five-year target of 5 million tons. Rural compost output, similarly, could be raised to only 76.7 million tons, as against the 1965-66 target of 150 million tons. Green manuring was extended to an additional area of about 1.13 million hectares, while the five-year target is its extension to an additional area of 11.75 million hectares.

(3) Minor irrigation facilities could be extended to only about 0.7 million hectares, as against the original 1965-66 target of their extension to 5.2 million hectares and the revised target of 7.8 million hectares.

(4) Area under improved seeds could be increased by only 6.1 million hectares, while the five-year target is to increase it by 37.6 million hectares.

(5) As against the original Third Plan target of covering 4.5 million hectares of agricultural land under soil conservation measures and the revised target of 6.7 million hectares, soil conservation programmes could be extended to only 0.4 million hectares.

(6) Dry farming techniques could be popularised on an area of only about one million hectares, as against the original 1965-66 target of 8.9 million hectares and the revised target of 13.4 million hectares.

(7) Land reclamation work too progressed at an equally slow pace. Only 0.3 million hectares of culturable wastes were reclaimed in 1961-62, as against the five-year target of 1.5 million hectares.

(8) Steel shortages must have continued to hamper the progress in respect of manufacture and supply of improved farm implements.

The first year of the Third Plan, however, witnessed a notable development in the launching of what is known as the Intensive Agricultural Development Programme, popularly styled as the Package Programme, on a fairly wide area. But the original schedule in this respect of extending this Programme to one selected district in each of the fifteen States in the Indian Union, could not be kept up. The Programme envisages provision to the agriculturists in these districts, chosen carefully on considerations of availability of irrigation or assured rainfall, enlightenment of the peasantry etc., (implying that they have the greatest increase potentialities in a short period) of all the aids to farm production (chemical fertilizers, pasticides, insecticides, improved seeds and implements etc.) in adequate quantities and at the appropriate time. Scientific demonstrations are to be staged compositely in these districts to educate the peasantry in modern techniques of production. Some of the districts where this Programme had been launched were, however, passing through teething troubles in 1961-62.

The tempo of agrarian development activity has been sought to be stepped up somewhat during the current year. The following targets were fixed in the annual Plan now being implemented:

(1) Consumption of nitrogenous fertilizers is envisaged to be stepped up to 4.75 lakh tons (N) and that of phosphatic fertilizers to 1.53 lakh tons.

(2) Output of urban compost is to be increased to 3.5 million tons and that of rural compost to 90.5 million tons. Green manuring is to be extended to a total cultivated area of 9.1 million hectares.

(3) Gross area under minor irrigation is envisaged to be extended by at least one million hectares and the potential created by the major and medium irrigation works is to be utilized to a greater extent.

(4) An additional 7.5 million hectares of area under foodgrains cultivation is proposed to be sown with improved seeds.

(5) Soil conservation measures are to be extended to at least another 0.5 million hectares and dry farming methods to at least an additional area of 1.75 million hectares.

(6) Attempts are to be made to reclaim nearly 0.28 million hectares of agricultural wastes and 125,000 hectares of saline and alkaline lands.

(7) The Package Programme is to be extended with a view not only to make up the leeway left during the first year of the Plan, but also to some other areas growing cotton and oilseeds. The teething troubles are to be overcome expeditiously.

This tempo of developmental activity was envisaged to raise the production, during the current year, of foodgrains to 87 million tons, of cotton to 57 lakh bales and of oilseeds to 83 lakh tons, from 79.8 million tons, 45 lakh bales and 73 lakh tons, respectively, in 1961-62. Jute (including mesta) and sugarcane output, however, were sought to be curtailed from 80 lakh bales and 97 lakh tons in 1961-62 to 70 lakh bales and 93 lakh tons.

How far all these targets would be fulfilled, it is anybody's guess. Indications upto September-end were not so heartening. Supply of nitrogenous fertilizers, for instance, at that time was feared to be deteriorating primarily because of expectations of lower imports at about 2.04 lakh tons as against the original

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TABLE AGR.-7.

AGRICULTURAL PRODUCTION IN INDIA, 1950 - 51 — 1961 - 62

(Crop years ending June)

Crop	1950-51		1955-56		1959-60		1960-61		1961-62	
	Area ('000 Hects)	Production ('000 M. tons)	Area ('000 Hects)	Production ('000 M. tons)	Area ('000 Hects.)	Production ('000 M. tons)	Area ('000 Hects.)	Production ('000 M. tons)	Area ('000 Hects.)	Production ('000 M. tons)
FOODGRAINS										
Rice(1) ..	30,812	20,575	31,522	27,556	33,521	31,458	33,569	34,197	33,861	34,148
Jowar ..	15,572	5,495	17,363	6,725	17,061	8,132	17,274	9,362	17,432	7,786
Bajra ..	9,023	2,595	11,339	3,428	10,826	3,575	11,425	3,228	10,938	3,558
Maize ..	3,160	1,729	3,696	2,602	4,333	4,070	4,360	4,015	4,468	4,064
Ragi ..	2,203	1,429	2,307	1,846	2,414	1,934	2,322	1,681	2,311	1,777
Small millets ..	4,605	1,750	5,336	2,070	5,026	2,061	4,897	1,975	4,740	1,907
Wheat ..	9,746	6,462	12,367	8,760	13,170	10,250	12,969	10,991	13,452	11,806
Barley ..	3,113	2,377	3,418	2,815	3,377	2,717	3,224	2,866	3,341	3,116
Total Cereals ..	78,234	42,412	87,348	55,802	89,728	64,199	90,040	68,315	90,543	68,162
Gram ..	7,570	3,650	9,780	5,418	10,268	5,590	9,407	6,323	9,744	5,948
Tur ..	2,181	1,719	2,287	1,861	2,383	1,694	2,390	2,081	2,315	1,312
Other Pulses ..	9,341	3,041	11,150	3,766	11,687	4,435	11,408	4,247	11,720	4,401
Total Foodgrains	97,326	50,822	110,565	66,847	114,066	75,918	113,245	80,966	114,322	79,823
OILSEEDS										
Groundnut(3) ..	4,494	3,481	5,134	3,862	6,015	4,005	6,257	4,461	6,414	4,757
Castorseed ..	555	103	574	125	473	107	420	91	448	103
Sesamum ..	2,204	445	2,293	467	2,195	395	2,169	321	2,251	372
Rape & mustard	2,071	762	2,556	860	2,894	1,064	2,871	1,356	3,075	1,305
Linseed ..	1,403	367	1,529	421	1,944	438	1,794	395	1,704	397
FIBRES										
Cotton(4) ..	5,883	2,910	8,085	3,998	7,610	3,678	7,637	5,390	7,572	4,500
Jute(5) ..	571	3,283	704	4,198	682	4,605	612	3,982	914	6,269
Mesta(5) ..	..	..	231	1,153	285	1,118	279	1,131	385	1,705
PLANTATIONS										
Tea(6) ..	314	275	316	285	..	..	..	..	..	..
Coffee ..	91	25	101	34	111	46	..	68	..	49
Rubber(6) ..	58	14	70	23	123	24	129	25	..	..
MISCELLANEOUS										
Potatoes ..	240	1,660	280	1,859	357	2,766	369	2,747	369	2,767
Sugarcane(2) ..	1,707	57,051	1,847	60,540	2,113	76,404	2,343	104,122	2,405	97,557
Black pepper ..	80	21	89	28	95	26	103	28	103	28
Chillies (dry) ..	592	351	604	361	596	342	619	372	614	369
Ginger (dry) ..	16	14	17	16	17	15	18	17	18	17
Tobacco ..	357	261	410	303	370	285	400	312	415	344
Coconut(7) ..	622	3,582	648	4,368	688	4,639	688	4,638	..	..

Note: Variations in coverage and refinements in methods of estimating the area and production of crops during the last decade have introduced an element of non-comparability.

1. Production of Rice is in terms of cleaned rice.
2. Production of Sugarcane is in terms of cane and not gur.
3. Production of Groundnuts is in terms of nuts in shell.
4. Production of Cotton is in terms of lint cotton and in thousand bales of 177.8 kgs. each.
5. Production of Jute and Mesta is in terms of dry fibre and in thousand bales of 181.4 kgs. each.
6. Figures of Tea and Rubber relates to calendar year.
7. Production of Coconuts is in million nuts.

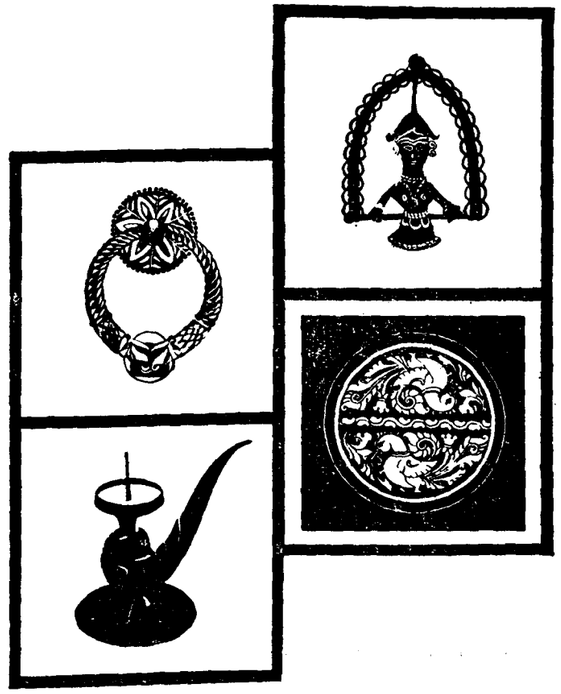
Source: Ministry of Food and Agriculture.

TABLE AGR.-8

AVAILABILITY OF FOOD

(Calories per capita per day)

	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60*	1960-61
1. **Cereals**										
Rice ..	553	578	677	629	657	672	574	666	674	717
Wheat ..	173	191	175	177	186	222	210	247	246	244
Others ..	363	398	444	446	372	365	389	410	391	387
Total ..	**1,089**	**1,167**	**1,296**	**1,252**	**1,215**	**1,259**	**1,173**	**1,323**	**1,311**	**1,348**
2. **Pulses**										
Gram ..	63	78	89	101	94	103	88	116	91	100
Others ..	110	106	116	107	112	104	89	114	112	114
Total ..	**173**	**184**	**205**	**208**	**206**	**212**	**172**	**230**	**203**	**214**
3. **Roots and Tubers**										
Potatoes ..	6	7	7	6	6	5	6	7	8	8
Cassava ..	10	13	16	14	13	13	12	12	12	12
Sweet Potatoes	9	7	10	11	8	8	7	10	8	8
Total ..	**25**	**27**	**33**	**31**	**27**	**26**	**25**	**29**	**28**	**28**
4. **Sagar ..**	140	112	100	144	130	141	145	143	153	143
5. **Nuts and Seeds**										
Groundnuts ..	8	5	5	5	4	5	5	5	4	5
Sesamum ..	6	5	5	5	3	3	3	3	3	2
Coconut ..	5	5	5	6	6	6	6	6	6	5
Rapeseed ..	3	3	3	3	3	3	3	3	3	3
Linseed ..	1	1	1	1	1	1	1	1	1	1
Total ..	**23**	**19**	**19**	**20**	**17**	**18**	**18**	**18**	**17**	**16**
6. **Fish ..**	3	3	3	3	3	4	3	3	4	4
7. **Oils**										
Groundnut ..	38	31	47	50	43	57	61	59	47	52
Coconut ..	4	6	4	2	4	6	6	6	6	4
Sesamum ..	9	9	12	12	9	9	6	9	6	6
Linseed ..	3	3	6	3	3	3	3	3	3	3
Rapeseed ..	16	14	16	18	14	18	16	16	16	21
Total ..	**70**	**63**	**85**	**85**	**73**	**95**	**92**	**93**	**78**	**86**
Grand Total ..	**1,523**	**1,575**	**1,741**	**1,743**	**1,671**	**1,755**	**1,628**	**1,839**	**1,794**	**1,839**



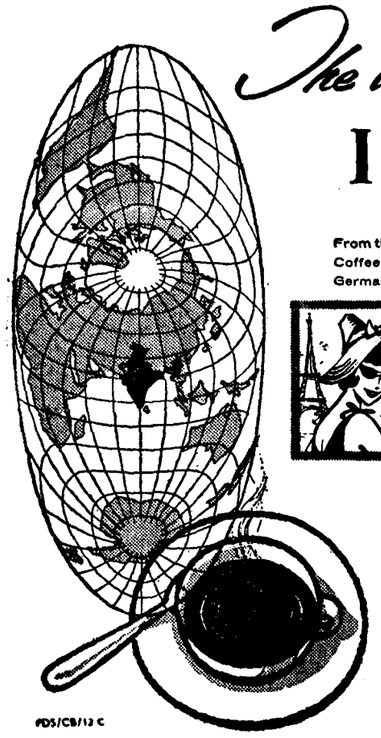
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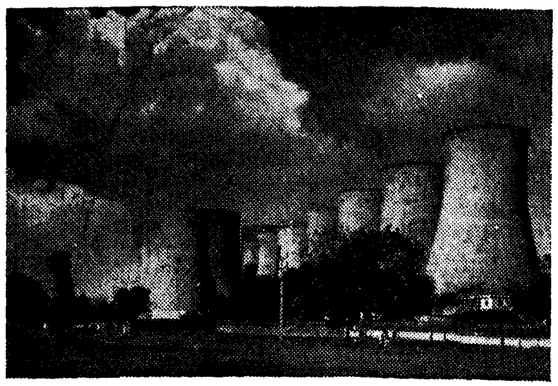
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estimate of 3.26 lakh tons. With the proclamation of emergency, the tempo of activity can be expected to have risen and more indigenous supplies of chemical fertilizers may now be forthcoming than estimated earlier.

Although delayed rains in vast tracts of the country in July last and the havoc played subsequently by floods in not a few States can be construed to have marred to some extent the outlook of Kharif crops—and these crops may not have been upto the original expectations—the increased efforts being made under the emergency in regard to the rabi crops should help in the near-acheivement of the targets in a number of cases. Some shortfalls, however, cannot be ruled out.

Although, the agricultural development activity is, thus, picking up, the progress that would have been registered during the first two years of the current Plan will only be modest compared to the ambitious (from the point of view of implementation)—but somewhat rather low from the point of view of requirements —targets fixed in the Third Plan document and subsequently revised upwards by 50 per cent in the case of soil conservation, dry farming and minor irrigation programmes.

Agricultural Development in China

HAVING TRACED briefly the growth in Indian agriculture since 1950-51, it should not be out of place to devote some space for an assessment of the development of China's agrarian economy under Mao's regime, if for no other reason than for the fact that agricultural developments in India and China—the two dominant countries of Asia by virtue of their population and area—are being watched with great interest by all the newly independent nations of the Asian and African continents with a view to looking for guidelines for the development of their own agrarian economies. The agricultural growth in India and China is being attempted through two opposite modes — in India through democratic means, the State assisting the peasantry in diverse ways but not usurping from it the title to land, and in China through the Communist ways of regimentation and collectivisation which aim at State ownership of all the means of production—agricultural as well as industrial.

In 1959 China sprang a big surprise on the world by claiming that her agricultural output in 1958 had staged a "Great Leap Forward". It was claimed that production of foodgrains had gone up to 375 million metric tons and of cotton to 3.35 million metric tons, from 185 million metric tons and 1.64 million metric tons, respectively, in 1957. Output of soyabeans it was stated, had increased in the course of one year by 24 per cent, of hemp by 8 per cent and of cured tobacco by as much as 115 per cent. These fantastic figures were subsequently scaled down drastically and the 1958 output of various farm products was put at: foodstuffs 250 million metric tons, cotton 2.1 million metric tons, soyabeans 10.5 million metric tons, groundnuts 2.8 million metric tons, cottonseeds 4.2 million metric tons, tobacco 0.38 million metric tons, and tea 0.14 million metric tons, compared to 185 million metric tons, 1.64 million metric tons, 10.25 million metric tons, 2.57 million metric tons, 32.8 million metric tons, 0.39 million metric tons and 0.11 million metric tons, respectively, in 1957.

Even these severely downgraded estimates of China's agricultural production in 1958 were received by the discerning observers with no small suspicion. Later events have made them more suspect.

For over two years now alarming reports have been emanating from Hong Kong—the Free World's window on Mainland China—of the travails that the Chinese masses have been going through because of food shortages. They provide an indication of how the Chinese farm output figures had been inflated. According to the data made available by the ECAFE Secretariat, (see Table Agr.-9), China's rice output in 1959-60 fell short of the 1958-59 production by 8 million metric tons. But wheat output showed an increase of 2.34 million metric tons. The net shortfall in the production of these two staple foods in 1959-60, thus, amounted to only 5.66 million metric tons compared to the 1958-59 year, claimed to be of bumper crop. Exports of rice in 1959 were approximately of the same order as in 1958, but the food supply position deteriorated to such an extent that despite an increase in rice output in 1960-61 by no less than 5 million metric tons (wheat output figures are not available), China had not only to cut down her rice exports but also take resort to imports of wheat and barley from abroad, mainly from Australia and Canada, to the tune of nearly 5 million tons. There might have been experienced some shortfalls in 1959-60 and 1960-61 in the output of other foodgrains, but all this is, indeed, hard to reconcile with the widespread hunger that is stated to have prevailed in China in 1961.

No detailed data have been published by China of her agricultural production after 1959-60. But enough reliable information, inevitably of a circumstantial nature, is available which shows that China today, owing to decline in her food production, has become a net importer of foodgrains, from a net exporter, in the course of two years. Chinese rice exports to destinations other than the Soviet Union are reported to have gone down from one million metric tons in 1959 to as low as 0.35 million metric tons in 1961-62. Her these exports to

TABLE AGR.-9

AREA AND PRODUCTION OF SELECTED AGRICULTURAL COMMODITIES IN CHINA MAINLAND

Commodity	AREA (1,000 hectares)						PRODUCTION (1,000 metric tons)					
	1948-49 1952-53	1957-58	1958-59	1959-60	1960-61	1961-62	1948-49 1952-53	1957-58	1958-59	1959-60	1960-61	1961-62
Rice (paddy)	26,819	32,257	32,700	29,700	31,500	..	58,188	86,800	88,000	80,000	85,000	..
Wheat	23,049	27,555	26,637	24,078	..	..	15,912	23,650	28,950	31,294	..	..
Sugarcane	183	..	..	..	..	..	4,380	10,201	13,525	13,931	..	..
Soybeans	8,994	12,500	9,330	10,120	..	..	7,282	10,250	10,500	11,480	10,160	..
Groundnuts (in shell)	1,530	2,530	2,375	2,000	2,105	..	2,060	2,570	2,800	2,270	2,270	..
Cottonseed	4,406	5,778	5,726	..	..	..	1,730	3,280	4,200	4,820	..	..
Tobacco	186	..	..	..	..	..	220	390	380	422	..	..
Tea	..	..	..	..	..	..	63	112	140	153	159	159
Cotton	4,406	5,778	5,726	..	..	..	868	1,640	2,100	2,410	..	..

the USSR too have progressively declined. Against this, her food imports amounted to nearly 5 million metric tons in 1961. During the current year, China had signed upto September-end contracts for the import of foodgrains from abroad to the tune of 3.1 million metric tons. In the last weeks, two more contracts are reported to have been signed with Australia and Canada for total wheat imports of 8.27 million metric tons.

A major portion of the rice exports made by China today, apparently, is being effected for considerations other than economic. There is politics in China's continuing exports of her rice, though on a limited scale. This can deceive no one except only the gullible. A clear evidence of this fact was available in October last when just on the eve of Prime Minister Nehru's visit to Colombo, China entered into a trade agreement with Ceylon, involving exchange of 33,000 tons of Ceylonese rubber for 2,00,000 tons of Chinese rice.

Compared to India, it is claimed by the Chinese that their programmes of agricultural regeneration are far more effective. But is it so? Except for one fact that there is regimentation in China and the Government there can compel the people to do whatever job it wants them to perform, while in the democratic set-up in India the element of compulsion is conspicuous by its absence, the various methods adopted to improve agriculture in the two countries are more or less the same—abolition of landlordism (by its substitution by State ownership in China and peasant proprietorship in India), extension of irrigation facilities, increased application of modern scientific knowledge and technology, etc.

The table in the next column sets out the rate of growth in various agricultural commodities produced in India and China, on the basis of the figures supplied by the ECAFE Secretariat, during the late 'fifties. Average output has been taken for the three years—1957-58, 1958-59 and 1959-60. Incidentally, these years contained in the case of China two more or less normal years for agricultural production and the third one of exceptionally good harvest, while in the case of India only one of these years was of slightly above normal weather conditions and the other two of below normal circumstances. The growth has also been calculated for 1960-61 in the case of the four commodities whose production figures are available from China and for 1960-61 and 1961-62 in the case of the various farm products in India.

The table reveals that the growth in the average output of the commodities listed here in the three-year period 1957-58 to 1959-60, over the average production in the four-year period 1948-49 to 1952-53, was slower all along the line in India. But as explained above, these three years were of comparatively far less favourable weather conditions for farming in this country than in China.

The 1960-61 and 1961-62 growths in India should provide a better index of the development of Indian agriculture, for both these years were comparatively normal years. The 1960-61 and 1961-62 rice crops in India were higher than the average output from 1948-49 to 1952-53, by over 53 per cent. The increase in rice output in China has been of the order of 46 per cent. The percentage increase in wheat and groundnuts production has also been higher in India than in China.

Production of other commodities in India, has, however, progressed at a slower pace. But one important factor that should not be lost sight of, particularly in regard to tobacco and tea, is that their cultivation here market. Further, some allowance has to be made for the exaggeration injected by the Chinese authorities into their farm output figures. Her food production today is claimed by China to be slightly over 185 million metric tons, but critics of China's economy place it no more than 150 million tons (or about 105 million tons if cleaned rice is taken into account in place of paddy and potato production is excluded as in Indian Food Statistics). In cotton production, India, indeed, has lagged behind.

A very pertinent point that needs to be taken note of in this comparison, however, is that Indian agriculture today—after heavy investments having been effected into it during the 'fifties—has developed a certain amount of dynamism, notwithstanding the pause in its growth in 1961-62. The Chinese agriculture, on the other hand, has suffered successive setbacks since 1958-59, which

TABLE AGR.-10

AGRICULTURAL GROWTH IN INDIA AND CHINA (MAINLAND)

INDIA

Commodity	Percentage change of 1957-58 — 1959-60 over 1948-49 — 1952-53	Percentage change of 1960-61 over 1948-49 — 1952-53	Percentage change of 1961-62 over 1948-49 — 1952-53
Rice (Cleaned) ..	31.18	53.66	53.44
Wheat ..	44.83	70.28	82.91
Sugarcane ..	35.62	93.30	81.11
Groundnut ..	39.76	39.57	48.82
Tea ..	14.94	19.64	31.66
Tobacco ..	5.69	24.80	37.80
Cotton ..	60.23	97.73	65.08

CHINA (Mainland)

Commodity	Percentage change of 1957-58 — 1959-60 over 1948-49 — 1952-53	Percentage change of 1960-61 over 1948-49 — 1952-53
Rice (Paddy) ..	45.96	46.08
Wheat ..	75.75	..
Sugarcane ..	186.58	..
Soybeans ..	47.53	39.52
Groundnut ..	23.64	10.19
Cottonseed ..	136.99	..
Tobacco ..	80.45	..
Cotton ..	136.18	..
Tea ..	114.29	152.38

have resulted in its virtual stagnation. How far the slight improvement in China's agrarian economy during the current year can be sustained in the near future, in view of the famished state of health of her peasantry, is anybody's guess. In India, some spectacular results can be anticipated to follow from the increase in the tempo of developmental activity in the remaining three years of the current Plan.

The decline, or stagnation, in China's agricultural output since 1958-59 is said to have been brought about by natural calamities. But the real reasons for this apparently are to be found somewhere else—in the regimentation and coercion resorted to to form communes and extension of irrigation in a haphazard manner resulting in alkalisation of large tracts of cultivable land. The smoke-screen of widespread droughts, floods and storms in three years in succession—something unheard of in the agrarian history of any country — has most probably been contrived (or at least the effect of these natural calamities has been grossly exaggerated) to camouflage the failure of the agricultural policies pursued by the Communist regime and to divert the attention of the Chinese peasantry, as also of the outside world, from the real causes of the stalemate.

That this is just not a mere conjecture should be evident from some oblique references made by the Chinese authorities themselves to the fact that their agrarian policies have not been an unqualified success. Nearly two years ago, the communique issued at the end of the 9th plenary session of the Eighth Central Committee of the Chinese Communist Party, while calling for increased efforts to raise farm output, stated: "In view of the serious natural calamities that affected agricultural production for two successive years, the whole nation in 1961 must concentrate on strengthening the agricultural front, must carry out the policy of taking agriculture as the foundation of the national economy and of developing agriculture and grains production in a big way. The whole Party and the whole people must step up support for agriculture by all sectors and occupations and must exert the utmost effort to win a better harvest in agricultural production."

Following this declaration, millions of people from all walks of life were sent to the countryside to help raise farm output. Industry too was geared to this end. But the results are well-known—hunger did not stop. Why? Agricultural output failed to look up by any substantial degree.

Some of the steps taken in the last two years by the Peking regime to reorganise agriculture are all pointers to the fact that the Commune system and the wholesale application of some experiments which had proved successful in particular areas under particular weather conditions are not now trusted by the authorities as sufficient for delivering of goods. The number of Commnues decreased to 24,000 in 1959 and is reported to have gone down further since then. There have also been effected relaxations in the rigid Commune regulations. The members of the Communes have been given marginal lands to give them incentive to raise subsidiary foodstuffs by following sideline occupations like poultry farming, vegetable growing and pig rearing —revival of the "free market" economy, though on a limited scale? Greater flexibility has also been imparted to the production programmes. Regional advisory centres have been set up for drawing up production plans taking into consideration the local conditions. The production squads (groups of about 10 workers) have been given successively more powers to make their own decisions on the sowing of crops, rather than to follow the directions from the Commune headquarters or from the brigades, as was the case previously. The Central control in all these matters has been relaxed to a very large degree.

The 10-point programme of economic development during the current year, enunciated by Mr. Chou En-lai, the Chinese Premier, recently, is a clear enough manifestation of the fact that despite some improvement recorded in Chinese agriculture this year, all is not yet well with it. One of the primary objectives of this programme is to step up farm output. With this end in view the supply of various pre-requisites to agricultural production are sought to be augmented by placing greater stress on the manufacture of farm machinery and chemical fertilizers. Irrigation facilities are also being extended. But with all this, can the Chinese farm output be stepped up expeditiously without some major shifts in policy to induce the peasantry, in its present famished state of health, to put in its best? Very doubtful! The experience of the Soviet Union in the past few years is an unmistakable pointer in this respect. In spite of successive increases having been effected, since 1953, in the prices of compulsory quota deliveries of all the agriculture commodities produced on the collective and co-operative farms, reduction (or even abolition in some cases) of such deliveries and the massive investment being made in the agrarian economy, Mr. N. S. Khrushchev, the Soviet Union Premier, still continues to complain of a lack of upsurge in Russian agriculture. The Chinese experience can be no better.

India's Agricultural Growth Impressive, But Not Enough

THE FOREGOING analysis of agricultural growth in India and China during the 'fifties suggests that India has in no way fared badly in boosting her overall farm output in comparison with China. In certain respects, development of Indian agriculture, in fact, has been faster than that of the Chinese. But it does not imply that our agrarian economy is in that sound state of health in which we would like it to be seen. Although the inflationary tendencies witnessed in the prices of our various farm products in the late 'fifties have been contained successfully in the last two years, any slackening of efforts on the agricultural front can lead to their re-emergence, with disastrous consequences on our defence build-up against the unscrupulous Peking regime.

Indian agriculture even today continues to suffer from various weaknesses, the most important of them being its vulnerability to weather conditions and the pitifully low yields per unit-area. Although some improvement has been witnessed in regard to the latter during the 'fifties, as is evident from Table Agr.-11, yields of various agricultural crops per hectare in this country compare very unfavourably with those in the advanced countries of the world (see Table Agr.-12). Productivity in Indian agriculture in general has progressed at none-too-flattering a rate; only half of the additional production secured in the past decade is stated to have accrued from increase in productivity, the other half having resulted from increase in area under cultivation.

Moreover, growth in productivity has been very lopsided as beween different crops (see Table Agr.-13). Among cereals and pulses, productivity of rice and wheat has shown a relatively higher upward trend than that of coarse grains. Increase in productivity in the case of pulses generally has been only meagre. In most cases it has even deteriorated; the productivity index for "other pulses" has remained invariably below the

base level. Similar has been the progress in respect of oilseeds. In this group, only productivity of castorseeds has shown some improvement. In regard to others, the progress has been very slow and uneven with the index generally remaining below the base level and fluctuating quite widely. (This phenomenon is perhaps explained by the fact that greater stress has been placed hitherto on boosting the output of staple food which has led to the growing of these crops — oilseeds and pulses—only on marginal lands.) Among fibres, productivity index for cotton has fluctuated very widely (presumably because of heavy dependence of this crop on weather conditions). Productivity in jute has increased only at a slow pace. In the miscellaneous group, productivity of sugarcane has shown some improvement, but that of tobacco has generally gone down.

This uneven progress in the productivity of different crops has led to quite a few unnecessary imbalances being developed in Indian agriculture. High prices of some crops in some years have resulted in diversion of area under cultivation to these from under the competing crops. Jute output, thus, got a big fillip in 1961-62; prices of raw jute in the previous year had ruled unreasonably high owing to failure of crop both in India and in Pakistan. But this increase in jute output was

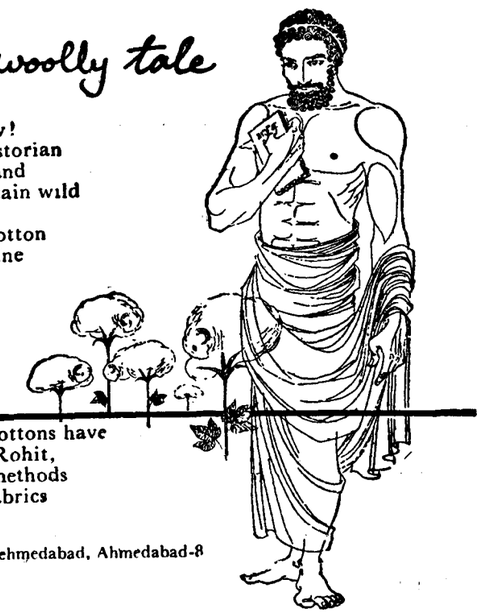
TABLE AGR-11.

PER HECTARE YIELDS OF PRINCIPAL CROPS IN INDIA

(In Quintals*)

Crop	1950-51— 1952-53 (Average)	1953-54— 1955-56 (Average)	1956-57— 1958-59 (Average)	1959-60— 1961-62 (Average)
I. **FOORGRAINS**	5.5	6.2	6.3	6.9
(a) **Cereals**	5.7	6.6	6.6	7.4
1. Rice	7.1	8.6	8.8	9.9
2. Jowar	3.8	4.6	4.9	4.9
3. Bajra	2.8	3.3	3.1	3.1
4. Maize	6.6	7.6	8.0	9.2
5. Ragi	6.2	7.7	7.6	7.7
6. Small millets	3.9	4.2	3.9	4.0
7. Wheat	6.9	7.5	7.2	8.4
8. Barley	8.0	8.4	7.9	8.7
(b) **Pulses**	4.5	4.9	4.9	5.1
9. Gram	5.2	5.9	6.2	6.1
10. Tur	7.5	7.7	7.3	7.2
II. **Oilseeds**				
11. Groundnut (nuts in shell)	6.8	7.8	7.8	7.1
12. Castorseed	1.8	2.1	2.2	2.3
13. Sesamum	2.0	2.2	2.0	1.6
14. Rape and mustard	3.9	3.8	4.1	4.2
15. Linseed	2.6	2.8	2.4	2.3
III. **Fibres**				
16. Cotton (lint)	0.9	1.0	1.0	1.1
17. Jute	10.8	10.9	11.1	12.2
IV. **Miscellaneous Crops**				
18. Potatoes	72.1	69.6	64.5	75.7
19. Sugarcane (cane)	315.7	335.2	349.5	403.9
20. Ginger (dry)	8.8	9.8	9.3	9.4
21. Pepper (black)	2.8	3.0	2.9	2.7
22. Chillies (dry)	5.9	5.9	5.7	5.9
23. Tobacco	7.1	7.4	7.1	7.9

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brought about to a great extent by diversion of land from under paddy cultivation. Sugarcane output in the past two or three years, similarly, has gone up at the expense of wheat. The net result of all this has been that not only the goal of achieving self-sufficiency in food has proved elusive, but supplies of agricultural raw materials to the industrial sector have also shown an erratic trend.

The increase in productivity as well as in the total physical output has also been uneven as between the different States of the Indian Union. Agricultural growth in Punjab, indeed, has been phenomenal (This State suffered heavily from Partition and lost a major portion of the canal irrigation area to Pakistan, thus becoming deficit in food production. But in the course of barely fifteen years, it has again emerged as a big food surplus producing State, besides as a material contributor to the output of various other important crops like gram and cotton). It has been fairly moderate in Andhra Pradesh, Madhya Pradesh, Madras and Mysore. But Assam, Orissa and West Bengal have registered only meagre progress, notwithstanding some increases in yields witnessed recently in the latter two.

Low productivity in India obviously can be attributed to a number of factors, the most important of them being (1) the general poverty and uneconomic holdings of the majority of peasantry, (2) lack of education, (3) inertia and fatalistic attitude of the farmers at the lower rung, etc. But not a small role is played in this matter by lack of adequate specialisation in our agriculture and it still not being treated, by and large, as an industry. The unit-area yields of various food crops in different States show wide disparities, but still they continue to be grown in almost all the States. Some specialisation has, indeed, been effected, over the ages, in respect of commercial crops. But here also there is some further scope for it, as is apparent from the wide disparities in sugarcane yields per acre between U.P. and Bihar, on the one hand, and Maharashtra and Gujarat, on the other. Farming is taken as an industry only by the educated middle class which has taken to it after the implementation of the land reforms or in the absence of other suitable avenues of employment open to it. The difference to farm yields that efficient management can make hardly needs any emphasis.

There are two other weak links in the agricultural development in India — (i) comparatively lower emphasis placed under the first two Plans on fostering the production of protective foods; and (ii) the drag that surplus cattle population exerts on farm output. An average Indian today consumes far less quantities of oils, vegetables, fruits, milk and milk products, meat, fish and eggs per day than he used to consume some two decades ago. This is an unmistakable proof of output of these protective foods not keeping pace with the staggering growth in population. An important point that needs to be taken note of in this connection is that livestock yields in this country in the last decade or so have gone up only marginally. The total milk production, for instance, is estimated to have gone up from 17 million tons in 1950-51 to about 22 million tons in 1960-61. But how much of this is due to increase in the number of milch cattle and how much owing to improvement in yield per head-cattle it is difficult to say. During the past couple of years the tempo of development activity in regard to protective foods has been stepped up. But to what extent it can succeed in the case of livestock output in the face of surplus cattle continuing to be a drag on, and in competition with the useful livestock for, the available feed is anybody's guess.

Continued on page 1287)

TABLE AGR.-12

YIELDS OF MAJOR CROPS IN INDIA AND OTHER SELECTED COUNTRIES

(Quintals per hectare)

	1948-49 — 1952-53	1960-61
WHEAT		
India ..	6.7	8.5
		(8.8)
U.S.A. ..	11.2	17.6
Canada ..	12.8	14.2
Argentina ..	11.5	11.0
U.S.S.R. ..	8.4	10.6
France ..	18.3	25.3
Italy ..	15.2	14.9
Australia ..	11.2	13.1
China Mainland ..	6.9	13.0
		(1959-60)
MAIZE		
India ..	6.9	9.2
		(9.1)
U.S.A. ..	24.5	33.5
Canada ..	32.0	35.8
Argentina ..	14.8	17.7
U.S.S.R. ..	13.7	16.7
Netherlands ..	32.5	38.1
Italy ..	18.4	32.1
Australia ..	17.6	21.2
Yugoslavia ..	13.4	24.0
RICE (Paddy)		
India ..	11.3	15.2
		(15.1)
Japan ..	40.0	48.6
Burma ..	14.6	16.2
Thailand ..	13.1	13.7
United Arab Republic	37.9	50.1
Australia ..	48.6	61.1
China (Mainland) ..	21.7	25.4
GROUNDNUT		
India ..	7.3	7.1
		(7.4)
Indonesia ..	9.8	11.7†
United States ..	9.2	14.2
Argentina ..	10.1	14.0
China (Mainland) ..	13.5	10.8
COTTON (Lint)		
India ..	0.9	1.3
		(1.1)
U.S.A. ..	3.2	5.0
United Arab Republic	5.2	6.1
Sudan ..	3.6	2.7
Uganda ..	1.1	1.1
SUGARCANE		
India ..	322.2	444.4
		(405.6)
Cuba ..	382.7	410.9
Hawaii ..	1,733.2	1,963.1
Puerto Rico ..	641.7	765.5
Mexico ..	513.3	563.5
Brazil ..	387.2	420.1
Australia ..	597.0	674.9
TOBACCO		
India ..	7.5	7.8
		(8.3)
Japan ..	17.3	20.5
Brazil ..	7.6	8.0
United States ..	14.2	19.1
Canada ..	14.4	17.7
Italy ..	13.4	15.0
U.S.S.R. ..	7.4	12.8
China (Mainland)	11.8	..

Note: Figures in brackets relate to 1961-62.

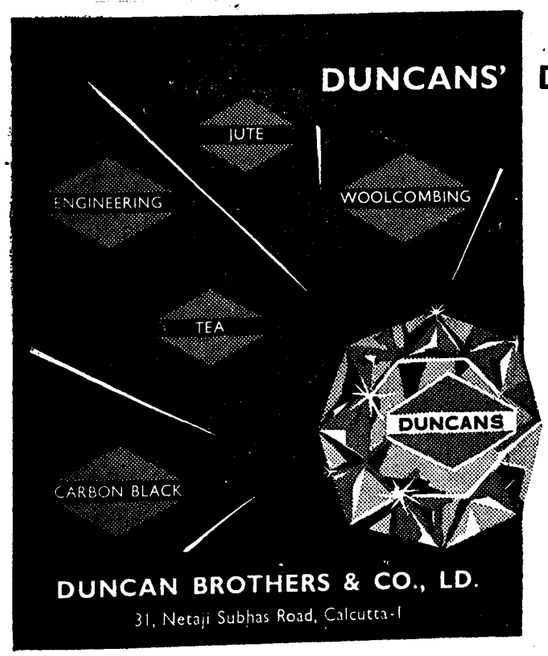
† Relates to 1959-60.

TABLE AGR.-13.

INDEX NUMBERS OF AGRICULTURAL PRODUCTIVITY IN INDIA: 1950 - 51 — 1961 - 62

(Base: Agricultural year 1949-50: 100)

Commodity / Group	1950-51	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62 (estimated)
I. FOODGRAINS								
(a) **Kharif Cereals**								
Rice	87.1	110.8	114.2	100.2	117.9	114.5	123.9	123.1
Jowar	89.6	86.6	101.0	111.6	110.4	106.8	121.3	100.0
Bajra	86.0	88.5	74.2	94.1	97.8	95.9	81.4	94.4
Maize	87.6	99.5	115.9	109.3	103.3	109.8	106.8	106.3
Ragi	94.8	128.4	125.9	117.6	124.6	128.1	114.2	122.9
Small Millets	92.0	94.2	94.4	88.0	101.0	101.3	98.7	99.0
Kharif Cereals	88.2	103.0	109.0	99.8	112.5	111.7	118.4	116.2
(b) **Rabi Cereals**								
Wheat	101.2	103.6	101.5	98.6	113.7	112.4	121.5	126.7
Barley	107.9	110.2	109.0	99.5	109.2	107.2	115.4	124.2
Rabi Cereals	102.6	105.7	103.9	99.8	114.2	113.0	122.3	128.4
Cereals	90.8	103.8	108.2	99.7	112.9	112.2	119.4	118.9
(c) **Pulses**								
Gram	107.5	117.7	136.9	117.7	147.4	115.6	140.9	129.7
Tur	98.2	101.6	108.0	76.5	84.2	85.4	105.7	68.7
Other Pulses	92.8	90.1	78.3	76.7	86.5	87.8	86.3	87.2
Pulses	99.8	101.4	104.8	92.1	110.6	98.0	109.7	99.2
FOODGRAINS	92.4	103.0	107.4	98.6	112.2	109.8	118.0	115.8
II. NON - FOODGRAINS								
(a) **Oilseeds :**								
Groundnut	89.7	87.1	91.4	85.1	90.7	85.2	90.5	94.9
Sesamum	94.3	94.2	93.2	83.5	114.0	86.4	77.4	85.8
Rapeseed and Mustard ..	88.4	80.6	98.5	92.9	102.0	88.1	114.3	101.6
Linseed	95.2	97.7.	82.5	71.9	101.3	83.0	89.7	85.9
Cottonseed	85.6	99.2	99.3	91.0	113.1	103.6	98.6	104.0
Oilseeds	92.5	91.0	97.5	95.1	103.9	91.4	102.9	103.1
(b) **Fibres :**								
Cotton	92.9	93.8	111.4	110.0	109.3	89.8	130.5	110.4
Jute	87.6	90.9	84.6	86.2	102.1	97.3	93.8	98.8
Mesta	100.0	143.0	141.8	120.3	116.0	112.4	116.9	126.8
Fibres	91.4	93.2	105.5	102.3	108.0	92.5	115.5	132.2
(c) **Miscellaneous Crops :**								
Sugarcane	97.7	95.7	98.8	98.4	105.1	104.5	107.9	117.6
Tobacco	94.7	95.8	94.4	86.5	90.8	98.7	89.4	97.2
Potato	104.9	100.7	91.3	92.1	103.2	114.4	111.3	110.8
Pepper (Black)	96.7	118.2	116.7	108.7	104.2	106.2	105.3	104.5
Chillies (Dry)	103.5	104.3	103.1	99.1	102.0	100.4	106.7	105.0
Ginger (Dry)	132.2	141.9	140.7	134.3	116.9	133.9	134.6	134.6
Miscellaneous Crops	98.2	105.8	106.8	104.4	110.1	111.7	113.8	123.1



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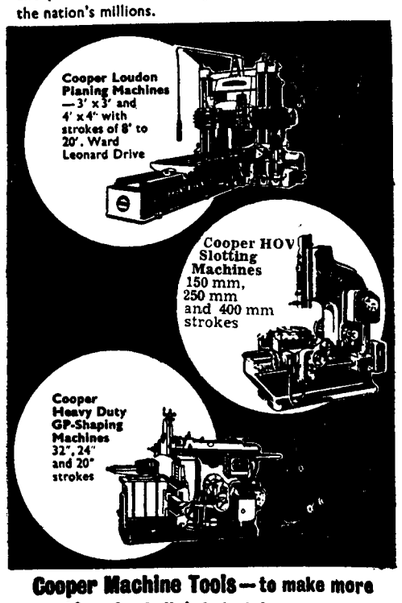
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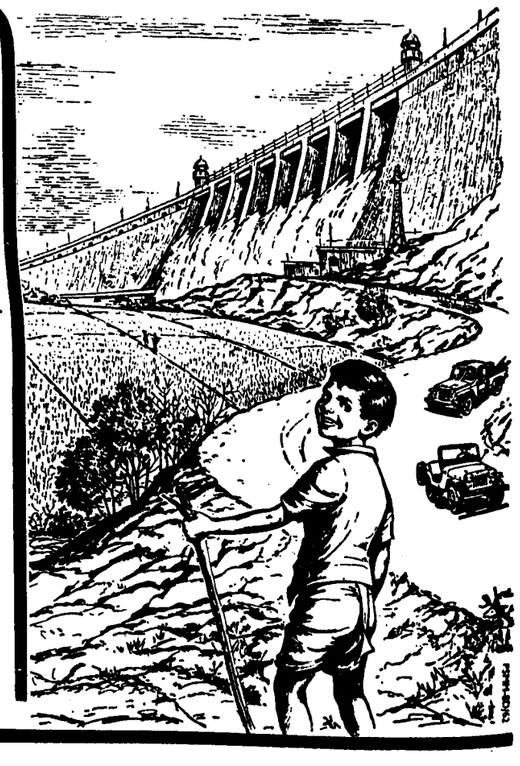
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The Task Ahead

THE WEAKNESSES of Indian agriculture pointed out in the last article are mostly structural and will obviously require a long time to be remedied. But the unprovoked aggression committed on our soil by the unscrupulous Peking warlords has created a situation in which the strengthening of the agricultural base of our economy has assumed a heightened significance. The need to make the country self-sufficient in food and various agricultural raw materials required by our industries is all the more great today in the interest of saving every naya paisa in foreign exchange for strengthening the war effort. With the same end in view, exportable surpluses of agricultural commodities have to be increased to earn as much of the precious foreign exchange as possible. This implies that the Third Plan targets for various agricultural commodities must not only be achieved but even exceeded, by say about 10 per cent, particularly in the case of some commercial crops like cotton, oilseeds, coffee and rubber.

The magnitude of the task ahead has been increased by the negligible progress made in augmenting farm output during the first year of the Third Plan and the not-so-satisfactory (from the point of view of additional production) outlook for the current year's harvest. This should be evident from the following table:

TABLE AGR.-14.

TARGETS FIXED FOR VARIOUS AGRICULTURAL PRODUCTS IN THE THIRD PLAN AND ACHIEVMENTS IN THE FIRST TWO YEARS

Commodity/Unit	Estimated Production in 1965-66	Production in 1961-62	The Gap between Target and Achievement	Anticipated production in 1962-63
Foodgrains (million tons)	100.0**	78.6**	—21.4	84.0
Oilseeds (million tons)	9.8	6.8	—3.0	..
Sugarcane (gur) (mil. tons)	10.0	9.7	—0.3	9.2
Cotton (million bales)	7.0	4.5	—2.5	5.7
Jute (million bales)	6.2*	6.3	+0.1	5.5
Coconut (million nuts)	5,275	..	..	..
Arecanut (thousand tons)	100	..	..	..
Cashewnut (thousand tons)	150	..	..	..
Pepper (thousand tons)	27	27.9	+0.9	..
Cardamom (thousand tons)	2.62	..	..	..
Lac (thousand tons)	62	..	..	..
Tobacco (thousand tons)	325	339	+14.0	..
Tea (million lbs.)	900	779	—121.0	..
Coffee (thousand tons)	80	49	—31.0	..
Rubber (thousand tons)	45	..	..	..

* 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.

** Production of rice in 1961-62 is placed at 33.6 million tons, of wheat 11.6 million tons, of other cereals at 21.9 million tons and of pulses at 11.5 million tons.

If the Third Plan agricultural targets are to be merely fulfilled, the rate of growth in our agrarian economy has to be stepped up in the remaining three years of this Plan to not less than 8 per cent (linear). And that too by effecting some saving in the outlay on agriculture and the related rural uplift activities such as community development, co-operation and establishment of Panchayats, so as to make available funds for increasing the strength of our armed forces. The maximum achievement so far (between two normal years of production) has been not more than six to seven per cent. But a higher rate of growth is not something impossible to attain if the experience of some foreign countries, particularly Yugoslavia, and of one or two Indian States themselves, e.g. Punjab, is any guide. If we fail to achieve this high rate of production in our agrarian economy even in a national emergency, there should, indeed, be something grievously wrong with our developmental efforts.

The current emergency obviously calls for concerted moves by the State Governments, the primary administrative agencies connected with agricultural development in this country, on short and medium-term development activities. Some slowing down of the long-range and diffused development programmes such as spread of farm education, community development, ushering in of Panchayati Raj and even a few fundamental research projects (excluding, of course, the plans to evolve improved strains of seeds) may have to be reconciled with. A saving of approximately Rs. 50 crores over the three-year period to 1965-66 can conveniently be effected this way for augmenting the rupee resources for meeting the growing demands of the Defence Ministry, without in any way impairing the immediate and near-term agricultural development effort. Community development programme is envisaged to be extended to the entire rural population by 1963. Instead of going whole hog with it, it should be only prudent to attempt during the next one or two years a consolidation of the work done in this field.

Agricultural development in the short-term can only be stepped up by such methods as extension of multiple cropping in areas which get assured rainfull every year, fuller utilization of the irrigation potential created already (or to be created in the next two years) by the construction of major projects, accelerating the implementation of the minor irrigation, soil conservation and dry farming programmes, and increased use of fertilizers (both organic and inorganic), improved seeds, farm implements and pesticidse, insecticides, etc. Along with all this, efforts have to be concentrated in selected areas which have a good potential for yielding more quickly than wasting them in diffused attempts over the entire countryside.

The Union Ministry of Food and Agriculture is understood to have drawn up an emergency plan for agricultural development more or less along these lines. Implementation of the minor irrigation, soil conservation and dry farming programmes, for instance, is envisaged to be speeded up not only with a view to achieve the Third Plan targets, but even for going upto 50 per cent above them. In respect of supply of improved seeds, the programme is to consolidate the work being done on the nearly 4,000 seed forms already in existence, besides expediting the setting up new farms envisaged under the Third Plan. A Central Seeds Organisation is to be established to undertake the distribution and multiplication of improved seeds. Larger supplies of hybrid maize and jowar seeds, are envisaged to be made available with the passage of time.

Nitrogenous fertilizers supplies next year are proposed to be stepped up to 5 lakh tons (half of these will have to be imported). The Package Programme, which today covers nineteen wheat and rice producing districts, is to be extended to some selected areas growing

cotton and oilseeds as well. The reliance placed on this Programme obviously is not misplaced; the yields in some of the districts covered by it for nearly two years now have registered quite an encouraging uptrend—15 to 20 per cent. Further progress necessarily has to be slow, but expectations of 40 per cent increase in unit-area yields in these areas are not beyond fulfilment. If this Programme is implemented according to the plans—and there is no reason why it should not be done after the appointment of a Senior Joint Secretary of the Union Ministry of Agriculture as Commissioner for this Programme—on all the cultivated area in the selected districts, that should materially help in the realisation of the goals set for rice, wheat, oilseeds and cotton production. The directive issued by the Central Government to the rice-producing States to concentrate efforts, by way of provision of the modern prerequisites to farming, to the extent possible, and arranging large-scale demonstrations, in some fifty districts, besides those covered by the Package Programme, is also a step in the right direction. Rice is the Achilles' tendon of our food economy and sparing of any efforts to boost its output means added strains on our foreign exchange resources so directly needed for the more pressing puposes.

If the short-term plans of agricultural development are not to be thwarted, the Government will have to exert extraordinarily in three crucial fields. The first of these obviously is the augmenting of chemical fertilizers supplies and spreading their use to the maximum extent possible. Despite the assurances held out by the Union Minister for Steel and Heavy Industries, Mr. C. Subramaniam, to the effect that indigenous output of nitrogenous fertilizers would be stepped up to 800,000 tons by 1965-66, misgivings continue to be entertained in this respect in not a few quarters. The Fertilizer Association of India has estimated that, owing to the delays that have already occurred in the execution of various fertilizer projects, domestic production of various nitrogenous fertilizers in 1965-66 may not exceed 5.5 lakh tons. The Planning Commission, some time ago, had expected that it would rise to around 6.5 lakh tons. No doubt, the tempo of activity in this regard has been stepped up during the emergency, how far commissioning of fertilizer plants for the production of some strategic materials required by the Defence Ministry will affect manufacture of fertilizers it is difficult to say.

To spread the use of inorganic manures in the States like Assam, West Bengal and Orissa where their application has progressed in the past at none-too-encouraging a rate, the State Governments concerned may think in terms of providing some subsidy to bring their prices within reach of the economically weak peasantry there. Consumption of fertilizers, of course, has gone up fairly well in Madras, Andhra Pradesh, Mysore, Maharashtra, Gujarat and Punjab, the first two being in the lead. In U.P. and Bihar too agriculturists are now said to be making increasingly greater use of them.

The second field in which increased efforts have to be put in is irrigation. Even today the potential created by the major and medium irrigation works is not being fully utilized; nearly 3 million acres potential created is stated to be still going waste. Partly it is due to the fact that the channels to carry water to the fields are not there and partly owing to the water rates being high. Here also some concessions might be offered to the agriculturists in the interest of better utilization of the irrigation facilites provided by the major and medium works. Minor irrigation suffers from another defect—these works after being completed are not properly maintained and looked after, with the result that the irrigation potential created with their aid suffers decline with the passage of time. Panchayats and voluntary agencies like the Bharat Sevak Samaj can perform a useful role in this respect. Maintenance of minor irrigation works, in fact, needs to be made a specific responsibility of Panchayats.

The third crucial field on which increased attention requires to be bestowed is the reduction of loss to crops by pests and insects. The damage done to agricultural commodities both at the growing stage and at the time of storage is immeasurably higher in India than in the advanced countries. While the State can help in mitigating these losses by increasing the supplies of pesticides, insecticides, herbicides, etc., the voluntary agencies can assist in rodent control. Damage to farm products by faulty storage can be reduced by provision of improved warehousing facilities. Construction of both the Central and State warehouses of modern design apparently needs to be accelerated.

Some of the inadvertent imbalances brought about in our agriculture in the recent past should be attempted to be rectified by the extension of the principle of price supports to all the major agricultural commodities. Support prices for the five most important farm products in this country — rice, wheat, jute, cotton and sugarcane—have already been fixed. But, by a process of trial and error, a reasonable relationship between them has yet to be brought about. This should be attempted in the coming years in the interest of fostering the growth of our agriculture in a balanced manner. Extension of the price supports principle to some other major crops like barley, jowar, gram and some important oilseeds, would help in insulating the agricultural economy from undue political pressures. If support prices are fixed only in the case of a couple of farm products, the pressures invariably would be for increases in these prices or for maintaining them, and at no time for lowering them. If the prices of the competing

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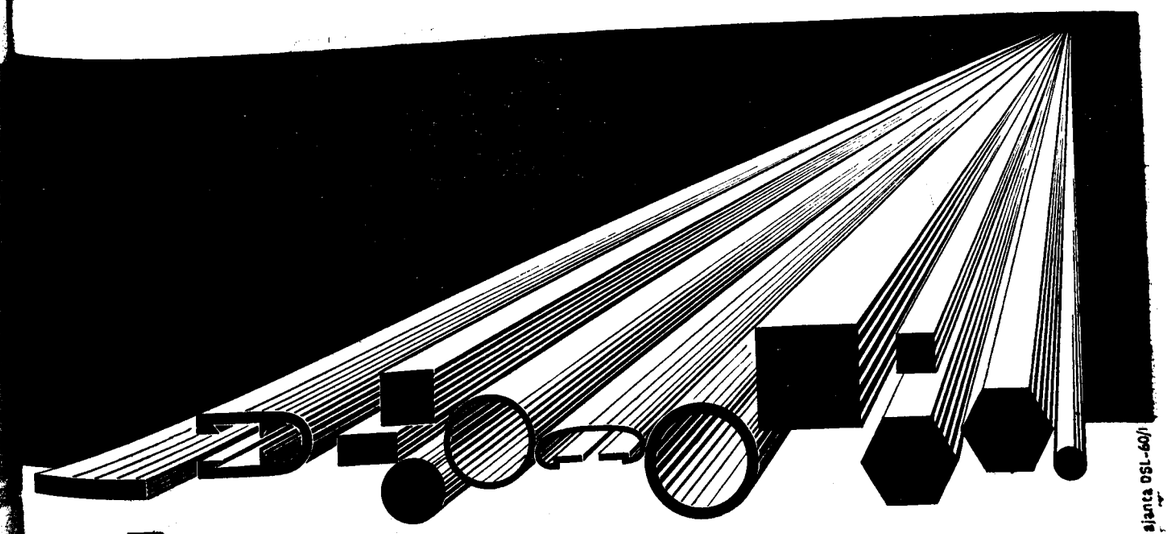
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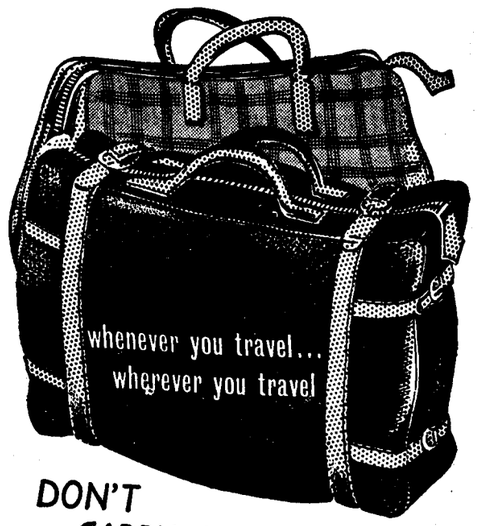
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crops are also supported at reasonable levels, adjustments can easily be made even downwards.

Fixing of support prices for various farm products, however, will not make much difference to our agricultural output, if effective measures are not taken to enforce them. A suitable machinery, thus, requires to be set up for this purpose at an early date. Besides, the use of this lever has to be made more purposive than hitherto. Support prices should be fixed quite in advance of the sowing seasons so that the farmers may be in a position to decide in time whether they should go in for the production of one crop or another.

Farm output in the short-term can also be substantially stepped up if the agricultural wastes requiring only moderate expenditure for reclamation are harnessed to production. A survey has already been undertaken in this regard in various States. It is only now a question of doing the job in the right earnest. The establishment of the Agricultural Refinance Corporation should come in handy for this purpose. Setting up of some more State farms on the pattern of the Suratgarh and Jetsar farms can also help materially, though not in the immediate future, in a few years.

Long-range problems of our agriculture, however, can only be solved by making relentless efforts for reclamation of all the cultivable wastes, extension of irrigation facilities to the extent possible, progressively increasing the application of modern scientific knowledge and technology, changing the mental outlook of our peasantry through spread of literacy, and making their economic position better. The last goal can be achieved only by siphoning off the surplus labour force from the countryside, through concerted efforts at industrialisation. A useful role can, of course, also be played in this regard by introduction of crop insurance. That will help in overcoming the resistance that farmers still offer in many areas to use of chemical fertilizers. Crop insurance, per force, has to be made compulsory for all the farm lands in an area where it is introduced. The hazards which Indian agriculture faces are far too many and unless crop insurance is made compulsory, the cost of its introduction on any large-scale will obviously be beyond our present resources.

The imbalance in our diet can be removed only slowly and through stepping up the output of protective foods appreciably. Vegetable growing has been practised so far primarily with an eye on the city markets. The rural population needs to be made more conscious of the utility of vegetables. Fruit production, indeed, has got some fillip after the implementation of the land reforms; fruit orchards being exempt from land ceilings, quite a good deal of the land surplus with the erstwhile landlords has been diverted to setting up of orchards. Fruit growing is also being encouraged in many a hill area. But a good deal yet remains to be done in this regard.

Milk supplies can only be increased by raising livestock yields through improving the quality of our milch cattle. But the biggest hurdle in the way is the disproportionately large population of cattle we have. Religious sentiments of the majority of Indians do not allow the slaughter of even the useless and unnecessary cattle, especially 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 sterilisation of surplus cows and heifers. To step up eggs, meat and fish supplies, the energetic efforts that have come to be made in the recent past need to be continued and even redoubled.

All the long-term plans for the development of our agriculture have to be continued, although there might be slowing down during the current emergency of some not-very-emergent programmes, requiring heavy investment.

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Industry

Iron and Steel

IF industrial expansion during our Second Five-Year Plan was considered to be satisfactory, it did not take long to realise under the pressure of the Chinese invasion that not much had been achieved yet. It is a sad realisation that the country still has to go a long way to build an industrial structure which is necessary today for any self-respecting country to safeguard its security and territorial integrity. It is true that indusrial production has been moving at a pace which was something like 7 to 8 per cent every year. But if the Indian economy is to be prepared for shocks like the one we experienced late in October last, we definitely have to alter the pace of industrial expansion. It appears that nothing less than between 12 and 15 per cent increase in industrial production every year should be considered satisfactory.

The Third Five-Year Plan envisaged a rise of 70 per cent in the Index of Industrial Production with base 1951=100 during the five years. The performance of the organised sector of industry during the two years of the Plan indicates, as stated above, a rise of 8 per cent per annum on the average, showing that only 16 per cent out of a total of 70 per cent has been achieved so far. It also means that during the remaining three years of the Plan the stipulated target can be attained only if the rate of rise is stepped up to 18 per cent per annum. It may look a herculean task to raise the tempo of production from 8 per cent to 18 per cent per annum. Here it may be stressed that there is an element of under-estimation in the Index of Industrial Production with base 1951=100. During the last 12 years a large number of new industries have developed which have not been taken account of in the old index. If these industries are also given their due weight and a new index is constructed with 1961 as the base, it will be found that the rate of progress would be stepped up by 50 per cent, meaning that even the 8 per cent rise recorded in the first two years of the Third Plan will work out to nearly 12 per cent per annum. On the basis of this analogy it may be assumed that the stipulated target of 18 per cent per annum will not be difficult to achieve, especially when all efforts are being made to accelerate industrial expansion. In real terms it will require stepping up of the rate of rise from 12 per cent to 18 per cent per annum which should be within our reach.

In fact an overall rate of expansion is not the only measure of real growth. What is necessary is that the industrial expansion should proceed on a pattern that will be in line with the dictates of the emergency. This clearly means that added stress will have to be laid on the heavy and medium group of industries which directly strengthen the country's defence potential and fulfil those requirements, which are listed among the essential services like transport, power, communications, etc.

Iron and steel forms, the hub of heavy industry. It is quite justifiably maintained that steel production in any economy is the index of its level of advancement. The size and rate of expansion of the demand for steel indicates the relative strength or weakness of an economy. Taken in that context, Indian industrial development presents a picture of progress and promise. Within a period of five years, the three steel plants in the public sector were brought into existence to raise the installed capacity to 5 million tons. In another five years of the Third Plan, the steel output is planned to be doubled. The largest single item of fixed investment — Rs. 640 crores — is in the iron and steel industry alone. This investment is something like 25 per cent of the total fixed investment of Rs. 2,454.6 crores earmarked for industrial projects in the period of the Third Five-Year Plan.

To assess the nature of expansion of steel output, it is necessary to go through the detailed pattern of production in the various plants, the expansion schemes already earmarked in the Third Plan and the likely pattern of production in terms of individual items that will emerge after the realisation of these expansion schemes.

The steel plants in the public sector with the exception of the Bhilai plant, were confronted with a period of not only stagnation but a set-back and confusion which, it seems, have been overcome. Recently, the Minister for Steel gave an account of the latest, performance of various steel plants, which, though it was not uniformly reassuring, could not be considered discouraging at all. For instance, the Bhilai Steel Plant has already started working at 108 per cent of its installed capacity in terms of ingot steel output and to the extent of 103 per cent in terms of saleable steel. Having reached this level of production now, the Bhilai Steel Plant is ready to take up the expansion programme, which has been outlined in the Third Five-Year Plan. The Soviet Government has offered the necessary credit for the expansion of the Bhilai steel works from the present one million capacity to a level of 2.5 million tons of steel ingots per year, with corresponding expansion of power, mining and limestone quarrying capacities. The additional units to be set up under the expansion scheme would be three coke-oven batteries, two blast furnaces, four open hearth furnaces and a wire mill. A general plan to execute this expansion scheme has already been drawn up and the end products are likely to yield the following saleable products.

Rails	..	500,000 tons
Heavy structural sections	..	250,000 tons
Merchant sections	..	500,000 tons
Wire rods	..	300,000 tons
Pig iron	..	300,000 tons
Billets	..	400,000 tons

The performance at Durgapur and Rourkela public sector steel plants bears no comparison whatsoever with Bhilai although these plants, too, are gradually recovering from the set-back and progressing towards a high-level of utilisation of capacity. At Durgapur, the present level of achievement has been something like 90 per cent in terms of steel ingots output and 61 per cent in terms of saleable steel. The output at Rourkela was around 90 per cent and 72 per cent respectively. Rourkela's present capacity of one million tons is to be expanded to produce 1.8 million tons of steel. This expansion will mainly use the inbuilt facilities already existing. The product-mix of the works after expansion will be:

	Items		(Tons)
1.	Wide and Heavy Plates	..	280,000
2.	Hot rolled sheets, narrow light plates and strips	..	300,000
3.	Cold rolled sheets	..	300,000
4.	Hot dipped tinplates	..	50,000
5.	Electrolytic tinplates	..	100,000
6.	Galvanized sheets	..	160,000
7.	Electrical steel sheets	..	50,000
	TOTAL	..	1240,000

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Similarly, at Durgapur, the expansion from the present one million ton capacity will be expanded to the level of 1.6 million tons of steel ingots. The project report, which was finalised recently envisages attaining the following pattern in addition to 300,000 tons of pig iron.

Products	(Tons)
Medium and Light Structurals ..	200,000
Merchants ..	240,000
Sleepers ..	75,000
Wheels and Axles ..	9,300
Fish Plates ..	11,000
Forging Blooms and Billets ..	70,000
Billets for Sales ..	300,000
Skelp ..	250,000
TOTAL ..	**1239,000**

Considerable effort will have to be made if the expansion schemes are to be achieved. If the experience of the last few years is any guide, a variety of hurdles will have to be overcome, and, perhaps the one of the shortage of trained personnel is going to be difficult to surmount. Even while the blueprints were being finalised for the setting up of the three steel plants in the public sector, considerable attention was paid to this problem. Gradually, a change-over to Indian hands was planned and for that a pool of technical men was created and many of them were sent for overseas training in various institutes in countries like the U.S.A., the U.K., Germany and the U.S.S.R. The Hindustan Steel set up technical training institutes at Rourkela and Bhilai and is organising one at Durgapur also. Even then the problem has continued to remain unsolved. Owing to the paucity of experienced steel experts to man the higher supervisory posts for the operation as also for the maintenance of the plants, a high proportion of foreign personnel had to be pressed into service. It is time that this problem was tackled in a more imaginative way and a bolder programme was followed.

The top management of the Hindustan Steel, too, has not been above reproach. Even since the formation of Hindustan Steel towards the end of 1956, the constitution of its Board of Control has remained in a state of flux. This is not in any way a reflection on the capacity of the senior civil servants who have been handling the affairs. It only has to be highlighted that the Board of Control of a company which has three steel plants under it can hardly be expected to be an ever-changing body. In commercial organisations the Managing Director, who has to manage the affairs of a company continues to stay at the top for a long time so that the knowledge of details of the complex problems of control as well as of problems of production like targets and achievements is mastered. The Chairman in a company, on the other hand, looks after the broad policies and broad pattern of expansion. In the case of Hindustan Steel, the Minister of Steel is there who lays down the broad outlines of policy. Effort ought to be made to evolve a pattern so that the top management of the Hindustan Steel is allowed to acquire steady experience.

The performance of the two private sector plants has been comparatively more satisfactory and in this the long experience of their management and technical cadre has been helpful. Tata Iron, for instance, has shown that its output was 96 per cent of its installed capacity in terms of steel ingots and 97 per cent in terms of the capacity for saleable steel. In the case of Indian iron also the achievement was to the extent of 102 per cent and 103 per cent respectively. In Tata Iron, where the present capacity is to the extent of 2 million tons, it has to be expanded marginally so that it will be raised to 2.2 million tons. In Indian Iron, where the present capacity is 0.8 million tons, it is to be expanded to achieve a capacity of 1.0 million tons. Thus the real expansion of capacity is concentrated in the public sector. This is in conformity with the statement of Industrial Policy.

The physical target of steel production for the Third Plan after the execution of the various expansion schemes is 10.2 million tons of ingots. 3.2 million tons to be produced in the private sector and the remaining bulk of 7.0 million tons in the public sector. In this target there is a provision for the establishment of a new steel plant at Bokaro. In addition, there is included in the plan a project for a pig iron plant based on low shaft blast furnace techniques and use of coke from Neiveli lignite. The break-up of the level of capacity in the public sector, in terms of ingot steel will be: Bhilai 2.5 million tons, Rourkela 1.8 million tons, Durgapur 1.6 million tons, Bokaro 1.0 million tons and Mysore Iron and Steel Work 0.1 million tons. For Neiveli the target may be around 0.5 million tons.

The Bokaro plant is expected to produce flat products like plate sheets and strips which are considered to be in short supply. This plant, therefore, is not there to add to the total production capacity alone. This is a "must" from the angle of the pattern of output also. Various preliminaries have already been going on for a long period. The Government reports also indicate that consultations are proceeding with the U.S. agency for International Fund on the question of U.S. finance for Bokaro. It seems, however, that the Government of India is finding difficulties on the score of its industrial policy. It is time that the urgency of the need to set up another steel plant is realised and consideraions of ideology are not allowed to hamper the project. But the unhappy indications now are that Bokaro will be postponed until after the end of the Third Plan.

In the context of the present emergency it would not be proper to consider the target of 10.2 million tons as one that could be achieved at leisure. Instead, no effort should be spared to make this target a reality and a success and for that a special priority of execution should be allocated. It must be recognized that the capacity of the Indian economy to absorb steel is increasing rapidly during the last few years. For instance, in 1959-60, the demand was assessed at around 4.1 million tons, in 1960-61 it was raised to 5.6 million tons and in 1961-62 it was pitched still higher at 6.1 million tons. Thus between 1959-60 and 1961-62, the demand has increased by something like two millions tons. This increase in demand was due to the growth of the steel-using industries. In fact, steel availability has been lagging and even today there is a gap in output to the extent of 2.5 million tons. The target output by the end of the Third Plan will only be just sufficient to satisfy the increasing demand.

Non-Ferrous Metals

LIKE OTHER heavy industries, the non-ferrous metals group provides raw materials for an important section of products which have assumed added significance due to the emergency. Aluminium, copper, zinc and lead provide various alloys and amalgams which have a wide variety of uses. These metals go to produce most of the cables and conductors and various crucial components in machinery as well as armaments. In this manner this industry is interlinked with several important sections of defence requirements as well as civilian necessities and at present the total value of the output in this industry approximates to Rs. 100 crores every year.

I is, however, to be kept in mind that to a large extent these metals for indigenous consumption are imported and this is acutely true about copper, lead and zinc because, comparatively, indigenous aluminium output has been increasing. During the last few years significant efforts have been made to raise the output of each non-ferrous metal, but the real hope centres round the programmes that have been earmarked in the Third Plan.

The Planning Commission has set a target for aluminimum for the Third Five-Year Plan at 87,500 tons, but currently there have been some talks regarding its upward revision to over 120,000 tons. At the beginning of the Plan, however, the production capacity of aluminium was around 18,000 tons per year. The installed capacity at the moment is estimated to be around 53,000 tons.

The upward revision of the target is based on the estimated requirements which were assessed by the Tariff Commission in its Report on Aluminium Industry by 1963 at 74,000 tons per annum. Another estimate made by a committee set up by the Ministry of Commerce and Industry placed their requirements by 1965-66 at 115,000 tons, the break-up of which is given below:

	(Tons)	
Electrical grade		
Transmission and distribution lines	40,000	
Bus bars and die-castings	6,000	
Substitution in power cables and house-wiring	5,000	
Miscellaneous	4,000	
		55,000
Commercial grade		
Domestic utensils	25,000	
Transportation and aluminium alloys	12,000	
Packing (foils)	7,500	
Building construction	4,000	
Food, Farming, Sugar industries etc.	4,000	
Miscellaneous, including the requirements of steel industries and normal exports	8,000	
		60,500
TOTAL		**115,500**

It may be noticed that the estimates of "transmission and distribution lines" and "domestic utensils are more prominent in the demand structure. On the assumption of this demand, it seems the output target will have to be revised upward which, according to the present scheme outlined in the Third Plan, is something like 69,205 tons. The Indian Aluminium Company had made satisfactory progress in its expansion programmes of smelter at Hirakud. Messrs. Hindustan Aluminium Corporation also has made reassuring progressed in its scheme in the establishment of an integrated aluminium plant at Rihand, Uttar Pradesh, in collaboration with Kaiser Engineers of the United States of America.

But if the new target is to be made a reality, it would be necessary to eliminate some of the problems faced by the aluminium producers. Their main grievances are that the supplies of electricity with regularity and at reasonable costs is a very important factor in their ability to work to full capacity. Electricity accounts for roughly 20 per cent of the cost of production in the aluminium industry. It is necessary that the State Governments refrain, as far as possible, from increasing levies and surcharges in power rates and help the producers in making arrangements for long-term supply of bauxite, the basic raw material. Although India has abundant supplies of this item, sufficient quality material is not available. Aluminium producers should also be given preference in the matter of prospecting licences.

India is extremely deficient in copper resources. This does not in any way mean that the possibility of improving the indigenous production is bleak. At the moment, however, the output is just 9,000 tons, while the demand is estimated at something like 100,000 tons. By 1965-66, the demand is expected to rise to something like 170,000 tons. The present imports naturally are very high and are recorded at about 75,000 to 85,000 tons.

At the moment the Indian Copper Corporation is the only important company engaged in copper production and has been producing something like 8,000 tons to 9,000 tons. The Development Council for Non-ferrous Metals has recommended the establishment of some more units. On the basis of reserves proved in Khetri and those in Daribo in Rajasthan, a project has been prepared for the establishment of a smelter in the public sector with the capacity of 11,500 tons of electrolytic copper per annum at Khetri. The Third Plan also includes a project with an estimated capital outlay of Rs. 12.5 crores for the mining and concentration of the ore at Khetri and Daribo and smelting concentrates at the above mentioned smelter. On present indications, it is likely that this unit will be established by the middle of 1964.

The lead output capacity in 1960-61 was around 6,000 tons. During the Third Plan it is expected to be raised to 8,500 tons. Against this output, the current demand has been estimated by the Development Council at 35,000 tons per year. Naturally, therefore, imports are essential to the extent of 24,000 tons or a little more every year. The demand for lead by 1965-66 is envisaged at 60,000 to 65,000 tons and indegenous production by that time may be something like 9,000 tons. This target does not, however, take into account the scheme of one unit for the manufacture of 12,000 metric tons of lead per year from imported concentrates. Comparatively, therefore, there will be some relief in the imports of the metal.

The production of zinc for the first time in India is expected to be achieved by the middle of the Third



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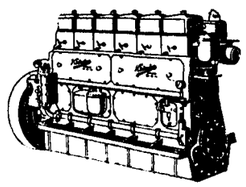
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Plan with the commissioning of the zinc smelter based on zinc concentrate from mines in Rajasthan. The installed capacity of the plant is to be 15,000 tons. The demand for the metal is considered to be around 85,000 tons at the moment and is likely to go upto 185,000 tons by 1965-66. A major portion of the domestic consumption is still met by imports.

The above review of the four important non-ferrous metals leads us to the conclusion that in most of the cases the advance in output has been determined by the availability of raw materials. It is true that it would be possible to enhance the prospecting of mines, but at the present rate it seems that sufficient attention has not been paid to this problem. Taking the typical instance of Japan, small and medium scale miners should be subsidised by payment of half the expenditure incurred on prospecting and their expenditure on prospecting should be allowed to be appropriated to the loss account. It is time that such a scheme of financial relief is finalised and specific expenditure is earmarked for this project so that mining is expedited. Keeping in view that the Third Plan expenditure in terms of fixed investment on these industries is likely to be of the order of Rs. 65 crores in the case of aluminium, Rs. 0.6 crores in the case of copper and Rs. 7.3 crores for lead and zinc, it is recommended that an upward revision of this expenditure is provided for so that the total fixed investment is raised to something like Rs. 80 crores instead of Rs. 73 crores.

Cement

THE CEMENT industry has assumed added significance in the face of national emergency. Even in periods of peace, construction activity for industrial and a variety of other purposes is an essential feature of a developing economy. But now to meet a special type of demand which is detailed in the following paragraphs, it is essential that the target of cement production is revised upwards.

The cement industry has a long history, but even after 50 years of its working, its production capacity in 1951 was just 2.6 million tons. It was raised to 4.6 million tons during the First Plan and to 9 million tons during the Second. It was towards the latter part of the Second Plan that suddenly the demand for cement increased, perhaps, as a consequence of increased purchasing capacity with the people in general, construction activity for the Plan and larger availability of steel items. It is interesting to observe that in the third quarter of 1960 indents were placed by the consumers to the extent of 7 lakh tons every month against which the production was 6.1 lakh tons. There was, therefore, no really serious shortfall. During the next quarter, October to December 1960, against the monthly output of 6.9 lakh tons, indents placed by the consumers shot up to 9.11 lakh tons. It was in the first quarter of 1961 — incidentolly, the last quarter of the Second Plan — that indents were recorded at a peak level of 12.7 lakh tons against production of 7 lakh tons, thereby creating a gap of about 5 lakh tons per month. It was interpreted, however, that the real gap must have been narrower, taking into account the inflation in demand due to a phychology of keeping stocks generated by shortages.

Even the conservative estimates put the average rate of annual increase in the consumption of cement at about 7 per cent. On that basis the requirements of about 13 million tons in 1965-66 were estimated. It was proposed in the Third Five-Year Plan, therefore, that the target of 13 million tons of actual output from 15.0 million tons installed capacity might have to be revised and for that it was proposed to review the entire question after watching the trend during 1961-62. The possibility of export of cement was also kept in view.

The capacity expected to be achieved on the basis of the schemes covered so far by the import licences, and those schemes selected for implementation based mainly on indigenous machinery, would be of the order of 12.66 million tons. The gap between the availability of capacity on the basis of the target of 15 million tons would, therefore, be about 2.34 million tons.

As far as investment to achieve this increased installed capacity was concerned, it was assumed that on an average for every ton of annual cement capacity, financial investment was of the order of Rs. 140 to Rs. 150 for new units and about Rs. 100 to Rs. 120 on the basis of expansion of the existing factories. The expansion of the industry during the Second Plan, for instance, from a capacity of 4.8 million tons to 9.3 million tons involved an investment of approximately Rs. 50 crores. It is consequently laid down in the Third Five-Year Plan that the investment in the present rise in capacity to 15 million tons would involve an expenditure of the order of Rs. 60 crores out of which Rs. 12 crores would be in terms of foreign exchange.

To assess the possible increase in the demand of cement, due to this emergency, it would be interesting to study the two tables reproduced from a recent publication on page 1298. Table I gives a detailed sector-wise consumption of cement during the Second Five-Year Plan. It also gives the possible demand structure of cement during the Third Five-Year Plan. It may be noticed that housing, schools and hospitals and other buildings alone involved cement consumption of nearly 34 million tons during the five-year period of the Third Plan. This means that more than 8 million tons of the increased annual capacity by 1965-66 would be utilised by this sector alone. Defence consumption involved only 1.1 million tons during the Second Five-Year Plan. Similarly, other sectors, associated with defence, involved only a small quantity. It is important to remember that a significantly large quantity of cement will have to be diverted to various types of defence programmes like embankments over long distances; road construction, temporary buildings to house increased defence personnel etc. It is quite relevant that other sources of consumption like railways, bridges and industries as well as irrigation projects will continue to have the top priority, leaving a low priority for civilian housing etc.

The net effect of this change in priorities would be that two of the biggest consumers, namely, "housing" and "schools, hospitals and other buildings," will have to rest satisfied with smaller quantities. The housing problem which at the moment is quite acute may have to be deferred for some time more and it is quite likely that the quota for this sector is reduced by something like 25 per cent. In fact already the tempo of housing activity has slowed down and various State Governments are contemplating stoppage of loans for building of new houses. This in itself will slacken the demand for cement and will allow certain quantities of cement to be transferred to the defence-oriented sectors. In fact the West Bengal Government has already given a lead by imposing certain restrictions. According to the directives issued by the West Bengal Government, no cement would be provided for the construction of luxury buildings such as cinemas and hotels, and for

TABLE I.

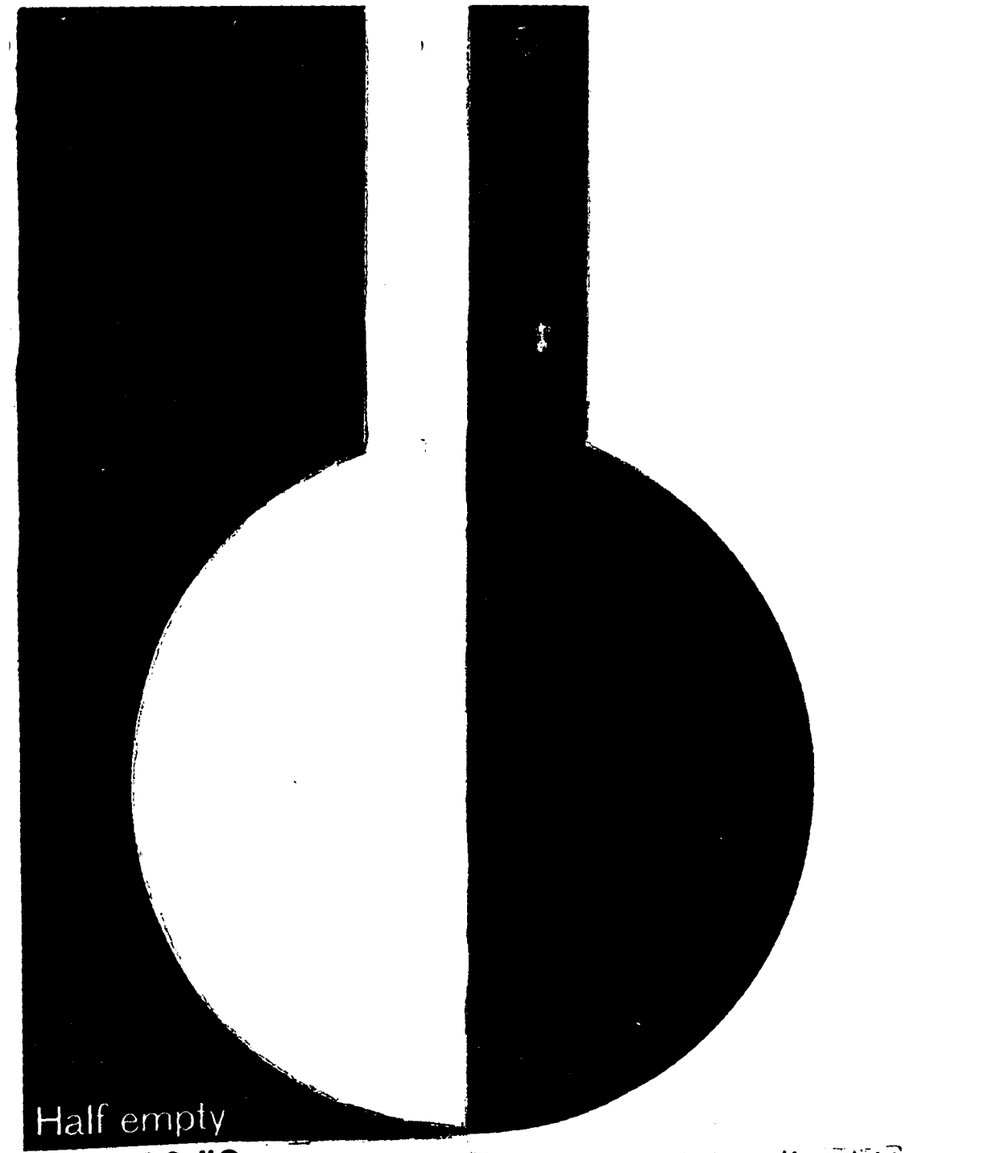
ESTIMATED CONSUMPTION OF CEMENT DURING SECOND PLAN PERIOD

Consuming Section	Net fixed investment (Rs. million)	% of expenditure on construction	Cement Consumption (Metric tons) Per million of Rs. of investment (2)	Per million of Rs. of expenditure (3)	Cement consumption ('000 metric tons)
(1)	(2)	(3)	(4)	(5)	(6)
1. Mining and oil	1,120	20	..	1,016	228
2. (a) Power - hydro	3,052	..	610	..	1,860
(b) Others	1,438	20	..	1,219	350
3. (a) Industries—large & medium	11,330	35	..	772	3,062
(b) Industries—small scale	2,200	27	..	569	338
4. (a) Railways (excluding buildings)	7,000	15	..	1,626	1,707
(b) Roads	2,211	..	122	..	269
(c) Road bridges	250	..	1,626	..	406
(d) Civil air transport	430	17	..	2,022	148
(e) Other transport	2,010	20	..	1,422	572
5. (a) Minor irrigation	660	..	711	..	469
(b) Irrigation	4,560	..	986	..	4,491
6. Housing	8,062	..	1,168	..	9,419
7. Schools and hospitals	5,011	..	1,321	..	6,618
8. Cement using industries	..	..	..	..	1,983
9. Defence	..	..	..	..	1,176
10. Agriculture excluding irrigation	5,000	13	..	975	627
11. Maintenance @10 % of (1-10)	..	..	..	..	3,382
TOTAL	..	..	..	..	37,105

TABLE II.

ESTIMATED CONSUMPTION OF CEMENT DURING THIRD PLAN PERIOD

Consuming Section	Ne fixed investment (Rs. million)	% of expenditure on construction	Cement Consumption (Metric tons) Per million of Rs. of investment (2)	Per million of Rs. of expenditure (3)	Cement consumption ('000 metric tons)
(1)	(2)	(3)	(4)	(5)	(6)
1. Mining and oil	3,500	20	..	1,016	711
2. (a) Power - hydro	3,250	..	610	..	1,981
(b) Others	4,250	20	..	1,219	1,036
3. (a) Industries—heavy	11,300	40	..	914	4,133
(b) Industries—medium	9,000	30	..	559	1,509
(c) Industries—small	3,000	27	..	610	494
4. (a) Railways excluding buildings	9,500	15	..	1,626	2,317
(b) Bridges for Roads	1,520	..	1,626	..	2,471
(c) Other transport (excluding roads and railways)	3,500	20	..	1,422	100
5. (a) Irrigation—minor	2,750	..	711	..	1,956
(b) Irrigation — large& medium	5,000	..	914	..	4,572
6. Housing	18,000	..	1,168	..	21,031
7. Schools, hospitals & other buildings	10,000	..	1,321	..	13,206
8. Cement using industries	..	..	..	..	2,845
9. Defence	..	..	..	..	1,524
10. Agriculture (excluding irrigation)	8,000	13	..	965	1,004
11. Maintenance at 10% of (1-10)	..	..	..	..	6,089
TOTAL	..	..	..	..	66,981

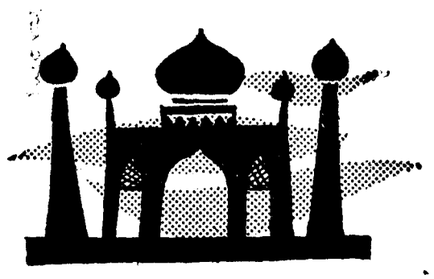


or half full?

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the construction of other buildings beyond two storeys. Although these new curbs in that State do not apply to the public and charitable institutions like schools and hospitals as well as industrial housing schemes, it is quite likely that this measure would work as a damper on general demand. It is time that other States also followed suit.

In fact, at the State level the distribution machinery will have to be geared up so that certain hardships which can be got over with better processes of supplies, are avoided. The administrators will have to show a greater awareness and will have to cut down the red-tape and inefficiency in eliminating waste which might result from their slackness.

In the ultimate analysis, the picture of the cement industry is that the Third Five-Year Plan target will have to be revised upwards to something like 17 million tons against the present target of 15 to 16 million tons. In that case, the actual output will be something like 15 to 15.5 million tons. Here it is necessary to emphasize that the industrialists should put in their best efforts to work their units upto the maximum capacity. It is also necessary that there is a regular flow of raw materials like coal and at the same time sufficient wagons are available for the carriage of raw materials as well as the finished products. In terms of expenditure, it is quite likely that the Plan will have to be revised so that the additional fixed investment in the cement industry will be Rs. 70 crores instead of Rs. 60 crores envisaged at the time of finalisation of the Plan. The foreign exchange component may be Rs. 14 crores as against Rs. 12 crores.

Other Heavy Industries

APART FROM the above three important industries dealt with at some length, namely, iron and steel, non-ferrous metals and cement, there is a large variety of engineering and chemical industries which constitute part of heavy industries. It is not possible to enumerate the development features and possible readjustments necessary in the face of emergency in all the detailed lists of engineering and chemical industries. This is a matter essentially of ad hoc reviews and decisions. Nevertheless, an effort has been made to touch the outlines of some of the important constituents of these two groups.

The significance of industrial machinery manufacture was realised quite early and the establishment of a heavy machine building plant was a major industrial complex which has been planned on the model of the huge works established in the Soviet Union for the production of machinery and equipment in the integrated steel plants. The production is envisaged at 5,000 to 8,000 tons in 1964-65 and 15,000 tons to 20,000 tons valued at Rs 7.5 to Rs. 10 crores, in 1965-66. The Corporation will have to adjust its production to the requirements of the Hindustan Steel and other establishments operating in the field of iron and steel.

The mining machinery project with Soviet assistance will produce coal mining machinery plant. The private sector programmes include production of cotton textile machinery, jute mill machinery, sugar mill machinery, cement machinery, paper machinery, dairy machinery and cranes, to site some of the important items. Most of these items of machinery would be sufficient for indigenous requirements for expansion as well as the establishment of new units.

The Third Plan will also see the indigenous production of various earth-moving equipment like crawler tractors shovels, etc. as well as road rollers. Mention must be made here of the progress made with the railway rolling stock construction at Telco and Chitaranjan Locomotive Works. The railway plan, it may be added, provides for the manufacture of electric locomotives at Chitaranjan and diesel locomotives at Varanasi.

Electrical engineering industries will also have to be given more attention and resources because the Third Plan provides for increasing the power capacity from 5.7 to about 12.7 million KW — an addition of 7 million KW in five years. During the remaining period of the Third Plan, therefore, the manufacture of transformers, heavy industrial motors, high-tension switch gears and other heavy items used in the transmission and generation of electricity will have to be increased. It is estimated that after the end of the Third Plan, the value of such equipment produced every year would be of the order of Rs. 80 crores.

A word about machine tools is essential, considering the stress on industrialisation in the coming years. A detailed study of the demand for machine tools by 1965-66 was undertaken by a Sub-committee of the Development Council for Machine Tools. On the basis of this estimate of demand, a target was fixed at Rs. 30 crores worth of machine tools, of which Rs. 16 crores worth would be manufactured in the public sector and the remaining Rs. 14 crore worth in the organised private sector. Apart from raising the capacity at the Hindustan Machine Tools at Bangalore, a new machine tools plant in Punjab in collaboration with the Limex of G.D.R. Government was approved by the Government. This plant will have an annual capacity of 1,000 machines and will involve an investment of Rs. 7.5 crores. Then with the assistance of the Czech Government a heavy machine tool factory is to be established at Ranchi. The Praga Tools Corporation at Sikandrabad also proposes to carry out an expansion programme with the technical collaboration of three British firms.

As far as chemicals are concerned, fertilizers constitute an important item for which the capacity had to be increased. During the Third Plan, in view of the higher targets in the agricultural sector, the demand was estimated at 1 million tons of nitrogen, 400,000 tons of phosphate and 200,000 tons of potash fertilizers. Various public sector projects at Trombay, Assam, Gorakhpur and the expansion at FACT (Fertilizers and Chemicals Travancore) as well as private sector schemes at Kothagudium, Visakhapatnam, the Madhya Pradesh Fertilizer project and Rajasthan fertilizer project are likely to achieve their individual targets.

Various inorganic chemicals like sulphuric acid, soda ash, caustic soda, calcium carbide as well as several organic chemicals, which produce dyes and drugs, antiseptics and insecticides have also been given attention in the Third Plan. It may be remembered that certain strategic chemicals are used in the production of explosives for which additional investment must be provided for. It is obvious, therefore, that both the engineering goods and chemicals will have to be treated on a special priority and a larger investment provision will have to be available for their enlarged expansion.

Ball & Roller Bearings

THE MAIN concern manufacturing ball and roller-bearings at present is M/s National Bearing Company, Jaipur. There is no unit in the public sector at the moment, but the Government have under consideration a plant for the manufacture of ball and roller bearings of different types including those required for motors, machine tools, pumps, coal mining machinery, power machinery, automobiles, railway boxes etc. The capacity for this project has provisionally been envisaged at two million bearings per annum. The cost of the

project is estimated at about Rs. 8 crores, the foreign exchange element of which would be Rs. 6 crores. A number of schemes have been licensed and they can be categorised as those covered by foreign exchange and those not covered by foreign exchange. Amongst the new units covered by foreign exchange are Messrs Investment Corporation of India, Bombay (Indian S.K.F Manufacturing Company), Messrs. Antifriction Bearing Corporation, Lonavala, Maharashtra and Messrs Bharat Ball Bearing Company, Ranchi. The units not covered by foreign exchange, but for which additional capacity has been licensed are Messrs Pioneer Bearing Company, Coimbatore, Messrs Hindustan Ball Bearing Company, Agra, New Commercial Bearing Corporation, Ahmedabad, Indian Bearings Limited, Ahmedabad, Kamla Shanker P. Joshi, Bombay, New Haven Steel Balls Corporation, Bombay.

With the working of industry on three shift basis, the production of ball bearings has increased considerably. The output of ball bearings below 2 inch bore diameter was 8,65,000 in 1955-56 and 2,060,000 in 1958-59. The production declined to 1,823,000 in 1959-60 because of labour trouble, but again jumped to 3,784,000 in 1961-62. The range of sizes of ball bearings produced in this country varies greatly and in 1960 it was 159 in ball bearings and 27 in roller bearings. The industry continues to enjoy tariff protection which was granted to it in 1952. At the last enquiry the Tariff Commission recommended that protection to the ball bearing industry should be continued till 31st December, 1962. This was accepted by the Government. Since demand is much greater than supply, the impoprt of ball and roller bearings continues to be high. The import of ball and roller bearings was to the tune of Rs. 329.40 lakhs in the year 1960-61, whereas it was only Rs. 113.69 lakhs in 1956-57. The bulk of the bearings imported were above one inch diameter bore. In fact, the entire requirements of double taper roller bearings for automobiles and roller bearings for some other industries were met mostly by imports. Under the recent import policy announcement, the imports of ball bearings in future will be canalised through the State Trading Corporation. The established importers obviously are not happy over this move. It is really doubtful if the State Trading Corporation will be able to arrange imports from abroad to accord with the wide variety of requirements and ensure their expeditious distribution to the small-scale consumers all over the country.

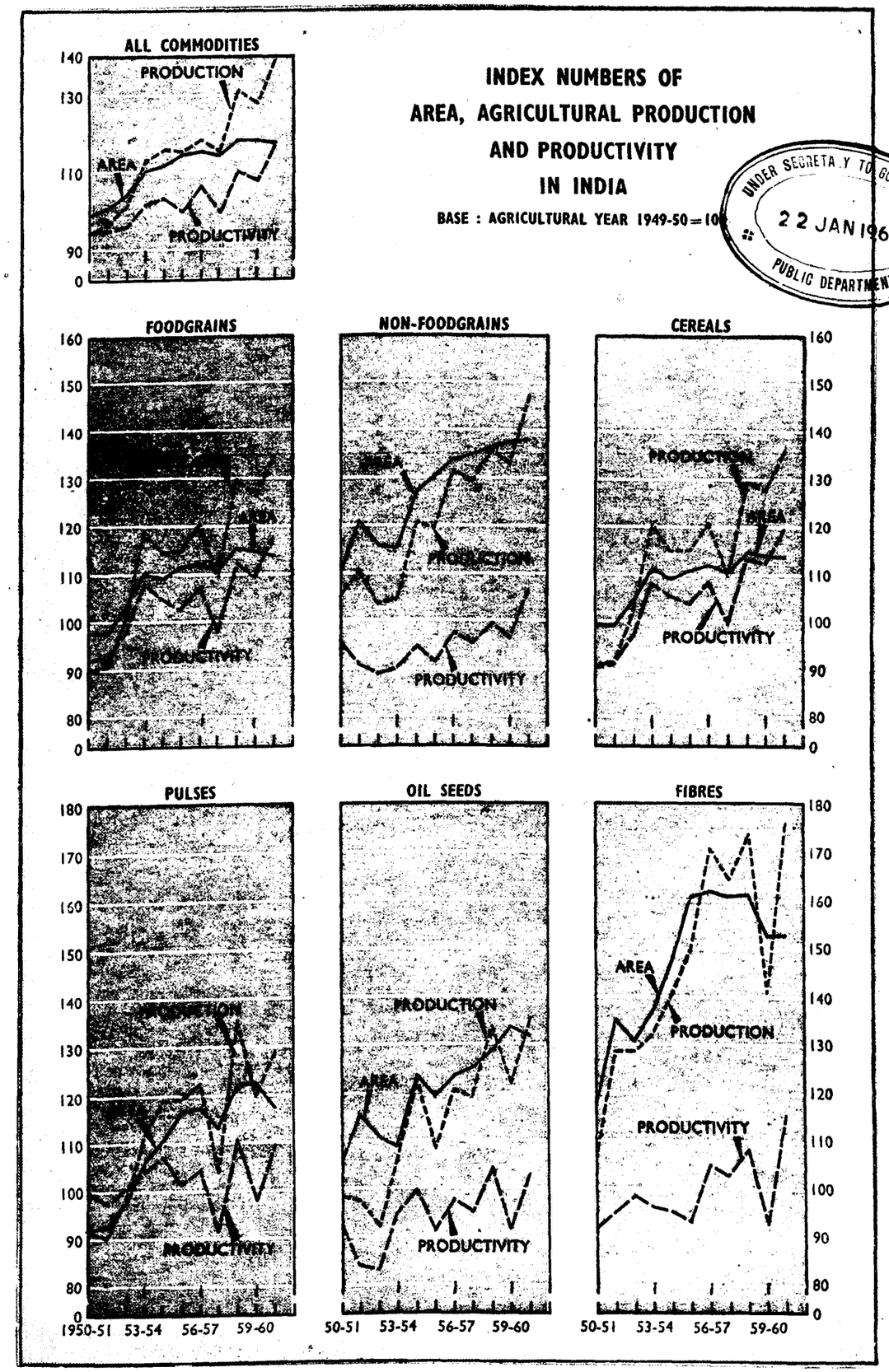
The raw materials required by the industry are high carbon chromium (H.C.I) steel bars, tubes and wires. Some of the raw materials are available within the country and it is considered that the import of H.C.I. bars may be dispensed with when the proposed Alloy and Steel Plant goes into production. Expensive electronic machines have also been installed for the analysis of bearing noise, checking of roundness and shape, sphericity of balls, surface finish, vibration etc. This has led to a considerable improvement in the quality of bearings, but still much remains to be done. The methods followed to improve the quality need to be studied in other countries, so that the ball and roller bearings produced by our industries could stand well in competition with the ball and roller bearings produced by the industries in other parts of the world. Ball bearings are used in a number of industries like electric fans, electric motors, power-driven pumps, automobiles, railway wagons including coaches and locomotives, tractors, earth moving machinery and textile industry. In view of the large-scale developments envisaged under some of the industries during the emergency, the demand is bound to rise considerably. So, while framing targets for the emergency period, it is very essential that we should not only take into consideration the requirements of these developing industries but also the replacement aspect and the demands from the new industries that might be set up during this period. The average life of bearings is estimated to be around seven years.

The table below gives the annual requirements for 1965-66 for various industries and also the increased targets as a result of at last 25 per cent increase in demand from the various industries and the Army.

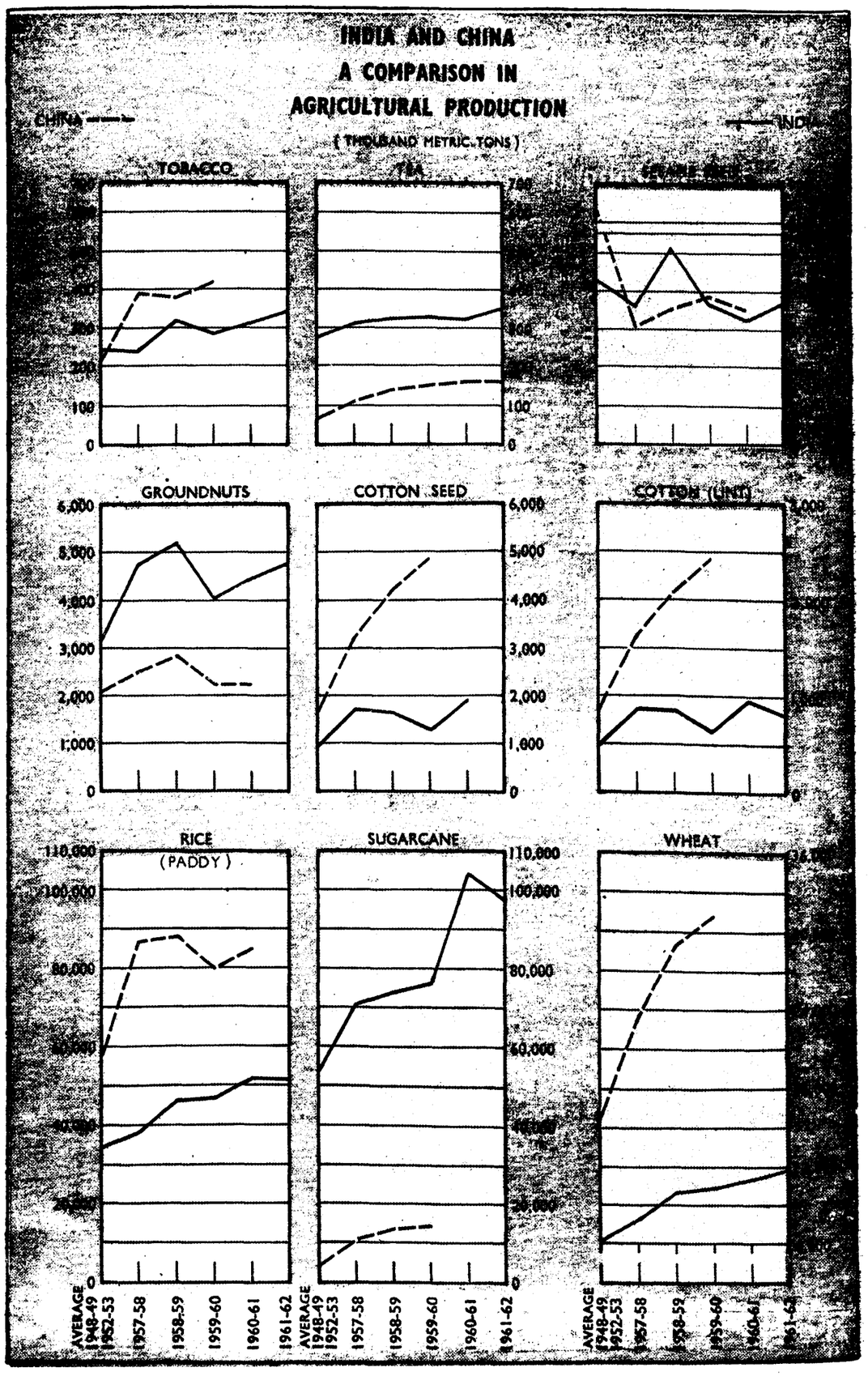
The foreign exchange element involved in the industry is quite considerable, and rightly the Govern-

ANNUAL REQUIREMENTS FOR 1965 - 66

Consuming industry	Ball bearings				Roller bearings	New target
	Upto 2" dia bore	New target	Above 2" dia bore	New target		
Electric fans	3500000	4375000	..	..	..	..
Electric motors	600000	750000	..	..	..	..
Passenger cars	300000	375000	120000	150000	420000	525000
Commercial vehicles	1020000	1275000	..	..	1518000	1897500
Jeeps & Station wagons	30000	37500	..	..	220000	275000
Motor cycles & scooters	400000	500000	158000	197500	..	..
Diesel engines	5500	6875	49500	61875	4600	5750
Power driven pumps	247500	309375	45000	56250	34500	43125
Tractor and earth moving equipment	44000	55000	341000	426250	88000	110000
Textile machinery	675000	843750	9000	11250	279000	348750
Sugar machinery	75000	93750	..	..	..	..
Heavy machine building plant	821700	1027125	91300	114125	51000	63750
Railway wagons including coaches and locos	..	..	..	..	150660	188325
Miscellaneous industries including machine tools, H.E.P.	650000	812500	250000	312500	50000	62500
TOTAL	8368700	10460875	1144800	1431000	2815760	3519700



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ment is giving due consideration to it. The most important thing now is that the schemes be watched carefully and assistance rendered wherever it is needed the most. It is considered that if the industry is to operate on a three-shift basis, the estimated requirements of 15 million can be taken care of by the end of 1965-66. On the progress of this industry hinges the development of many other industries in the country. On the basis of rough calculation, the foreign exchange demand can be estimated to be around Rs. 13 to 14 crores during the Third Plan period. The total investment in this industry during this period would be about Rs. 20 crores. The additional employment that might be created during the Third Plan period is estimated at about 8,000. The number of persons employed at present in the industry is about 2,000.

Agricultural Implements and Machinery

A MODERN mechanised army cannot be maintained without a strong agricultural base and in this task the agricultural implements and machinery industry has an effective part to play. To strengthen the agricultural base it has been stressed, time and again, that there should be intensification of agricultral programmes. And to bring about that intensification, it is very essential that the right types of tools and machinery be manufactured. It is clear that more areas will be brought under irrigation and cultivation, and improved agricultural practices will be developed during the Third Five-Year Plan period. The demand for agricultural implements will also rise in view of new methods of cultivation to be introduced through the Community Projects and the National Extension Services. The Government have taken the right step in appointing a Committee to assess the Third Plan needs of agricultural implements. The report of this Committee is anxiously awaited.

A look at the production figures would reveal that while the production of agricultural implements by the organised sector of industry in terms of steel was 13,875 tons in 1955, in 1960, it was 17,400 tons. The agricultural implements industry is mostly concentrated in Maharashtra, where the number of factories is 12 and the annual rated capacity in terms of steel is 4,796 tons. The total number of units in all the States are 60 and the annual rated capacity in terms of steel is 30,900 tons. These 60 units include two units in the public sector, viz, the Nahan Foundary and the Mysore Implements Factory. The types of improved agricultural implements which are being produced by the industry are field implements, such as, ploughs, cultivators, seeding, planting and threshing machines, agricultural hand tools, such as, persian wheels and manually-operated water pumps, machinery for processing agricultural products, such as, oil ghanies, cane crushers, chaff cutters, and tobacco barns; dairy and poultry farm equipment, such as, churns, cream separators and honey extractors; plant protection equipment, such as, sprayers and dusters; farm transport equipment, such as, wheel barrows, farm carts and hand-push carts.

The value of imports of agricultural implements in 1956 was Rs 92.22 lakhs and in 1960, it was only 38.99 lakhs. The decline in imports is due to the fact that the Indian Union has capacity to manufacture many of those implements that were being imported previously. Our exports of agricultural implements are limited and were valued at Rs 0.73 lakhs in 1960.

In addition to the organised industry, agricultural implements are being manufactured in the small-scale units also. A number of measures have been taken during the Second Plan for the healthy development of the small-scale units. Mention needs to be made of blacksmith units, Regional Research-cum-Testing Stations, the Small Industry Service Institutes and Extension Centres that have been set up for technical guidance. A scheme has also been accepted by the Ministry of Community Development and Co-operation for setting up 1000 servicing-cum-common facility workshops in rural areas, preferably in community development blocs for servicing, repair and maintenance of agricultural implements.

The production of power-driven pumps has also increased in recent years. While the production of power-driven pumps in 1955-56 was 37,000, it increased to 132,000 in 1962. Even specialised pumps, such as, submersible type of pumps, petrol dispensing pumps, pumps requiring fractional horse-power motors for their operations etc. are now being manufactured in this country. We are also now exporting these pumps to other countries. (The imports, also, continue and they were of the value of Rs 126.38 lakhs in 1960). It is because of the fact that we have not been able to manufacture all types of specialised pumps that we are forced to import quite a big slice of our needs. Our consumption of power-driven pumps in 1960-61 was 106,696. Since the demand for power-driven pumps is linked up with the progress of irrigation programmes and with the development of various industries, like chemicals, paper and sugar, which need pumps, many new schemes have been licensed. It is estimated that to achieve a production level of 150,000 pumps per annum by 1965-66, a capacity of 184,000 pumps will be required on double shift basis. The expectation is that the target will be achieved in the Third Five-Year Plan, particularly when it has decided to set up a project for the manufacture of heavy compressors and pumps. There is available in the Indian Union unutilised capacity in regard to power-driven pumps, diesel engines and tractors. While the estimated capacity for power-driven pumps in 1960-61 was 184,000, the production was only to the tune of 90,000. The case of diesel engines and tractors falls in the same category. The estimated capacity for diesel engines in 1960-61 was 62,000 units and production was 40,000 units and for tractors the capacity was 1000 units and production only 600 units. It is obvious that if the rise in demand is to be met, the industry will have to work on multi-shift basis. But to work on a multi-shift basis, adequate supply of raw materials will have to be ensured.

The diesel engine industry is at present concentrated in Maharashtra. There is a potential demand for Indian manufactured diesel engines in the Middle East and Far East countries. Every effort, therefore, must be made to hold these markets.

Tractors are required for two purposes, viz. reclamation of land and ordinary cultivation. Their demand

	1960-61 ('000 Nos.	1965-66 ('000 Nos.)
Power-driven pumps (Centrifugal)		
Capacity	128	184
Production	105	150
Diesel Engines		
Capacity	47.68	72
Production	43.21	66
Agricultural Tractors (12-45 DBHP)		
Capacity	Neg.	12
Production ..	Nil	10

will depend upon the future patern of mechanisation in agriculture. For meeting the domestic requirements of 10,000 units of tractors within the range of 12-45 DBHP envisaged by 1965-66, a production target of 10,000 numbers within this range has been fixed. To achieve the production level of 10,000 by the end of the Third Plan period, a capacity of 12,000 on double-shift basis has been proposed for the establishment by the same period. The target in regard to tractors can be achieved if the foreign exchange is made available. But it is difficult to say at this time how much foreign exchange may be spared in view of the pressing demand from other high priority industries. The fact, however, is taken into account that the agricultural implements and machinary industry is vital for the economy and steps, therefore, must be taken for its speedy growth. An idea of the development of the industry can be had from the table

on the previous page.

Drugs and Pharmaceuticals

IN A developing country like India where the people are under-nourished and incidence of sickness is high, the pharmaceuticals and drugs industry has a vital part to play. During the emergency, it will not only have to meet the demand originating from the civilian population, with the increasing standard of living but also from the army as a result of the war effort. The increase in population and extension of the Employees State Insurance Scheme to more and more families of the workers, will also have to be taken into account when framing targets for this industry. In another section of this Annual Number, it has been argued that because of the emergency and the priority accorded to other sectors of the economy, a 25 per cent reduction in the health programmes will have to be brought about. With a reduction in the health programmes, a scaling down of 10 per cent in the Third Plan targets of some of the important drugs, therefore, seems inevitable. While scaling down the targets, the increase in demand from the army by at least 15 per cent has been taken account of. The table below gives the production targets for 1965-66 for some of the important drugs and the revised targets:

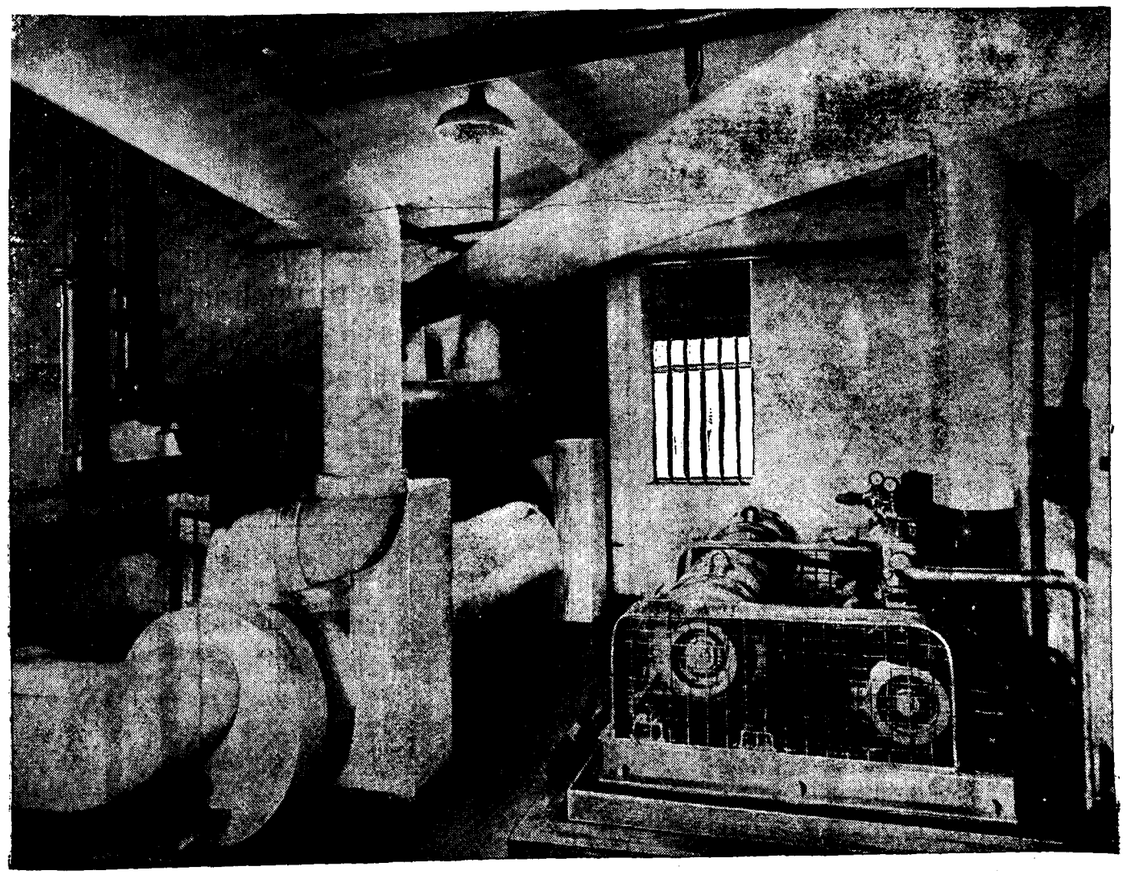
Items	Production Targets for 1965-66	Revised Targets
Sulpha drugs (Tons) ..	1,000	900
Penicillin (Million mega units)	120	108
Streptomycin (Tons) ..	150	135
P.A.S. (Tons)	400	360
Anti-dysentery drugs (Tons)	75	67.5
I.N.H. (Tons)	100	90
Phyto-chemicals (Tons) ..	76.4	68.8
D.D.T. (Tons)	2,800	2,520
B.H.C. (Tons)	15,000	13,500

The pharmaceuticals and drugs industry in the country has progressed by leaps and bounds in the recent years. The production of sulpha drugs, for instance, went up from 98,000 kgs. in 1956 to 1,48,000 kgs. in 1960. Production of penicilline increased from 4 million mega units in 1955 to 50.18 million mega units in 1961. In case of DDT the production went up from 172 tons in 1955 to 2,786 tons in 1960. And similar is the story of increases in the case of streptomycin, phyto-chemicals, PAS, BHC, etc. The industry has sought collaboration from some of the well-known firms in Germany, Switzerland, Italy, Britain, etc. The firms which need special mention are Messrs. Squibbs & Sons, New York, Messrs. Merk Dermstadt of West Germany, Messrs. May and Baker of England, Messrs. Ciba Limited of Switzerland. The USSR has promised help in the public sector. The projects that will be set up with the Russian aid are a synthetic drugs project, a phyto-chemical project and the antibiotics project. It is expected that the synthetic drugs project will involve an outlay of Rs. 8.5 crores (exclusive of townships and working finance) and will provide employment to about 1,700 persons of all categories inclusive of 1,200 engineers and 250 technicians. The antibiotics project is estimated to involve an outlay of Rs. 10 crores and the phyto-chemicals project is estimated to cost Rs. 6.2 crores. In all a sum of over 80 million roubles (Rs. 95.20 crores) credit has been made available by the USSR Government, for drug projects. The synthetic drugs project will be located at Sanatnagar, Hyderabad (Andhra Pradesh), antibiotics project at Rishikesh, (U.P.), phyto-chemicals project in Kerala, and the surgical instruments project at Guindy near Madras. The production of penicillin and insecticides is also making good headway in the public sector.

The private sector has done extremely well and during the Second Plan period increased facilities for the processing of drugs apart from making a beginning in the monufacture of some of the essential drugs. The bottling facilities for antibiotics, e.g. penicillin and streptomycin have been expanded. Major schemes for the manufacture of bulk drugs have also been implemented in the private sector between 1956 and 1961. In some cases such as the manufacture of vitamin 'C' by Messrs. Sarabhai-Merk Limited, Baroda, the scheme so for implemented is based on the use of imported sorbitol, but the manufacturing programme approved by the Government provides for the production of sorbital also in the next phase so that in the initial years of the Third Plan, the vitamin 'C' manufacture in the country would be linked with indigenous glucose via Sorbitol. There is no production of DDT in the private sector.

Exports of drugs have been of nominal value; they were valued at Rs. 0.98 crores in 1961. The imports of drugs during the same year were of the value of Rs. 11.17 crores. Imports have been declining with increase in indigenous production and came down from Rs. 16.31 crores in 1957 to Rs. 11.17 crores in 1961. In the import policy announced recently, no further cut in the import of drugs has been made. Imports of only a few specific items like chloramphenicol, chlortetracycline, oxytetracyline, tetracycline and vitamin 'C' which were produced indigenously in adequate quantities have been banned. Care has been taken to allow more raw material for the indigenous manufacture of drugs and medicines during the current half-year. The industry has been facing some difficulties on account of the raw materials, but efforts are now being made to manufacture the intermediates so that the industry may not have to suffer on that account.

The pharmaceuical industry helps the growth of many other industries also. Besides chemicals it requires many other materials like paper, cardboard, glass bottles, plastic articles, caps, tubes and containers, and rubber plugs for putting their products in the hands of the consumers and medical practitioners in a form ready for use. So that the targets may be achieved, it is important that the capacity be utilised fully. At present anti-dysentry drugs industry is being utilised only



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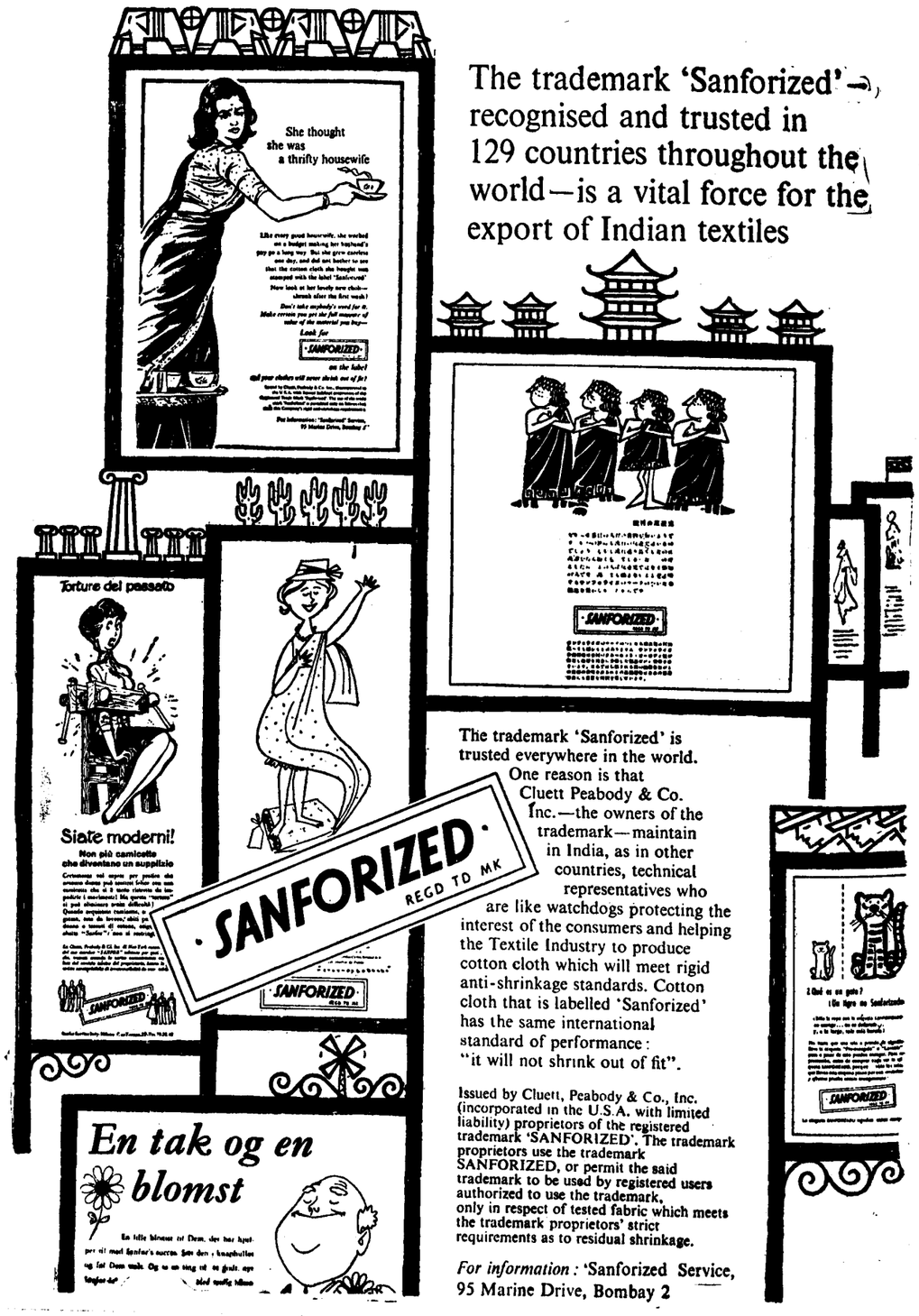
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to the extent of 65 per cent while Nikethamide to the extent of only 10 per cent. Similar is the case in regard to some of the other important drugs like penicillin, streptomycin, P.A.S., I.n.H. d.d.t. and petrochemicals. These drugs are needed not only to save human lives but also to prevent the spread of diseases like cholera, typhoid, T.B. etc.

Research on the development of the industry is essential because the research carried out will not only be helpful for the maintenance of quality and improvement of products, but also assist in keeping abreast of the developments in other parts of the world. By producing better quality drugs we will also be able to increase our exports for which there is a great need at the moment. The research facilities available in this country are quite meagre and barring a few institutions like the Hopkins Institute and the Central Drug Research Institute, there is hardly any laboratory where research work on new drugs can be carried out.

Rubber Industry

A HEAVY demand is likely to be placed on the rubber goods industry during the period of the emergency with the increase in the demand for vehicles such as jeeps, trucks, motor cycles, station wagons etc. The demand would not only be confined to tyres and tubes, but to other rubber goods too, an increasing use of which is being made for various purposes. So far the industry has been able to meet the domestic demand successfully but whether it will be able to do so in the future also would depend to a great extent on how its problems are tackled and to what extent an increase in the production of natural rubber is brought about. Given proper encouragement and facilities, the rubber industry in India is capable of rising to the occasion and can play its part well in the economic development of the country.

A look at the production figures of raw rubber would reveal that in 1955, the Indian Union produced 22,481 tons and in 1960, 24,690 tons. India is not only a producer of raw rubber but unlike many other countries is also a consumer. With the increase in the standard of living, the consumption of raw rubber has gone up. While its consumption was 16,000 tons in 1950, the requirements went upto about 58,000 tons in 1961 including about 6,000 tons of reclaimed rubber and about 10,000 tons of synthetic rubber. It has been estimated by the Working Group on Rubber Plantation Industry that the demand for rubber will increase to 1,10,000 tons by the end of the Third Plan, while the production of natural rubber would be only 45,000 tons. It seems fairly certain that the Third Plan's estimate will have to be changed as a result of the new demand from defence for various goods. To meet the gap in production, it would be a good idea to open up rubber plantations in Nicobar and Andaman Islands. Since there is no short cut to self-sufficiency in natural rubber, imports will necessarily have to be increased. If earnest efforts are made in the country by the estates, the production of existing rubber plants may be increased by 10 to 15 per cent at least. A programme has been laid out for replanting rubber trees, with high yielding seedlings at the rate of 7,000 acres a year and this would be completed by 1966. In order to intensify the programme, it has been decided to raise the amount of subsidy from Rs. 240/400 to Rs. 1,000 per acre for replanting. Loan assistance to the tune of Rs. 750 per acre is also to be given for new plantation during the period of the Third Plan.

Since the demand for consumption would go up and production may not come up to the required expectations, a large gap would be left by the end of the Third Five-Year Plan period. This would mean that the country will have to import a good deal of natural, synthetic and reclaimed rubber. Since much foreign exchange may not be spared for these imports, it becomes necessary that we should try to tap our own resources fully. In this context, it would be worthwhile to assess the probable consumption of butyl rubber which is being used for the manufacture of inner tubes and other miscellaneous items and see whether licences for the manufacture of butyl rubber in India itself would be an economic proposition. The chief raw materials required for the rubber goods industry are natural and synthetic rubber, reclaimed rubber, carbon black, rayon and nylon tyre cord, sulphur, zinoxide, beadwire, pigments rubber auxiliaries etc. So far as carbon black is concerned, the Government have already given licenses to two units. With regard to the rubber auxiliaries also, the two plants which have already been licensed and which between them would be producing about 4,000 tons of rubber chemicals would take care of the requirements of the country for the next 5 to 10 years. Pigments are also being manufactured indegenously though in this case some of the special types of pigments are still being imported. It is considered that by 1965-66, the Indian Union will be self-sufficient in most of our raw material requirements with the exception of raw rubber, the basic material of the industry. In this context, it would be worthwhile negotiating with countries where we can have rupee payments agreements so that we may not have to spend scarce foreign exchange.

The production of automobile tyres in 1960-61 was 1,491 million, and a target of 3 million has been fixed for 1965-66. In regard to automobile tubes, the production was 1,411 million and a target of 3 million tubes has also been fixed for 1965-66. The annual rated capacity for automobile tyres and tubes in 1961 was 1,608 million and 1.661 million respectively. For 1965-66, it has been fixed at 3.7 million each. The table below gives a picture of production targets of various types of vehicles for 1965-66 and the requirements of tyres and tubes.

	Production target for 1965-66 (Nos.)	Type of tyre	Requirements of tyres & tubes for 1965-66 (Nos.)
Cars & Station Wagons	30,000	Passenger	150,000
Trucks	60,000	Giant	420,000
Jeeps	10,000	Jeep	50,000
Tractors	10,000	Tractor	40,000
Motor cycles & Scooters	50,000	Motor cycles & Scooters	100,000
		TOTAL	760,000

There is need to increase production by at least 25 per cent immediately. And for that full capacity will have to be utilised. It may be noted in this connection that while the capacity fixed for automobile tyres in 1960-61 was 1.61 million Nos., the production was 1.35 million Nos. If the indigenous production and sales are to keep to the schedules and prices are to be maintained at a reasonable level, it is quite necessary that disincentives to production be done away with. The rubber industry is today subjected to a series of taxes and duties. It

is a well-known fact that owing to rising labour costs and costs of raw materials, the production costs of rubber goods have been rising. Although the excise has been reduced from 25 nP. to 10 nP. per square metre for fabrics on average count of below 26s and 15 nP. per square metre for fabrics having higher average counts, it is not understood why no relief has been granted on excise duty on camel black and foam rubber. Since production is to be stepped up, it is necessary that these grievances of the industry are looked into. At present, research facilities are inadequate to meet the vast growing requirements of this developing industry. Today the consumers want more and better products, and it is only through research that better products can be made. It is high time that service institutes in major rubber industry centres are established during the emergency so that even the smallest manufacturers can take their problem to these centres for speedy solution.

Cotton Textiles

IF DEFENCE and development programmes are to proceed hand in hand at a rapid pace in the present state of emergency, restraint in consumption propensity is obviously warranted. This would have to be more on voluntary than on obligatory basis, since physical controls and fiscal measures may not be panacea for all shortages. The restraint in consumption is needed to meet increased defence needs, on the one hand, and to step up expoprts, on the other. It must be conceded that the development programmes of the Indian economy are not so spacious as to accommodate the defence programme of the present magnitude and the entire unproductive expenditure consequent thereon, without taking resort to extra doses of deficit financing and additional taxation. But, since the extent to which these measures can be resorted to is limited on account of the inflationary pressures that they would create, it is increasingly felt necessary to promote voluntary restraint in consumption.

The Indian cotton textile industry which has had a long record of creditable performance in the past is at present eclipsed under a shadow of glut. But its future though threatened much by Britain's entry into the E.C.M. and by the heavy inroads made by synthetic fibres in the world market, is by no means bleak. The problems of the industry may be pinpointed as: (a) inadequacy of good quality cotton crops, (b) dwindling exports, (c) insufficiency of indegenous textile machinery production to meet the increasing needs of modernisation, and expansion and (d) the slowing rate of increase in per capita consumption as a sequel to rising cost of living.

The overall target for cloth production in the Second Plan was 8,500 million yards and accordingly the requirements of raw cotton were calculated at about 6.1 million bales. The export target was set at 1,000 million yards. The internal demand for cloth was calculated on the basis of an estimated per capita consumption of 18.4 yards in 1960-61 (as against an estimated actual per capita consumption of 16 yards in 1955-56) and an expected population of 408 millions. The cloth production for the handloom and powerloom sectors were, therefore, envisaged at 3,000 to 3.500 million yards (being the residual amount depending on the precise targets to be decided upon for mill cloth) as against an actual production of 1,753 million yards in 1955-56. Subsequently, the targets of capacity and production for cotton textiles were reviewed by the Government and accordingly it was decided to plan for per capita consumption of 18.5 yards of cotton cloth for an estimated population of 400 millions at the end of the Second Plan, which was again subsequently revised downwards to 17.5 yards on the basis of the Joshi Committee's (1958) recommendations.

On the same basis, the requirement of about 6.1 million bales of cotton for meeting the production target of 8,500 million yards of cloth envisaged earlier was revised downwards to 5.5 million bales. In November, 1956, the target was again revised upward to 6.5 million bales of cotton. Against the forecasts thus made, the production of cotton increased from 4.5 million bales in 1955-56 to 5.4 million bales in 1960-61.

The figures quoted below give the production according to staple length groups during the Second Plan period:

Year	Superior Long Staple (1" & above)	Long Staple (7/8" to 1")	Medium Stple (23/32" to 27/32")	Short Staple (11/16" & below)	Total
1950-51	47	637	1,448	839	2,971
1955-56	305	1,305	1,692	699	4,001
1956-57	329	1,689	1,950	767	4,735
1957-58	338	1,442	2,122	857	4,739
1958-59	382	1,386	2,088	830	4,686
1959-60	451	1,382	1,350	652	3,835
1960-61**	517	1,924	2,212	741	5,394

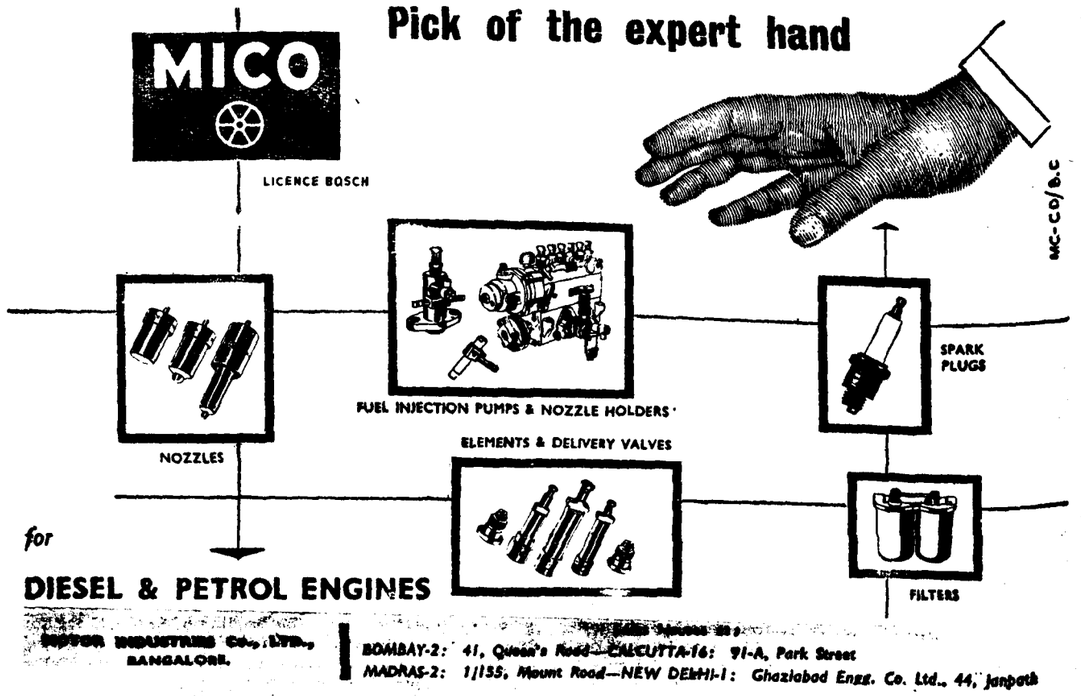
*Bales of 392 lbs. each. **Provisional.

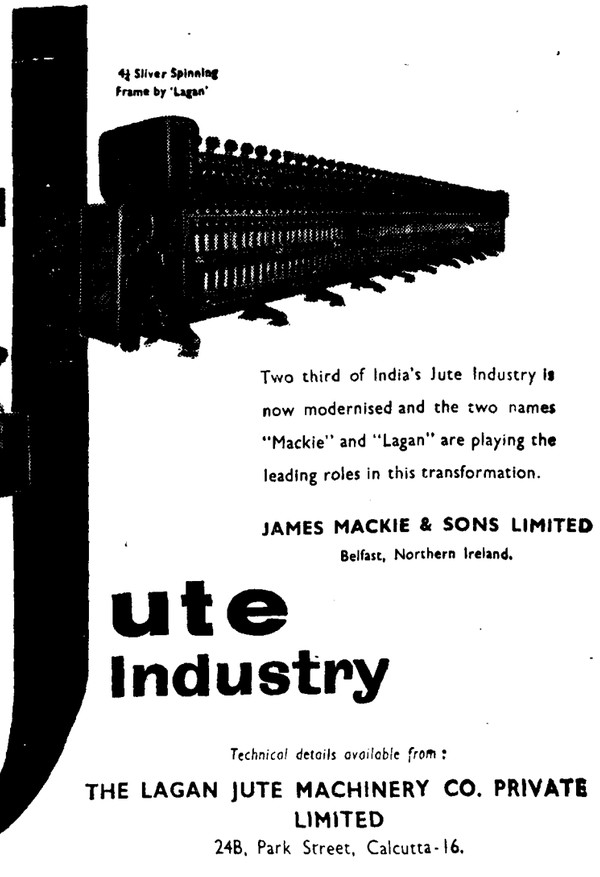
Against the envisaged production of 6.5 million bales of cotton at the end of the Second Five-Year Plan, the actual yearly output was as follows:

Year (September-August	In 1000 bales 392 lbs. (net)
1955-56	3,998
1956-57	4,735
1957-58	4,739
1958-59	4,686
1959-60	3,678
1960-61	5,394
1961-62	4,500

It is estimated that the output in 1962-63 will be of the order of 52 to 54 lakh bales. During the last three years the average consumption of cotton by mills has been of the order of 52.5 lakh bales and as such the shortfall has had to be made good by importing on an average 9.5 lakh bales during the same period. The need for importing a certain quantity of long-staple cotton will persist in order to enable the mills to manufacture fine and superfine fabrics. During the season ended August 31, 1962, over 9 lakh bales were licensed for import.

On the basis of estimated increase in population and the likely increase in demand due to the expected rise in national income during the Third Plan, it has been assumed that the increase in the total requirements of cloth during the Third Plan period will be of the order of 20 per cent. Thus, the total requirements of cloth in 1965-66 have been taken as 8,450 million yards of cloth assuming per capita requirement of about 17.5 yards in 1965-66 on the basis of a population of about 486 millions expected at that time. The export target for cotton cloth is envisaged at 850 million yards most of which is





expected to be accounted for by the mill sector. Taking the export and annual requirements together, the total demand for cloth at the end of the Third Plan has been placed at 9,300 million yards in 1965-66.

The export target of 850 million yards envisaged in the Third Plan, though not as ambitious as in the Second Plan, may yet be difficult to achieve. The export incentives scheme introduced in 1958 and the Scheme for compulsory exports introduced in July, 1962, enjoining upon each textile mill to export cloth equivalent to 12½ per cent of the total value of its output in one year may at best push up exports marginally. The export obligation in regard to yarn is 3 per cent of the value of its production in one year. The following figures show the trend of exports (including handloom) over a period of years:

Year	Cloth exports million yards	Yarn exports million lbs.
1957	881	17
1958	622	31
1959	851	21
1960	724	14
1961	575	13

It is estimated that cloth exports this year are not likely to be more than 650 million yards. It seems to have been realised by the industry in general that if India's export goal in textiles is to be attained, there is no substitute for modernising its productive equipment, for attaining higher levels of productivity and for achieving a general reduction in costs.

This, then, naturally leads us to the question of producing in sufficient quantities textile machinery for modernisation and expansion. But, before entering into the question of textile machinery production, it would be worthwhile to consider the spindles position for producing 9,300 million yards of cloth under the Third Plan. To reach the level of production of yarn estimated to be about 2,250 million pounds, it has been envisaged in the Third Plan that 16.5 million active spindles will be required as against an average level of 12.7 million active spindles during the last year of the Second Plan. Subsequently, an official group, which examined comprehensively all aspects of the installation of additional spindlage during the Third Plan, expressed its views that about 5 or 6 lakh idle spindles were to be re-activated during the Third Plan. On the basis of this report, it was further envisaged that the installation of about 3.3 million additional spindles should be required under new units and expansion of existing mills to reach the target of 16.5 million active spindles laid down in the Plan. The average number of spindles worked in the first shift during 1961 was 12.08 millions. This level of working appears to be the probable optimum reached with the existing capacity at the present working condition of the machinery.

In view of the tight foreign exchange situation, increasing reliance has of necessity to be placed on supplies of textile mechineries inside the country. In the following table is shown the progress made by the textile machinery manufacturing industry in terms of the value of its output.

Year	(Rs. crores)
1955	5.38
1956	7.30
1957	9.90
1958	7.30
1959	8.10
1960	10.40
1961	12.94

But it would be admitted that the present rate of textile machinery output is not enough to meet the enormous requirements of the mills for purposes of both modernisation and expansion. The figures quoted below, showing the production of various items of spinning machinery in India, makes this point clear.

Items	1955	1956	1957	1958	1959	1960	1961
Carding Engines	649	726	1023	1148	763	1075	1308
Drawing Frames	44	24	34	9	41	47	75
Speed Frames	28	29	33	28	16	45	70
Ring Frames*	863	1110	1364	877	1077	1127	1340
Reeling Machines	607	1158	1965	804	435	50	14
Doubling Frames	..	..	..	..	..	156	113

*Each ring frame consists of about 400 spindles.

Besides, the production of automatic looms by Indian manufacturers has not been able to keep pace with the demand. The following table shows the trend of production since 1958.

Year	Looms: Plain	Looms: Automatic	Total	Imported Automatic Looms
1958 ..	3187	36	3223	844
1959 ..	4231	356	4587	159
1960 ..	5177	374	5551	649
1961 ..	7534	67	7601	1943

The country has yet to go a long way in attaining self-sufficiency in the production of textile machinery.

MANUFACTURE OF MAJOR TEXTILE MACHINERY ITEMS

(Numbers)

Item	1955	1956	1957	1958	1959	1960	1961
1. Carding Engines ..	649	726	1,023	1,148	763	1,1073	1,279
2. Draw frame	44	24	34	9	40	47	74
3. Speed frames	28	29	33	28	21	45	70
4. Ring frames	863	1,110	1,364	877	1,077	1,127	1,361
5. Winding machinery ..	—	—	2	—	—	25	35
6. Warping machinery ..	—	—	1	—	—	3	5
7. Blowroom lines ..	—	—	—	—	—		
8. Looms							
(a) Plain	2,787	2,873	2,552	3,151	3,875	5,177	7,435
(b) Automatic	70	161	316	336	356	374	79

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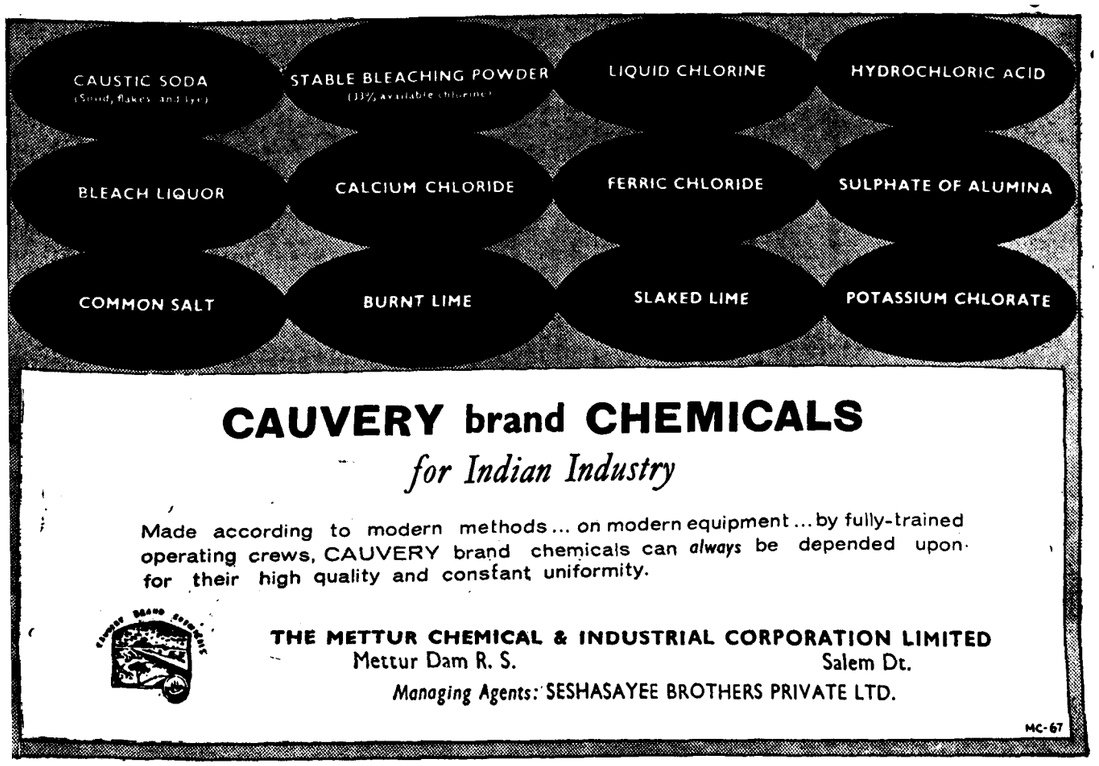
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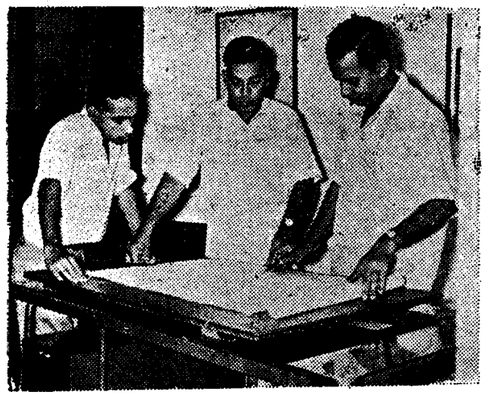
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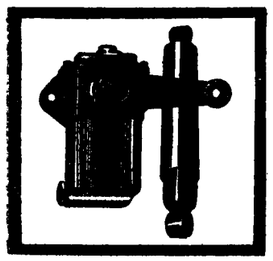
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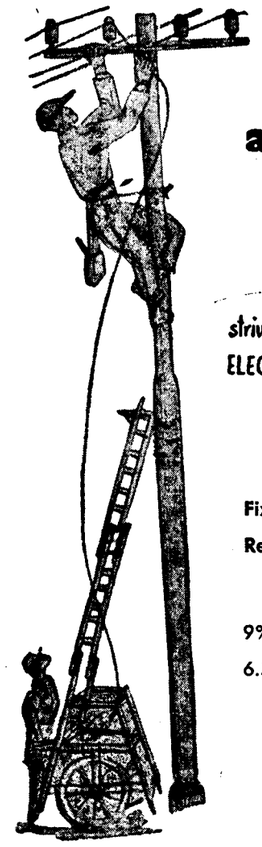
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All in all, the problems of Indian Cotton textile industry pinpointed here are inter-dependent against the background of foreign exchange shortage. The reported accummulation of stocks to the extent of 5 lakh bales which is only slightly below the 1958 level, is certainly heavier in its impact because of an all-round rise in costs. The sluggish character of textile exports and a rather slack domestic demand are both responsible for the present crisis. Will defence requirements give a push to demand? There do not seen to be very bright chances for that as well. As things stand, only an increase in the purchasing capacity is likely to relieve the pressure on stocks.

Rayon and Staple Fibre

OWING to the increasing popularity gained by the man-made fibres industry on account of the durability and price—two very distinct advantages over cotton—a ambitious programme for expansion of its capacity has been envisaged in the present context of emergency because of its use in making a wide variety of military requirements, such as, parachutes and protective clothing, apart from its extensive uses in other forms viz in tyres, conveyor belting and other industrial purposes. The target for production in the Second Plan was set at 100 million lbs., consisting of 52.3 million lbs. of rayon filament and 48 million lbs. of staplefibre. Later on the Development Council for the Art Silk Industry has estimated that the demand would be 80 million lbs. per annum in 1960-61. As against this estimated demand, the Planning Commission recommended a provisional target of 68 million lbs., but subsequently raised it to 100 million lbs. on the condition that satisfactory arrangemens would be made by the prospective entrepreneurs to import at least 80 per cent of the capital equipment on defered payment loans. However, with the worsening of the foreign exchange situation the original target of 68.3 million tons could not be reached by 1960-61. For the same reason, the production target for staple fibre could not be reached as estimated earlier and hence a target of 32 million lbs. was envisaged. In the Third Plan period the capacity is expected to be expanded to 215 million lbs.—140 million lbs. rayon filament and 75 million lb. staple fibre. This expansion programme provides for an increase in the per capita consumption of rayon fabrics from 1.3 yards in 1960-61 to 1.8 yards in 1965-66. The overall target for rayon filament comprises 20 million lbs. of tyre cord yarn required for the automobile tyre industry, 76 million lbs. of viscose filament, 24 million lbs of acetate yarn, 10 million lbs. of cuprammonium and 10 million lbs. of synthetics.

In the family of man-made fibres, viscose rayon is by far the most important. In 1951 the national output of viscose rayon was a little under five million lbs., but within a period of ten years, it has increased to 45 million lbs. Wood pulp being the basic raw material for viscose yarn production, it is likely to accentuate the shortage of bamboo for the paper industry. Since from the defence point of view synthetic fibre is more important than paper, the expansion programme for paper and newsprint will have to depend increasingly on the use of bagasse which is presently being used as fuel by the sugar mills.

Staple fibre production did not exceed by 7 million lbs. in 1954, but rose to 57 million lbs. in 1961 and made a substantial contribution of Rs 150 million to the foreign exchange resources. The licensed capacity of man-made fibres in India as at present is shown in the following table.

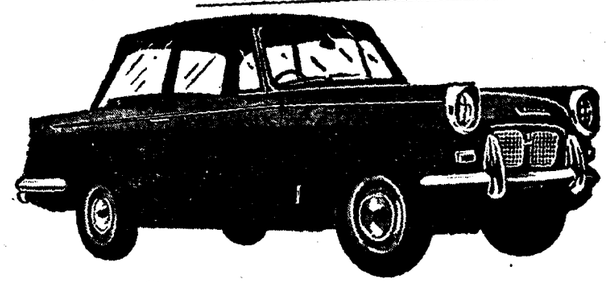
(In million lbs.)

Cellulosics	
Viscose filament	86.4
Acetate yarn	8.8
Cuprammonium	5.0
Staple fibre	64.0
Tyre cord	33.0
Non - Cellulosics	
Nylon filament	11.7
Nylon staple	0.65
Nylon tyre cord	1.6

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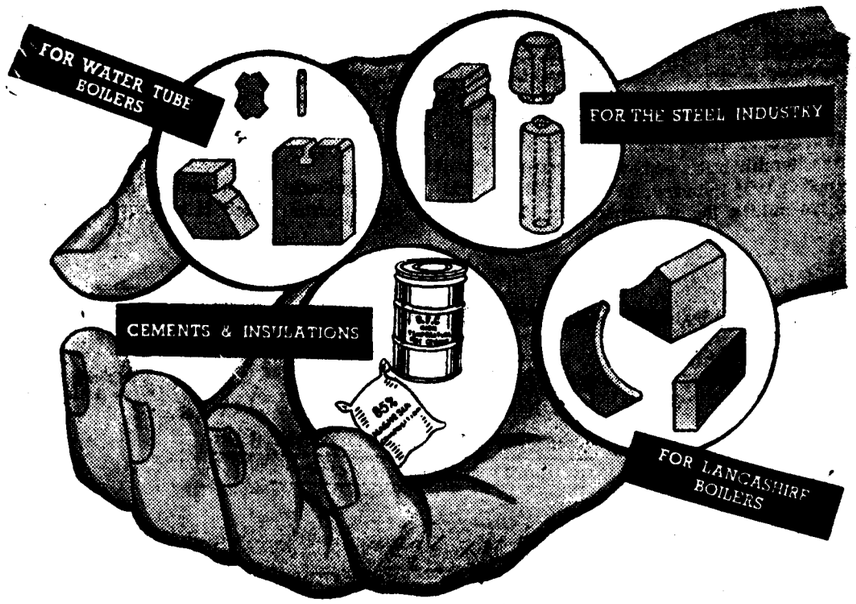
Low denier acetate filament has been found to be an excellent substitute for longstaple cotton and viscose staple fibre for medium and short-staple cotton. One of the handicaps of industry is its present dependence upon the import of yarn to the extent of about Rs 13 crores. But because of the rising demand for parachutes and other military requirements, the production of synthetic fibres has got to be maintained even if the burden on India's foreign exchange is increased.

Woollen Industry

THE PRESENT state of emergency in the wake of the Chinese invasion has set the Government athinking on the problems of woollen industry consisting mainly of the under-utilisation of the rated capacity on account of the industry's dependence on imported wool. When the present emergency arose the country had almost very small quantities of woollen goods available. About Rs 5 crores extra foreign exchange allocation has been made and a special purchase mission has lately returned after a hurried visit to Australia, Newzealand, and Bradford. The Government had appointed a Controller of Woollen Textiles with wide powers and a Woollen Goods Production Advisory Committee has been constituted of leading business men to assist the Controller.

No fresh capacity was sanctioned to the industry in 1962. In the following table is shown the present licensed capacity and actual installed capacity with production capacity on three-shift basis.

Items	Licensed	Actually installed	Production of three-shift basis
Wool Tops	24.3 m. lb.	11.3 m. lb.	11.3 m.lb.
Woollen Yarn	50,129 spindles	40,404 spindles	37.5 m. lb.
Shoddy Yarn	19,471 spindles	16,271 spindles	12 m. lbs.
Worsted Yarn	140,880 spindles	140,880 spindles	42.2 m. yds.
Woollen Fabrics	..	3,130 powerlooms	46.5 m. yds.



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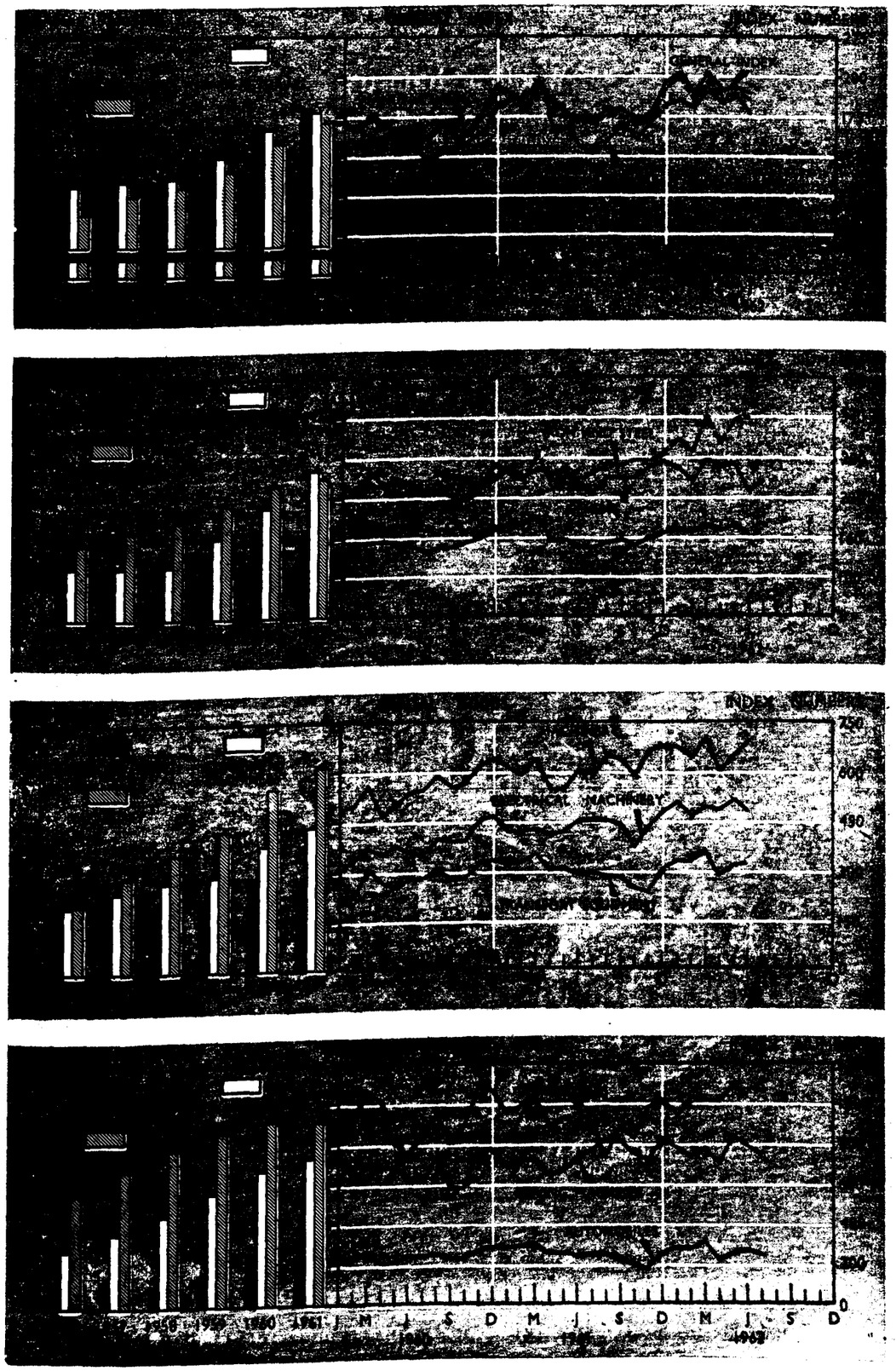
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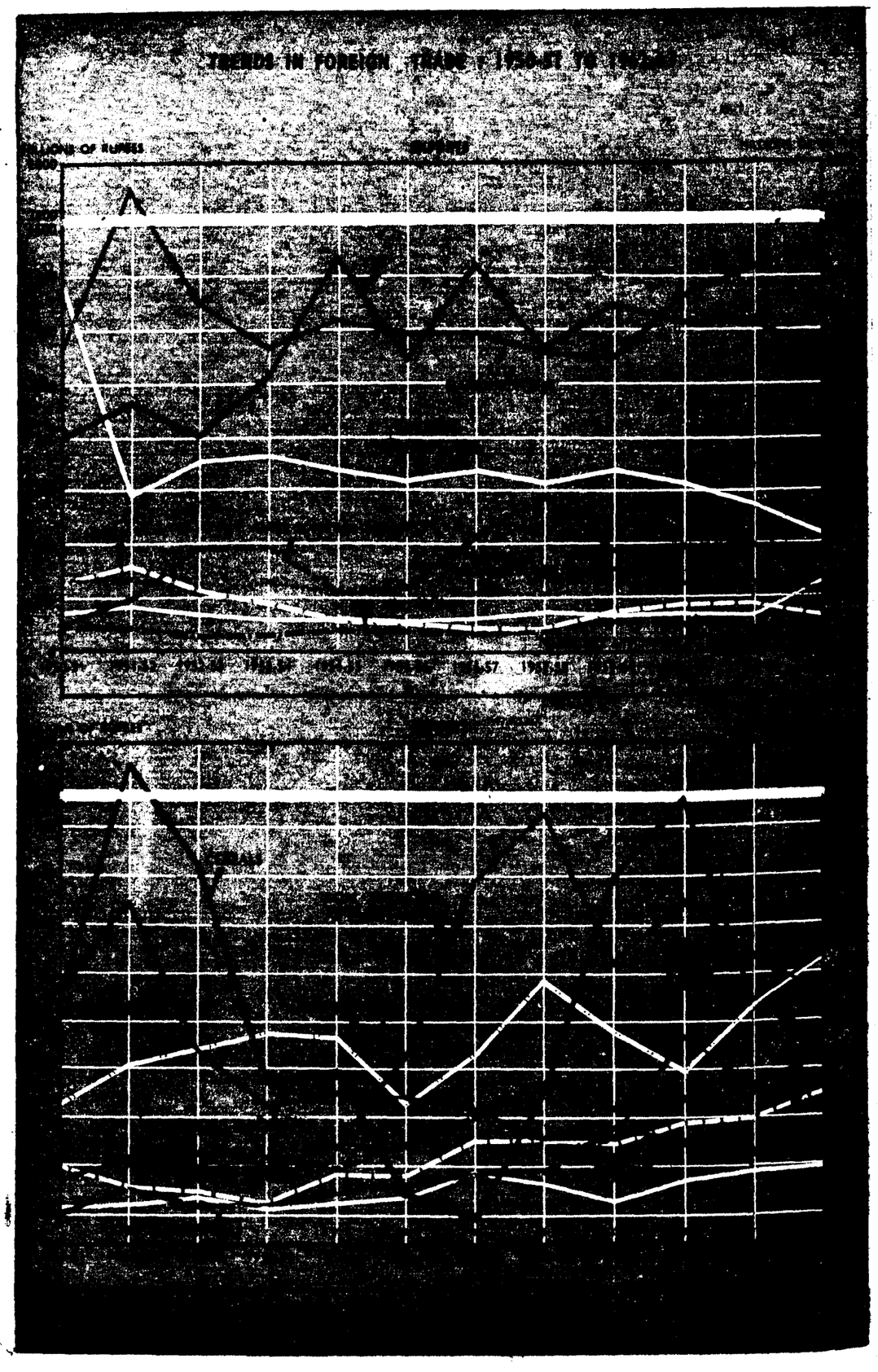
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The Third Plan targets of production vis-a-vis the individual targets for 1961-62 in each sector are indicated in the following table:

Items	Third Plan Targets	1961-62 Plan Targets
Wool Tops	31.5 m. lb.	24.3 m. lb.
Woollen Yarn	14 m. lb.	—
Worsted Yarn	28 m. lb.	20.06 m. lb.
Shoddy Yarn	10 m. lb.	8 m. lb.
Fabrics	35 m. lb.	20 m. lb.

Against this target the actual production during 1961-62 has been much below the installed capacity and targeted production for the same period. The figures of actual production during 1961-62 and 1962-63 (April-August) are shown in the table below:

Items	1961-62	1962-63 (April-August)
Wool tops	7.2 m. lb.	4.0 m. lb.
Woollen and shoddy yarn	16.3 m. lb.	5.4 m. lb.
Worsted yarn	15.5 m. lb.	6.7 m. lb.
Woollen fabrics	15.8 m. lb.	8.6 m. lb.
Carpet yarn	2.9 m. lb.	1.1 m. lb.

It is evident from the figures quoted above that against the targeted production of 20.06 million lbs. of worsted yarn for 1961-62, the actual production for the same period was only of the order of 15.5 million lbs. and against the targeted production of 20 million yards of woollen fabrics for 1961-62, the actual production turned out to be only 15.8 million yards. In view of the substantial defence requirements for woollen goods, it is likely that existing unutilised capacity will be fully utilised. Until the quality of indigenous wool is improved to a level suitable for combing purposes, it might be necessary to meet the entire requirements of wool for manufacture of wool tops (which in turn is raw material for worsted spinning) from imports. In order to minimise such imports, the potentialities of the semi-worsted spinning system, which is able to produce fine yarn from wools unsuitable for combing, need to be explored. In view of the fact that the Sino-Indian war is to be fought at high altitudes, there can be no question of keeping any capacity idle in the woollen industry. Imports of wool tops have to be arranged, no matter at what cost, if our jawans are to be provided with adequate warm clothes.

In the consumer industries in general more and more stress is to be laid on fuller utilization of the present installed ctapacity. Some slowing down of the grant of new licences has to be resorted to to make foreign exchange resources available for purchase of essential raw materials for the existing industrial units and for the pressing demands of the armed forces. Even if, because of this, shortages develop in some consumption goods, they have to put up with. Some of the consumer goods industries, assured of indigenous raw materials, have to make extra efforts to step up their output not only for making available adequate quantities to the civilian population and defence personnel, but also for earning more foreign exchange through additional exports.

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Authorised Capital	**Rs**	**1,00,00,000**
Subscribed Capital	**Rs**	**82,50,000**
Paid-up Capital	**Rs**	**82,50,000**
Reserves	**Rs**	**1,23,75,000**

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TABLE III.

MAJOR TEXTILE MACHINERY / EQUIPMENT MANUFACTURED IN INDIA. 1961-62

(Value in lakhs of rupees)

Item of Machinery	Production 1960 Units	1960 Value	1961 Units	1961 Value	1962 Jan-June Units
(1)	(2)	(3)	(4)	(5)	(6)
1. Blow Room Line	—	—	1	15.50	6
2. Carding Engines	1073	139.49	1279	166.00	732
3. Drawing Frames	47	23.50	74	13.00	34
4. Speed Frames	45	11.50	70	26.00	20
5. Ring Frames	1127	517.15	1361	532.00	756
6. Doubling Frames	156	62.40	116	38.00	70
7. Winding Machines	25	10.00	35	12.00	12
8. Warping Machines	3	1.20	5	0.11	7
9. Looms (Plain)	5177	88.01	7435	137.00	4390
10. Looms (Automatic)	374	22.40	79	3.00	59
11. Reeling Machines	50	0.50	46	0.29	79
12. Bundling Press	29	0.38	29	0.44	20
13. Baling Press	12	1.56	13	2.20	9
14. Jiggers	174	27.84	161	20.00	85
15. Chemicking Machines	10	1.20	2	0.38	1
16. Padding Mangle	36	14.40	48	13.00	19
17. Washing Machines	28	4.20	30	10.00	15
18. Water Mangle and Drying Range	50	20.00	32	17.00	9
19. Kiers and Heaters	24	6.00	31	5.00	19
20. Laboratory Padding Mangle	7	0.70	—	—	—
21. Plaiting, Doubling and Folding Machines	54	8.10	84	5.90	34
22. Starch Mangle	6	2.40	7	3.00	2
23. Agers	19	9.50	8	6.00	2
24. Winches	4	0.36	13	2.50	13
25. Expanders	62	2.46	32	0.96	10
26. Drying Cylinders	120	1.92	131	2.40	27
27. Sizing Cylinders	69	1.10	79	4.00	37
28. Cloth Printing Machines	10	5.00	4	1.62	3
29. Colour Mixer	7	0.56	13	0.95	3
30. Scutcher	8	0.46	8	0.55	10
31. Forcing Machines	3	0.24	5	1.38	1
32. Automatic Piler	6	0.12	18	0.61	10
33. Stentering Machines	5	15.00	12	26.00	8
34. Dryers	1	0.05	24	14.00	9
35. Dummy Agers	1	0.05	26	1.58	8
36. Back Filling Machines	9	4.95	6	0.57	5
37. Stamping Machines	2	0.16	4	0.27	7
38. Hydro-Extractor	14	2.10	6	0.36	6
39. Hank Yarn Printing	4	0.40	1	0.14	—
40. Soaper	9	1.35	1	0.65	4
41. Tensionless Control Device	3	0.04	1	0.01	—
42. Squeezing Machines	11	0.77	3	0.14	3
43. Mercerising Machines	5	17.50	4	11.33	5
44. Pre-heaters	3	0.05	12	1.81	4
45. Hydro-cloth conditioning Machines	1	0.12	—	—	—
46. Laboratory Printing Machines	1	0.20	1	0.20	—
47. Singeing Machine	1	0.80	6	4.10	4
48. Finishing Mangle	1	0.50	—	—	5
49. Batching Machine	—	—	7	0.76	6
50. Piece Dyeing Plant	—	—	5	1.92	—
51. Curing Machine	—	—	4	3.07	3
52. Damping Machine	—	—	5	0.35	1
53. Continuous Wet Dyeing Plant	—	—	4	11.92	1



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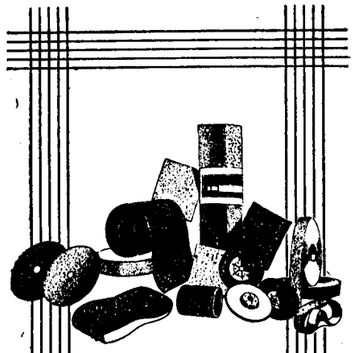
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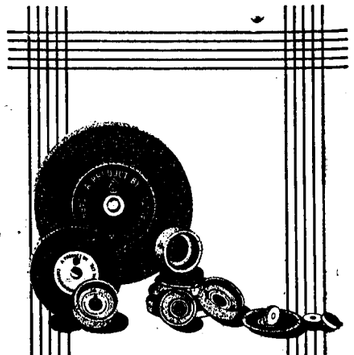
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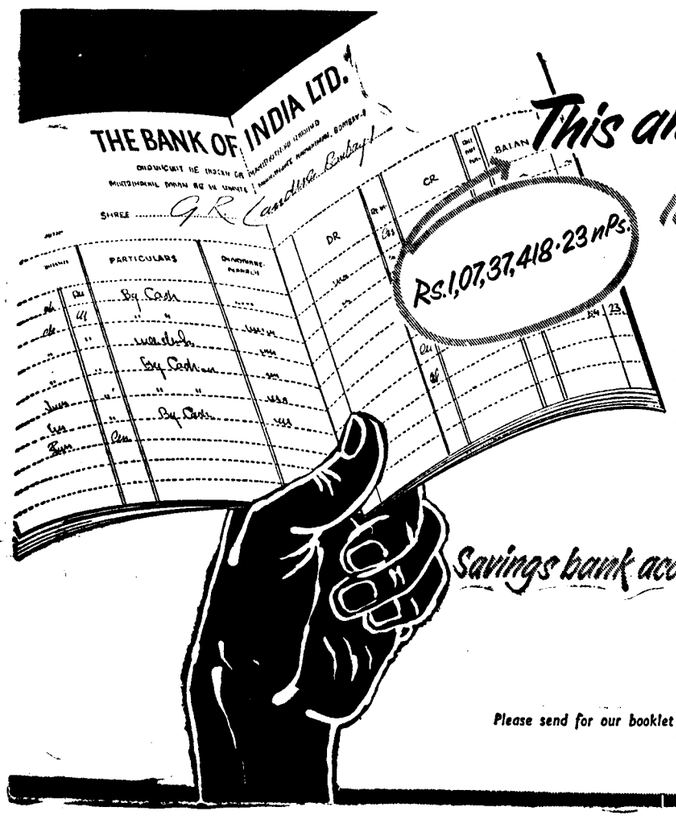
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TABLE IV.

UTILISATION OF INSTALLED CAPACITY

(Percentages)

Name of Industry	Production as Percentage of Installed Capacity					Average utilisation
	1957	1958	1959	1960	1961	1957-61
Food manufacturing industries except beverage industries						
Sugar*	116.0	107.4	95.6	115.9	137	114
Wheat Flour	45.8	45.5	51.9	46.5	51	48
Vegetable oil products (vanaspati)	67.9	67.3	71.0	65.8	60	66
Biscuits	48.5	58.0	64.7	67.1	88	65
Confectionery	20.8	20.0	25.8	31.9	39	27
Tobacco manufactures						
Cigarettes	119.1	93.6	100.9	86.5	93	99
Manufacture of textiles						
Woollen fabrics	67.2	80.8	62.7	51.4	60	64
Woollen yarn	137.6	145.9	141.6	137.7	161	145
Cotton and hair belting	53.5	57.4	47.8	51.1	56	53
Manufacture of footwear, other wearing apparel and made-up textile goods						
Footwear (western type)	73.1	64.0	61.9	77.3	89	73
Manufacture of wood and cork, except manufacture of furniture						
Plywood	82.5	81.5	63.6	64.0	118	82
Cork discs	80.9	49.8	185.8	206.8	136	132
Cork sheets	—	60.3	37.6	47.8	52	49
Cork stoppers	76.0	101.5	150.9	109.3	147	117
Manufacture of paper and paper products						
Paper and paper boards	83.4	94.1	91.6	86.3	89	89
Manufacture of leather and leather products, except footwear						
Tanned hides — chrome tanned	61.7	42.9	41.2	51.2	51	50
Tanned hides — veg. tanned buffalo and cow	56.3	53.6	55.8	60.6	61	57
Leather cloth	42.0	48.8	62.3	70.8	85	62
Pickers	40.4	36.0	32.0	32.0	32	34
Picking bands	53.9	41.6	45.3	36.7	36	43
Leather belting	44.2	43.0	55.1	42.7	75	52
Manufacture of rubber products						
Footwear (rubber)	75.9	81.4	85.6	91.6	138	94
Dipped rubber goods	46.2	56.6	71.7	73.0	56	61
Automobile tyres	95.8	97.3	95.7	101.4	104	99
Cycle tyres	104.6	68.2	131.6	74.3	67	89
Tractor tyres	147.5	89.9	114.7	130.1	107	118
Aero tyres	72.7	37.8	30.9	61.7	74	55
Cab tyres	24.2	21.4	16.6	15.6	10	18
A.D.V. tyres	146.1	131.8	65.1	103.7	165	122
Off-the-road tyres	30.3	51.6	52.9	114.4	205	91
Automobile tubes	89.4	90.5	106.2	103.9	97	97
Cycle tubes	85.1	95.2	78.7	91.6	76	85
Tractor tubes	133.7	91.8	100.1	119.7	104	119
Aero tubes	48.2	25.7	23.5	37.5	119	51
A.D.V. tubes	139.5	121.2	57.2	96.0	121	107
Off-the-road tubes	36.5	52.5	36.9	56.7	82	53

* Refer to 1956-57, 1957-58, 1958-59, 1959-60 and 1960-61 crop years.

UTILISATION OF INSTALLED CAPACITY (Contd.)

(Percentages)

Name of Industry	Production as Percentage of Installed Capacity					Average utilisation 1957-61
	1957	1958	1959	1960	1961	
Radiator hoses	30.1	29.5	36.5	45.5	45	37
Vacuum bracket hoses	72.0	55.8	43.6	32.0	66	54
Other types of rubber hoses	70.4	81.2	99.2	104.1	142	99
Fan belts	64.7	66.0	83.0	83.0	78	75
Rubber ply transmission and conveyor belting	206.5	256.5	316.1	276.0	101	231
Rubber components of railway fittings	114.8	87.9	82.0	41.6	70	79
Ebonite sheets, rods and tubes	17.3	16.9	18.4	22.7	29	21
Water proofed fabrics	48.9	51.4	57.3	59.6	79	59
Latex foam sponge	116.8	133.0	143.2	230.5	124	149
Camel back	134.7	120.1	185.4	170.6	206	163
Manufacture of chemicals and chemical products						
Sulphuric acid	71.8	78.1	78.1	74.6	73	75
Caustic soda	94.0	96.7	69.5	81.9	96	86
Soda ash	85.1	80.6	84.5	65.9	81	79
Chlorine liquid	75.4	63.8	75.7	92.6	106	83
Bleaching powder	36.5	44.4	35.5	28.6	31	35
Bichromates	56.4	50.3	63.2	77.1	75	64
Superphosphates	51.0	53.7	74.9	92.4	87	72
Ammonium sulphate	88.1	88.9	87.6	83.7	83	86
Copper sulphate	30.7	34.1	50.5	66.7	81	53
Sodium sulphide	34.1	43.5	48.1	25.1	28	36
Zinc oxide	44.1	53.6	55.3	59.1	45	51
Paints and varnishes	65.2	74.1	76.2	70.5	67	71
Matches	82.0	75.9	71.7	72.4	68	74
Soap	44.1	48.7	51.3	54.8	57	51
Glue	52.7	63.9	74.9	65.4	65	64
Welding gases—oxygen	82.7	68.0	70.7	72.9	77	74
Welding gases-acetylene	55.6	56.1	57.5	57.8	65	58
Glycerine (refined	46.9	50.9	63.9	74.2	78	63
Rayon—viscose yarn	72.1	80.4	81.5	88.2	85	81
Rayon——staple fibre	55.6	64.4	93.6	100.8	103	83
Rayon—acetate yarn	89.3	98.7	77.4	107.4	113	97
Phenol formaldehyde moulding powder	111.9	125.3	147.2	90.7	80	111
Liver extract injection	26.9	33.1	45.6	50.7	69	45
Liver extract oral	15.9	21.0	19.9	24.4	20	20
Sulphur black	127.0	61.9	101.0	109.3	91	98
Naphthols	63.6	44.6	114.4	84.4	98	81
Vat dyes (com. strength)	49.1	77.5	67.4	98.5	106	80
Stabilised azoics	56.7	60.4	54.2	49.9	40	52
Solubilised vats	28.1	36.5	69.6	66.4	48	50
Calcium carbide	87.2	90.8	50.7	57.4	79	73
Hydrogen peroxide	102.0	78.0	70.9	39.0	54	69
Alum	50.2	45.6	49.6	45.2	46	47
Potassium chlorate	99.0	84.0	74.4	81.7	89	86
Calcium carbonate (precipitated)	10.3	20.6	40.7	62.7	118	50
Sodium bichromate	103.6	81.9	91.8	63.6	72	83
Bromides	65.5	21.7	18.4	42.1	42	38
Carbon dioxide gas	31.6	40.8	35.0	39.7	39	37
Chromic acid	21.3	38.5	30.7	36.7	41	34
Sodium hexameta phosphate	42.9	92.9	64.2	62.4	88	70
Activated bleaching earth	35.8	41.9	41.5	44.0	39	40
Activated carbon	35.3	27.4	14.8	18.9	55	30
Azo dyes	88.4	70.6	126.9	99.5	100	97
Optical bleaching agents	23.4	59.9	72.8	82.9	89	66

UTILISATION OF INSTALLED CAPACITY (Contd.)

(Percentages)

Name of Industry	Production as Percentage of Installed Capacity					Average utilisation 1957-61
	1957	1958	1959	1960	1961	
Manufacture of chemicals & chemical products (Contd.)						
Hydrochloric acid		63.5	60.8	72.5	82	70
Nitric acid		42.1	46.4	63.6	44	49
Phosphoric acid		39.1	60.3	74.5	65	60
Ammonium chloride		78.1	62.1	22.4	40	51
Anti-dysentry drugs	33.4	41.4	38.3	37.7	69	44
Nikethamide	18.9	34.7	60.8	38.4	65	44
Benzene	74.4	113.7	80.4	76.0	10	71
U.F. moulding powder	3.3	125.3	156.7	155.8	184	125
Polystyrene moulding powder	39.9	71.2	61.9	202.6	192	114
Cottonseed oil	7.6	10.3	6.7	8.0	11	9
Acetic acid		76.7	90.8	88.4	55	78
Red lead		59.1	52.5	41.3	32	46
Nitrocellulose lacquers		33.3	37.2	42.5	49	41
Geraniol	15.5	27.5	74.9	110.6	98	65
Ionone	51.0	64.3	68.0	31.1	34	50
Manufacture of non-metallic mineral products, except products of petroleum and coal						
Sheet glass	50.9	69.3	75.6	67.1	60	65
Laboratory glass	52.4	54.4	76.1	50.2	43	55
Glass shells	143.0	110.5	141.7	103.1	144	128
Other glassware	51.0	52.9	57.6	49.4	54	53
Liquid gold	28.0	33.7	37.4	37.9	45	36
Cement	85.7	86.0	82.0	89.9	87	86
Ceramics—white wares	70.7	47.6	67.5	50.6	46	56
Sanitary wares	51.4	53.9	66.3	67.0	72	62
Stoneware pipes	71.2	88.5	84.2	75.4	84	81
Other kinds of stonewares	70.0	70.0	70.0	60.0	40	62
Glazed tiles	93.1	84.9	76.9	69.3	88	82
Refractories	77.7	81.6	65.3	68.3	74	73
H.T. insulators	9.2	36.0	47.0	49.0	56	39
L.T. insulators	38.8	42.7	52.6	45.4	52	46
Coated abrasives	48.1	58.2	55.1	60.5	73	59
Asbestos (cement sheets)	109.1	128.1	123.8	96.1	98	111
Thermos flasks	50.6	67.4	41.5	44.1	44	50
Basic metal industries						
Pig iron	80.6	72.3	108.1	147.4	89	99
Steel ingots and metal for castings	111.2	82.8	111.2	147.8	90	109
Semi-finished steel	105.4	117.1	162.6	149.6	87	144
Finished steel	77.8	75.1	100.3	125.6	80	92
Steel pipes and tubes	89.2	68.6	54.7	44.9	73	66
Aluminium—virgin metal	103.8	109.1	98.6	101.5	83	100
Aluminium sheets & circles	62.8	74.1	87.8	103.2	86	83
Aluminium foils	85.0	78.4	98.2	146.8	107	103
Aluminium rods for A.C.S.R.	30.4	14.9	39.8	42.9	57	37
Aluminium rods and sections	77.5	90.0	103.0	109.8	42	84
Antimony	71.7	75.3	94.9	79.4	67	78
Copper—virgin metal	109.0	108.9	106.1	122.8	119	113
Copper—pipes and tubes	16.0	14.7	12.0	4.7	10	11
Copper—sheets and circles	5.2	6.8	5.8	6.7	9	7
Lead—Virgin metal	52.9	55.6	64.9	62.0	60	59
Lead—pipes and tubes	7.0	7.1	12.7	26.1	11	13
Lead sheets	4.4	7.7	3.3	11.4	22	10
Brass-copper & similar alloys sections (extruded)	79.6	84.7	77.8	90.4	66	80
Arsenical copper rods	3.6	6.2	3.2	1.9	2	3
Zinc sheets and strips	16.1	35.7	48.5	54.8	44	40

CHEMIEAUSRÜSTUNGEN

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OUR SPECIAL OFFER INCLUDES

Factories for the Production of Soda Ash (Anhydrous Sodium Carbonate) according to the ammonia-soda process, as standard types with 150, 300, 600, 800, 1,200 or 1,600 metric tons daily capacity. The location of the soda factory is dependent on occurences of salt, limestone and coal. Owing to the high cooling water consumption it is preferable to install the plant near to a sufficiently water-bearing river. A siding track is essential to the supply of raw materials and the dispatch of the finished product. Projects of soda ash factories designed by our engineering department are based on latest developments and make allowance as far as possible for special customer's requests. Experience attained in numerous factories installed at home and abroad are fully utilized in designing soda ash plants.

Electrolysis of Alkali Chlorides Plants for 3,000 to 50,000 metric tons of Na OH - 100% - per year as standard plants comprising the following production departments: salt solution | brine cleaning | electrolysis | chlorine cooling and chlorine drying | chlorine liquefication | chlorine storage and cask filling | soda lye store | hydrogen cooling and cleaning - and the subsidiary departments:

Salt store | switching station and rectifier station | electrode shop | chemicals magazine | mechanical workshop | laboratory and staff facilities. Particularly worth mentioning is the heart-piece of the plants, the alkali-chloride electrolytic cell - for 25,000 or 50,000 Amp. Operating according to the mercury process, the plants are suitable to be used in chemical industries for the production of chlorine, soda lye and hydrogen. The mercury process involves the advantage of attaining excellent degrees of purity of the product as well as a high concentration of the soda lye of appr. 50%. For engineering specification, please, ask for inquiry sheet.

HIGHLY ACIDPROOF AND HEAT-RESISTANT ENAMELLED APPARATUS AND VESSELS OF SPECIAL CAST IRON such as stirring and agitating machines | evaporators | autoclaves and digesters | tilting kettles | laboratory apparatus etc. for the use in the chemical and pharmaceutical industries; "ultra-thermally enamelled" construction for especially high thermal-shock resistance; "ultra-vitreously enamelled" construction for uses involving alkaline attacks.

VITREOUS-ENAMELLED VESSELS AND APPARATUS OF STEEL such as autoclaves and digesters | stirrers and agitators | storage tanks | graduated vessels | condensers | dephlegmators | filtering flasks | filters | distilling apparatus etc. for laboratory uses, for full-scale tests, and for the full-scale production in all branches of industry.

'KOROBON" - HEAT-EXCHANGERS, APPARATUS AND COMPONENT PARTS The material "KOROBON" is an electro-graphite impregnated according to a special method with synthetic resins being resistant to chemicals. Due to its excellent chemical and technological properties the "KOROBON" is particularly suited for the construction of corrosion-resistant apparatus. Particular features of "KOROBON" are: high chemical resistance | resistance to high temperature up to 200°C | thermal-shock resistance | excellent thermal conductivity | good electric conductivity.

"KOROBON" — heat-exchangers are mainly used where the chemical aggressivity of the moved media excludes the use of the usual metallic materials and where an increase of effeciency with simultaneous high economy in operation are aspired to: for heating or cooling of liquids and gases | for concentration and evaporation | for condensation and for other processes.

MIXERS AND TRIPLE ROLLER MILLS for the dye-stuffs industry. Our planetary mixing and kneading machines are especially suited for the preparation and mixing of thin to stiff paints and for the thinning of pasty materials to be mixed. Both the kneading machine and the triple roller mill are tuned to each other. After the mixing process has been completed, the mixing part is hydraulically lifted so that the vessel can be rolled to the roller mill, introduced there in the lifting fork of the charging equipment and hydraulically lifted. This charging facility is first of all for the benefit of such works which owing to their one-story construction have to abandon to crane equipment.

Besides smaller roller mills with horizontal arrangement of rollers and mechanical adjustment of rollers, we deliver modern high-efficiency triple roller mills with automatically hydraulic adjustment of rollers. The reliable hydraulic system allows an unobjectionable control and reproducibility of the optimum grinding pressures independent of variations in temperature. Two roller speeds enable an extended applicability of the machines.

HIGH-VACUUM FREEZE-DRYING PLANTS and other vacuum equipment — System Holland-Merten. High-vacuum freeze-drying plants are used for the production of high-grade drying products from aqueous substances in frozen state such as substances of high molecular weight and biological or pharmaceutical origin, e.g. serums, plasms, antibiotics, micro-organism cultures, etc. The apparatus which are constructed both for the use in laboratories and institutes as small-scale units and for the industrial large-scale production comprise always the actual fine-vacuum drying space, one fine and high-vacuum pump set as well as one freezing compartment for the condensation and freezing out of the humidity driven out. Whilst the drying space for the smaller apparatus is formed by a suitably designed vacuum receiver, the plants for larger capacities are preferably designed as cabinets for the charging with receivers for ampoules, plasm flasks etc.

COOLING PLANTS AND CONDENSING UNITS operating with greatest reliability and optimum efficiency have been already delivered by our manufacturing works to a great number of countries. More than 50 years of practical experience and latest technological knowledge from the fundamental concepts of design, manufacture, and erection of cooling and refrigeration plants for refrigerated warehouses. slaughter houses, breweries, dairies, textile mills, chemical works, ice mills, freight and passenger ships as well as air-conditioning plants. Our production programme includes also frozen-food and cooling cabinets for foods and beverages.

PLANTS FOR THE DEXTRIN PRODUCTION according to the continuous production process Dextrins (polysaccharides) can be extracted from all sorts of starch, but especially from potato or maize starch. In our plants the batch process usual in the beginning in the dextrin production has been replaced in the course of development by the continuous working process. In this way the several production processes become economically and at the same time an equally good final product is attained. Compared with the customary batch operation with the same capacity, our standard dextrin production plants rated with 10 metric tons | 24 hr. require smaller initial cost, smaller energy consumption, and smaller labour employed.

PLANTS FOR THE PRODUCTION OF KITCHEN SALT FROM SEA SALT That equipment is an economically operating small type plant with a standard output of 2 metric tons edible salt (kitchen salt) per hour. Therefore, it is suited for many interested parties, and due to the low original cost of the raw salt a rapid amortisation is also ensured. The process comprises a washing, centrifugalling, drum-drying, crushing, screening, sacking and weighing process, consequently the raw salt is not subjected to any chemical modifications. If particular requests are put with regard to the chemical purity of the salt, we recommend to install our vacuum evaporation plants with a standard output of two metric tons per hour, as well.

PLANTS AND SINGLE MACHINERY FOR THE PEELING MILLS AND FLOUR MILLS The construction of mill machinery and mill equipment as well as projects of complete up-to-date mill plants are done with greatest care in the GDR. High yield from the material to be ground combined with economic operation ensure an optimum profitableness of the mill enterprise. Our manufacturing works dispose of traditional experience, a creative engineer team, and excellent skilled workers. Numerous mill plants in the Union of India and other countries have been delivered by our works and are operating to the fullest satisfaction of their owners.

STANDARD RICE MILLS manufactured in a special works, are the result of an exact scientific-technical development and many years' practical experience. The design of the single machines takes into account the urgent demands for economical operation, beauty of form, and ease of operation. The standard rice mills are in all-steel construction with detachable steel framework. Within a short time, they can be installed on a relatively small floor space. Compared with the small floor space required and the power consumption, the capacity of 20 metric tons paddy per 24 hours is exceptionally high. But, we deliver also standard rice mills with still higher capacities.

STANDARD RICE HUSK OIL EXTRACTING PLANTS Rice husk, the by-product of the rice grinding process, is in many countries still considered to be waste. Rice husk has a crude fat content from 12 to 18%, a raw protein content from 10 to 14%, carbohydrates, in addition calcium, phosphorus as well as tracer elements and furthermore vitamines of the B-group. By processing the rice husk in our extracting plants, a material of great value is produced from the "waste." The oil extracted is suitable for technical purposes. Under certain suppositions, it can be processed to a high-quality edible oil. The extracted rice husk freed from the oil represents a high-grade fodder.

Our standard rice husk oil extracting plant has a capacity of 25 metric tons normal raw rice husk (normal bran) in 24 hours. The use of rotating extractors guarantees optimum extraction efficiency; they have proved their excellency in a great number of tropical countries.

Export Programme: Plants, machinery and equipment for chemical industries and food and semi-luxuries industries, packing equipment and machinery, cooling plants, condensing units, frozen food and cooling cabinets, air conditioning plants, armatures, mountings, and fittings for all branches of industry

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German Democratic Republic

UTILISATION OF INSTALLED CAPACITY (Contd.)

(Percentages)

Name of Industry	Production as Percentage of Installed Capacity					Average utilisation 1957-61
	1957	1958	1959	1960	1961	
Manufacture of metal products, except machinery and transport equipment						
Wood screws	139.8	123.2	146.1	143.1	145	139
Machine screws	113.0	124.8	109.5	87.7	97	106
Razor blades	54.8	56.7	66.5	89.8	105	75
Hurricane lanterns	114.6	85.2	100.5	112.1	125	107
Oil pressure lamps	66.1	57.5	43.0	93.4	81	68
Enamel-ware	47.1	54.1	48.4	43.3	75	54
Expanded metal	73.5	66.1	54.3	35.7	31	52
Duplicators	42.5	58.7	59.6	55.8	66	57
Crown cork	56.9	71.2	89.7	117.0	136	94
Ball bearings	262.8	354.4	188.8	322.1	386	303
Typewriters	46.7	48.0	64.9	52.2	69	56
Bandsaw blades	4.9	9.3	26.6	30.9	35	21
Hacksaw blades	6.3	13.7	23.7	30.0	51	25
Reamers	47.1	64.8	63.6	74.3	138	78
Threading tools	23.5	29.3	41.6	55.3	71	44
Milling cutters	71.6	75.2	68.3	104.9	151	94
Tungsten carbide (sinkered)	26.8	34.0	67.9	74.4	35	48
Lathe tools (tool bits)	38.5	42.1	101.9	116.1	125	85
Diamond drill bits	—	44.3	69.3	184.0	160	114
Stoves	40.0	67.4	65.1	97.5	105	75
Sewing machine needles	14.2	33.0	17.8	26.4	51	28
Steel castings	123.3	65.0	74.0	77.7	96	87
Road rollers	100.0	50.0	38.2	94.1	124	81
Wire ropes	18.6	26.0	26.6	50.0	44	33
Electrical steel sheets	161.3	242.9	269.9	330.2	95	220
Manufacture of machinery except electrical machines						
Diesel engine -- vehicular type	55.6	71.0	145.2	161.8	163	119
Diesel engine — stationary	75.1	116.2	130.6	114.7	108	109
Power driven pumps	93.0	114.0	95.9	86.7	106	99
Sewing machines	206.3	252.8	275.5	221.2	237	239
Portable tools	141.3	8.9	14.1	—	18	46
Twist drills	74.2	50.5	38.7	49.7	230	89
Calico looms	57.6	56.0	74.1	53.3	72	63
Complete ring spinning frames	72.2	31.5	38.8	55.3	68	53
Grinding wheels	77.7	49.5	45.2	66.5	70	62
Carding engines	60.3	38.4	25.6	40.5	50	43
Arc welding electrodes	188.2	101.6	64.3	84.6	83	104
Steel files	72.1	71.4	81.0	60.0	69	71
Air compressors	2.6	15.0	54.9	66.2	98	47
Manufactures of electrical machines apparatus appliances and supplies						
Conduit pipes	131.5	125.2	140.2	104.5	152	131
Dry cells	74.2	75.0	83.5	92.5	94	84
Storages batteries	102.3	112.1	139.8	134.5	139	126
Electric motors	138 2	183.7	169.6	112.9	137	148
Power transformers	130.6	120.7	108.9	100.3	143	121
Electric lamps	75.3	69.1	79.0	93.5	158	95
Incandescent filament lamps GLS	76.8	69.7	79.5	89.3	99	83
Incandescent filament lamps other than GLS	62.4	61.6	71.6	64.5	66	65
Fluorescent lamps	127.3	98.0	110.8	127.2	158	124
Electric fans	130.4	83.1	94.8	104.4	121	107
Radio receivers	79.3	82.3	88.9	90.5	98	88
Bare copper conductors	48.1	42.1	37.7	55.7	42	45
Aluminium conductors	115.1	107.6	105.7	118.0	112	112
Winding wires	137.1	112.3	153.2	95.9	129	125
Rubber and plastic insulated cables and flexibles	52.8	65.5	84.5	87.2	88	76

UTILISATION OF INSTALLED CAPACITY (Contd.)

(Percentages)

Name of Industry	Production as Percentage of Installed Capacity					Average utilisation 1957-61
	1957	1958	1959	1960	1961	
House service meters	99.1	104.4	112.8	123.7	139	116
Domestic refrigerators	26.3	38.4	52.1	83.8	72	55
Portable room air conditioners	65.2	54.0	44.4	53.0	101	64
Manufacture of transport equipment						
Automobiles of all sorts	64.1	53.8	92.7	94.4	99	81
Bicycles complete	105.8	98.6	94.3	98.6	86	97
Railway wagons	84.2	67.1	49.6	32.9	50	57
Motor cycles	16.6	22.1	18.0	17.4	20	19
Trailors	17.8	29.9	16.5	26.8	27	24
Miscellaneous						
P.V.C. sheeting	19.3	35.2	65.1	88.3	116	65
Linoleum	72.8	59.7	100.8	124.6	105	93
Power alcohol (absolute or dehydrated)	73.5	58.1	49.1	64.9	72	64
Alcohol—rectified spirit	34.2	43.1	55.4	32.4	39	41
Pencils	49.3	47.4	52.4	58.5	60	54
Polythene films and layflat tubings	97.5	98.8	124.3	129.4	178	126
Phenolic laminates	74.3	82.1	108.0	307.2	201	155
Clocks	40.9	54.2	56.0	77.9	80	62
Water coolers	46.4	55.1	49.2	56.0	63	54
Electricity, light & power						
Electricity generated**	80.8	90.5	98.7	101.0	100	94

**Installed capacity figures given in KW were converted into KWH on the assumption that 1 KW generates 3,500 KWH of electricity.

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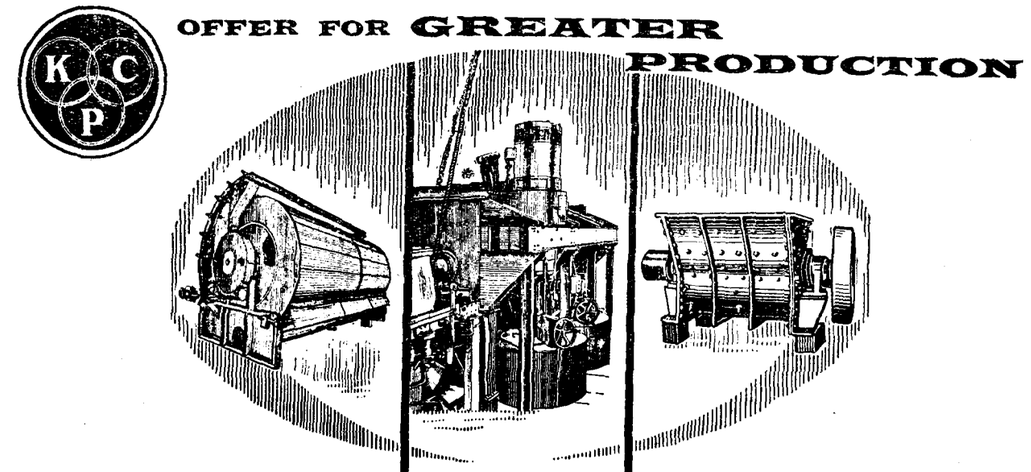
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Kasturbhai Lalbhai & Co.

PRODUCTION TRENDS 1951 — 62

Name of the Industry	1951	1956	1957	1958	1959	1960	1961	Jan-June 1961	Jan-June 1962
Light Engineering									
Wood screws (Th. gross)	797	7,502	8,143	7,177	9,122	10,008	10,633	5,197	5,148
Machine screws (Th. gross)	127	1,283	1,419	1,833	1,780	1,646	2,587	1,319	1,453
Razor blades (Lakh nos.)	229	2,650	3,365	3,564	4,324	5,646	2,680	3,447	2,860
Hurricane lanterns (Th. nos.)	3,977	5,180	4,345	3,384	4,560	5,150	5,520	2,714	2,797
Oil pressure lamps (Th. nos.)	62	84	93	78	83	136	150	78	84
Sewing machines (Th. nos).	44	130	267	.205	253	296	317	154	183
Abrasives (coated) (Th. reams)	37	99	91	110	104	121	146	71	99
Complete ring spinning frames (nos.)	276	1,116	1,368	877	1,080	1,128	1,392	653	877
Looms (Calico, semi-automatic) and Automatic (Nos.)	2,508	2,868	2,868	3,192	4,224	5,544	7,572	3,710	4,387
Carding Engines (Nos.)	..	732	1,020	1,152	768	1,003	1,320	650	732
Crown cork (Th. gross)	2,602	3,462	2,616	3,274	4,159	5,350	6,061	3,501	2,874
Ball bearings (Th. nos.)	234	1,040	1,595	2,126	1,699	2,899	3,516	1,623	1,892
Typewriters (Th. nos.)	..	13.4	15.4	15.8	21.4	23.5	31.1	14.4	18.9
Electrical Engineering									
Dry cells (mill. nos.)	143	181	167	168	187	207	211	106	.115
Storage batteries (Th. nos.)	212	314	325	355	443	510	528	279	289
Electric motors (Th. h.p.)	143	359	470	624	576	680	824	391	476
Power transformers (Th. KVAK)	196	919	1,219	1,126	1,016	1,248	1,775	791	1,250
Electric lamps (i) fluorescent (Th. nos.)	..	881	1,019	984	1,108	1,526	1,896	950	1,539
(ii) G.L.S. & others (Mill. nos.)	16	30	32	29	34	40	45	22	26
Electric fans (Th. nos.)	212	335	525	636	727	991	1,074	562	592
Radio receivers (Th. nos.)	83	151	191	198	215	267	326	151	172
House service meters (Th. nos.)	..	230	331	348	376	475	615	273	383
Refrigerators (Nos.)	..	750	942	2,916	3,960	11,388	9,720	5,511	5,684
Conduit pipes (lakh R. ft.)	30	109	112	106	127	95	138	70	60
Cables and Wires									
B.C.C. (Th. tons)	3	10	9	7	7	10	8	4	20
Winding wires (Tons)	300	768	1,020	2,076	2,852	4,134	5,563	2,550	3,300
Industrial Machinery									
Diesel engines-Stationary (Th. nos)	7	12	17	26	30	42	44	22	20
Diesel engines vehicular (Th. nos.)	..	3	3	4	9	10	10	5	4
Power driven pumps (Th. nos.)	41	47	64	78	85	102	126	58	66
Machine tools (lakhs Rs.)	47	120	251	376	439	601	761	341	544
Twist drill (Th. nos.)	1,018	1,550	2,258	1,586	1,195	1,535	2,742	1,191	1,695
Grinding wheels (Th. lbs.)	708	2,491	3,253	2,737	2,242	3,585	4,520	2,327	2,424
Jute machinery (lakhs Rs.)	..	30	106	115	178	219	134	106	N.A.
Sugar machinery (Lakhs Rs.)	..	32	162	191	284	419	452	178	268
Cement machinery (Lakh Rs.)	..	42	62	62	46	64	91	N.A.	46
Tea processing machinery (Lakh Rs.)	..	79	98	71	82	124	175	71	90



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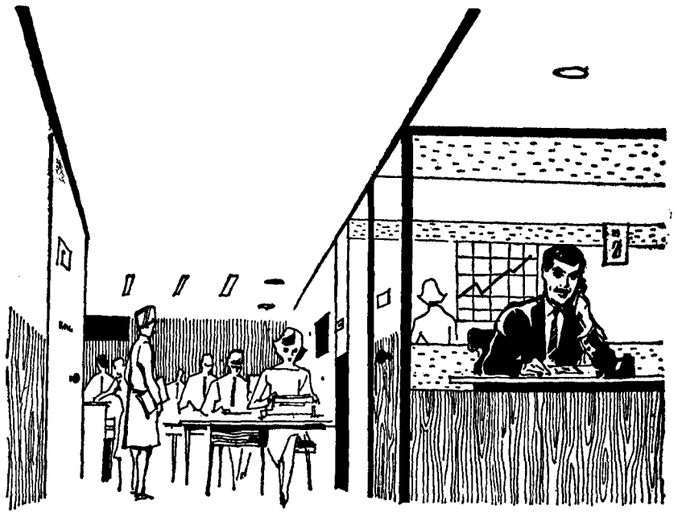
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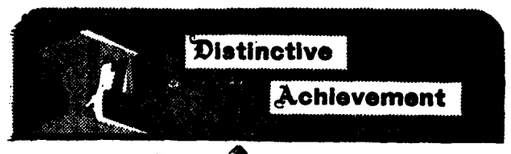
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PRODUCTION TRENDS 1951 - 62 (Contd.)

Name of the Industry	1951	1956	1957	1958	1959	1960	1961	Jan.-June 1961	Jan.-June 1962
Transport Equipment									
Bicycles (Th. tons)	114	664	791	913	991	1,051	1,047	536	582
Scooters (Nos.)	..	4,735	6,528	4,236	3,948	13,020	15,336	10,158	7,831
Motor Cycles (Nos.)	..	1,551	1,827	2,653	3,240	3,996	4,680	1,871	2,709
Three Wheelers (Nos.)	..	529	852	663	1,476	936	1,272	625	493
Automobiles (Th. nos.)	23	32	33	27	36	52	54	30	30
Railway wagons (Th. nos.)	..	16	16	14	10	7	11	5	6
Locomotives (Nos.)	7*	113	80	102	103	94	81	N.A.	NA
Chemicals and Allied Manufactures									
Sulphuric acid (Th. tons)	107	165	196	227	292	355	407	193	212
Caustic soda (Th. tons)	15	39	43	57	69	98	118	56	59
Soda Ash (Th. Tons)	48	84	92	89	94	143	173	85	105
Chlorine liquid (Th. tons)	5	15	16	20	24	31	33	17	18
Bleaching powder (Th. tons)	4	5	5	7	5	6	7	3	3
Bichromates (Th. tons)	3	5	4	3	4	5	5	2	3
Superphosphates (Th. tons)	61	81	142	167	248	317	365	177	188
Ammonium sulphates (Th. tons)	53	389	380	384	373	381	389	197	203
Alum (Ammonia) (Th. tons)	2.5	3.3	5.2	4.7	4.9	4.5	4.4	2.3	2.1
Copper sulphate (tons	504	1,980	1,886	2,088	3,096	3,828	4,275	2,134	1,947
Glycerine (refined) (tons)	2,424	2,900	2,847	3,864	4,848	5,717	6,000	2,672	3,411
Glue (tons)	706	1,092	1,291	1,184	1,896	1,825	1,825	832	1,125
Soap (Th. tons)	83	110	112	123	130	139	145	73	75
Paints and Varnishes (Th. tons)	33	42	42	48	55	50	57	28	31
Matches (Th. cases)	578	616	578	626	648	661	758	376	288
Power Alcohol (Mill. bulk Gall)	6	10	10	9	8	11	12	6	6
Industrial Alcohol (Mill. B. Gall)	7	8	9	10	12	13	20	10	12
Welding gases									
Oxygen (Lakh C. ft.)	1,452	3,283	4,050	4,780	6,001	7,239	8,543	4,088	3,769
Acetylene (Lakh C. ft.)	299	553	620	740	848	896	1,010	481	556
Liver Extracts									
Injection (Th. C.C.)	10,682	24,563	28,140	35,045	36,850	33,138	46,440	21,961	22,124
Oral (Th. lbs.)	319	280	247	304	288	341	348	155	144
Rayon									
Viscose yarn (Tons)	2,040	7,990	9,403	13,906	20,212	21,437	25,582	9,870	11,638
Staple fibre (Tons)	..	7,908	8,009	13,906	20,212	21,437	25,582	11,329	15,476
Acetate yarn (Tons)	..	1,416	1,606	1,773	1,386	1,902	1,996	963	976
MINING, METALS & METAL MANUFACTURING									
Aluminium (Tons)	3,848	6,501	7,784	8,184	17,052	18.176	18,011	8,748	11,630
Copper (Tons)	7,084	7,628	7,848	7,836	7,644	8,850	8,586	4,073	4,789
Lead (Tons)	859	2,497	2,947	3,336	3,900	3,718	3,606	1,763	1,243
Finished Steel (Th. tons)	1,076	1,338	1,346	1,800	1,736	2,173	2,807	1,343	1,731
Pig Iron (Th. tons)	1,709	1,807	1,789	2,003	2,994	4,084	4,888	2,389	2.691
Iron Ore (Th. tons)	3,658	4,248	4,620	5,712	7,728	10,453	11,940	5,545	6,380
Coal (Mill. tons)	34	39	39	45	47	52	55	29	29

PRODUCTION TRENDS 1951 — 62 (Contd.)

Name of the Industry	1951	1956	1957	1958	1959	1960	1961	Jan.-June 1961	Jan. June 1962
MISCELLANEOUS INDUSTRIES									
Asbestos Cement sheets (Th. tons)	83	120	158	186	180	208	209	107	113
Cement (Th. tons)	3,196	4,929	5,601	6,069	6,827	7,711	8,101	4,048	4,122
Refractories (Th. tons)	238	318	364	434	496	531	589	292	303
Thermos Flasks (Th. doz.)	6.0	48.0	54.0	72.0	123.6	122.4	131.0	66.8	62.3
Leather Footwear									
Western Type (Th. pairs)	3,641	3,620	4,369	4,277	4,137	5,318	6,224	2,883	3,138
Indigenous Type (Th. pairs)	2,074	2,911	3,038	3,286	4,103	3,778	4,408	2,189	2,574
Plywood									
Commercial (Lakh sq. ft.)	102	258	316	377	392	562	674	322	406
Tea chest (Lakh sq. ft.)	606	983	950	875	915	1,042	977	468	503
Paper & paper board (Th. tons)	132	.. 193	210	253	294	340	358	177	185
Cigarettes (Mill nos.)	21,449	26,300	28,892	29,840	32,143	38,334	41,064	20,912	20,665
Footwear (rubber) (Lakh pairs)	230	361	370	367	393	446	451	232	249
Tyres (automobile) (Lakh nos.)	9	9	10	10	11	14	16	8	8
Tubes (automobile) (Lakh nos.)	8	9	9	9	11	13	15	7	8
Tubes (bicycle) (Lakh nos.)	49	64	70	79	99	127	129	68	58
Tyres (bicycle) (Lakh nos.)	39	63	72	83	96	108	113	56	58
Sugar (Th. tons)	1,115	1,854	2,029	1,978	2,083	2,446	2,981	2,182	2,087
Vanaspati (Th. tons)	172	256	301	295	317	332	334	184	188
Textiles									
Cotton cloth (Mil yds.)	4,076	5,307	5,317	4,927	4,925	5,048	5,134	2,548	2,509
Cotton yarn (Mil. lbs.)	1,304	1,671	1,780	1,685	1,723	1,737	1,901	754	936
Jute manufactures (Th. tons)	875	1,093	1,030	1,062	1,051	1,068	954	475	574
Salt (Lakh mds.)	744	890	987	1,125	852	820	929	734	726

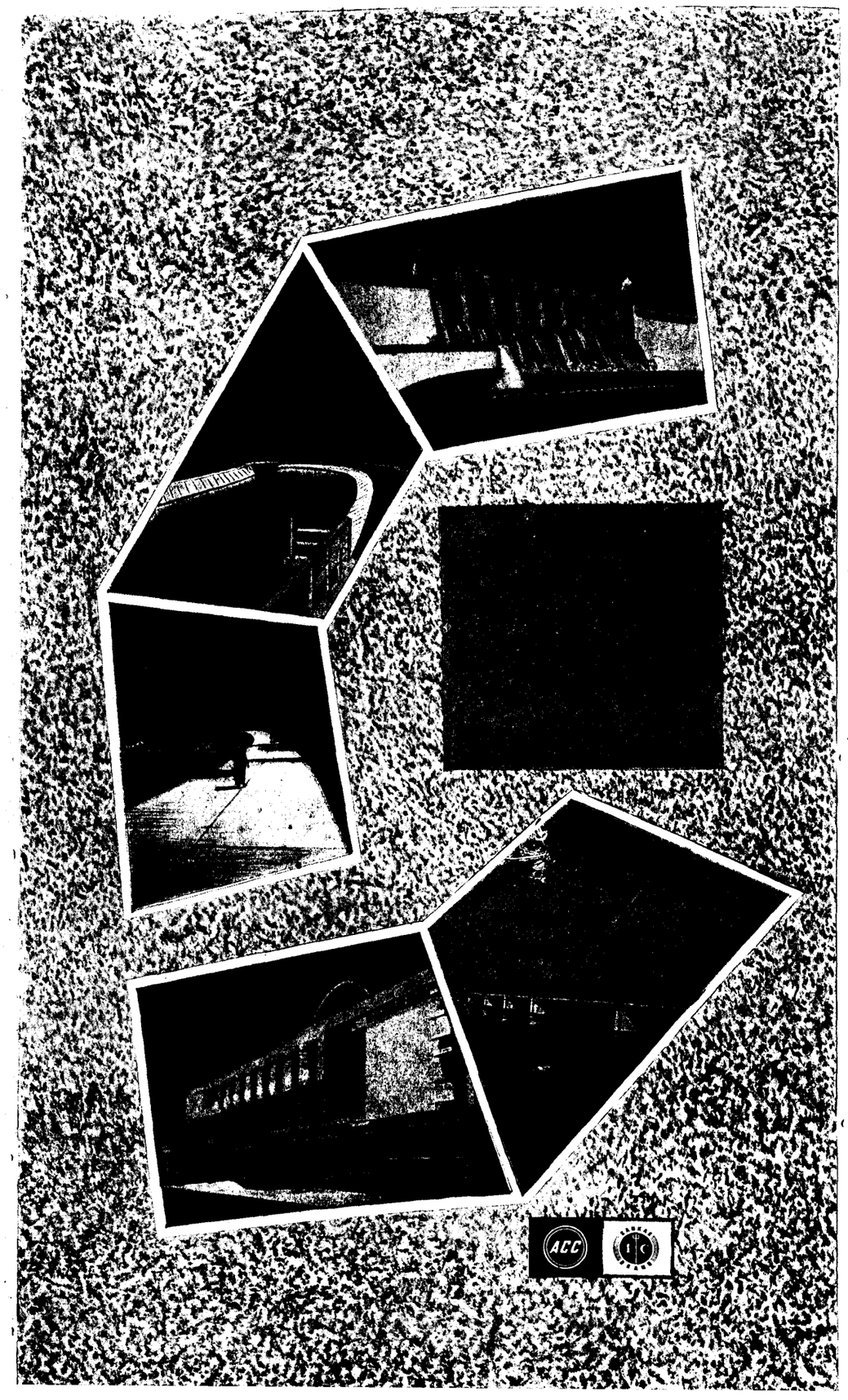
†Production of steel (category - wise).

PRODUCTION OF STEEL (CATEGORY - WISE): 1951 - 1962

('000 metric tons)

Monthly average	1951	1955	1956	1957	1958	1959	1960	1961	1962*
CRUDE STEEL									
Steel ingots	125.2	141.4	143.6	141.1	149.1	201.7	270.3	337.2	398.0
Metal for castings ..	1.8	2.8	3.6	4.1	4.0	4.0	3.6	4.7	5.3
SEMI-FINISHED STEEL									
Billets, blooms, & slabs	70.6	85.3	88.2	85.6	91.1	130.8	235.4	77.1	85.5
Tin bars	7.9	7.9	5.5	6.5	8.8	9.6	9.0	10.2	6.7
Sheet bars	25.5	28.7	29.4	30.5	29.6	30.3	29.6	..	..
Skelp	..	..	1.5	5.3	7.8	12.3	11.0	14.2	13.8
Others†	1.7	1.6	0.2	0.3	0.4	0.4	0.5	0.6	0.5
TOTAL	105.8	123.3	127.2	127.2	135.4	183.4	288.5	102.1	106.5
FINISHED STEEL**									
Structurals	15.9	18.2	17.2	16.8	16.8	26.7	29.6	45.5	58.7
Heavy rails & fish plates	5.4	9.3	8.8	8.2	5.9	7.5	12.9	19.2	28.2
Tin plates	5.9	5.7	5.9	6.1	5.5	4.9	6.7	7.2	7.4
Black & galvanised sheets	19.2	21.2	21.6	23.2	20.9	21.7	21.7	22.6	31.8
Plates	6.0	5.3	5.0	5.8	5.8	6.7	8.3	11.8	15.2
Bars & rods	28.1	32.1	36.4	35.4	34.7	43.2	78.2	95.4	104.9
Wire & wire products ..	2.1	2.9	2.9	3.1	2.9	3.3	3.3	4.7	3.4
Wheels, tyres & axles ..	1.8	1.8	1.9	1.9	1.8	1.7	1.6	1.8	1.9
Steel castings	1.8	1.4	1.8	2.4	1.9	1.8	1.9	2.5	..
Spring steel & tool steel	0.7	1.6	1.9	1.8	2.3	1.5	1.6	1.5	2.1
Others††	2.0	2.4	3.3	3.4	3.2	4.8	4.1	22.1	24.7
TOTAL	89.0	102.2	107.0	108.6	104.3	122.6	169.9	234.3	278.4

*Average of six months.
**Excludes production of unregistered re-rollers.



Energy Pattern

Power Shortages

IT is admitted at all hands that apart from raw material shortages, a great drag on our industrial production in the recent past has been exerted by paucity of power. Dearth of power for industrial uses started developing in 1959-60, primarily as a sequel to the pruning of some power projects in 1957-58, necessitated by foreign exchange difficulties. This cutback in power development programmes resulted in a net shortfall of nearly 98 MW. in the additional installed capacity that was envisaged to be set up in the ten years to 1960-61. With the launching of the Third Plan in April, 1961, expectations came to be entertained that efforts would be redoubled to augment the power generation capacity in the interest of the ambitious industrial programme chalked out. But the experience of the first year and the eight months to November of the second year of the Plan has been none-too-happy.

As against the target of increasing the installed power generation capacity to 6.3 million kW. by the end of 1961-62, the capacity brought into being by that date, according to the latest appraisal by the Planning Commission on the progress of the Third Plan power development programmes, is stated to have been only 6.17 kW. At the end of the current financial year, expectations are that the installed capacity would be raised to 6.88 million kW., as against the target of 7.03 million kW. The prospects held out for the next year too are not so bright. Installed capacity at the end of 1963-64 is estimated to go up to 7.82 million kW., as against the Plan target of 8.08 million kW. It is only in the last two years of the Plan that the situation is anticipated to ease somewhat as a result of installed capacity increasing at a faster rate, by 2.18 million kW. in 1964-65 and by 3.28 million kW. in 1965-66. The total installed capacity expected to be established by March 31, 1966, is 13.28 million kW.

Availability of power to this order towards the end of the current Plan period may suffice for stepping up industrial production by about 12 per cent per annum, on an average, during the remaining three years of the Plan, as required by the present emergency, if demand increases according to the conservative relationship of power requirements growing at about 1.7 times the rate of growth of industrial production. But if it grows at the fast rate at which it has gone up in the recent past—2.3 to 2.5 times the rate of industrial growth—power requirements in 1965-66 may well be in the neighbourhood of 15 million kW. installed capacity. The anticipated installed capacity, thus, may fall short of the needs by nearly 1.7 million kW. Unless, therefore, strict priorities for power use are laid down as between the various consumers, development of our economy may continue to suffer from power shortages even after 1965-66.

There is, indeed, no short cut to augmenting power generation capacity immediately or during the next few months except expediting the erection of the power plants nearing completion and commissioning in the plants lying idle through negligence in repairs work. That there should be some unutilized capacity in this field was brought to light during the unprecedented power shortages experienced in Delhi some time ago. The current emergency demands that if there is lying any power plant idle for want of repairs, it should be hunted out and put in working condition. Strengthening the spares position of the existing plants also is urgently called for because in our anxiety to accelerate industrial growth, there is every danger of the power plants being overworked. These plants having been purchased in the past from a large number of countries, procurement of spare parts for them invariably is not an easy task.

Some improvement in the power supply position even during the immediate future can also be effected through making available to the thermal power plants regular supplies of coal of the right quality. Most of the old plants were designed to work on superior grade coal supplies of which were abundant in the past because there were no restrictions on mining of such coal. With the setting up of the new steel plants and certain other industries requiring high grade coal, the coal supplied to thermal plants is now of only very inferior quality. Reversion to supply of high grade coking coal to the old thermal plants—some of them have been adapted to the changed circumstances—is obviously out of question. But some improvement in the situation can certainly be effected by supplying to these plants the slightly better qualities among the inferior coals.

Some relief from power shortages may as well accrue in the near-term if increasing use is made by industrial units, especially in areas where voltage fluctuates erratically, of capacitors manufactured by the Heavy Electricals in Bhopal. By evening out fluctuations in power loads, these capicitors help in better utilization of the available energy; excessive loads are stored for a few hours and they supplement the electric current when voltage falls. Greater self-discipline by the industry in matters of power consumption should also go some way in alleviating the distress caused by power paucity.

So far as the next five years are concerned, attempts need to be made to ease the power supply position in a greater measure than anticipated currently by the Planning Commission. Despite the difficulties being encountered in the procurement of power plants equipment from abroad through tied loans made available by the friendly countries or from the Bhopal Heavy Electricals indigenously, a higher rate of progress in power development should be possible of achievement if only the unnecessary delays caused by the bureaucratic methods of our administrative set-up are obviated. The meticulous care currently being exercised in ascertaining the supply of various power generation equipments from domestic sources, before placing orders abroad, needs to be relaxed in some measure in order to avoid the unwarranted official delays. This, no doubt, will involve a slightly greater strain on our already hard-pressed foreign exchange resources. But the benefits resulting from it in the form of accelerated development of the industrial, agricultural and transport sectors of the economy should far outweigh this additional burden. Foreign exchange earnings themselves may go up with the availability of greater exportable surprises and the overall strain may, therefore, turn out to be only marginal.

With a view to stepping up the indigenous supply of power equipment, it is also desirable that the planned schedule for setting up the two new electrical plants—one with assistance from the Soviet Union and the other with aid from Czechoslovakia—should be enhanced. The Bhopal Heavy Electricals as well should be made to improve its performance further; recently, its working, indeed, has shown a slight improvement. If the Union Minister for Steel and Heavy Industries, Mr C. Subramaniam, shows the same amount of dynamism here as

he has displayed in regard to steel (the current annual Plan target of 4 million tons steel ingots is not now considered to be beyond reach), quite wholesome results can be expected from the Bhopal Heavy Electricals. The throwing open of the field of manufacture of heavy and medium electrical equipment to the private sector recently has been a step in the right direction. The private sector capacity in this field now should be augmented in view of the huge task lying ahead.

During this crucial five-year period the pattern of energy generation obviously cannot be expected to change very much. By far the greatest reliance will have to be placed on thermal power. This means that coal supplies to the thermal power stations will have to be kept up in adequate quantities without interruption. The implications of this are discussed at a fuller length in the succeeding article. Suffice it to say here that the faltering increase recorded in our coal production during the first twenty months of the current Plan does not evoke much optimism about the slightly over 100 million tons target being achieved. In view of this, greater resort may have to be taken to the use of furnace oil as a source of energy in indutrial units situated at places distant from the main coal-belt. In May last, the Union Finance Minister, Mr Morarji Desai, gave some incentives for increasing the use of furnace oil by industrial units, but these incentives apparently have not gone far in stepping up its use. The main hinderance in the way of increased use of furnace oil as a source of power generation is stated to be its high cost which contains a large dose of excise duty—about Rs. 60 per metric ton on the average price of Rs. 170 per metric ton, inclusive of sales tax and octroi duty, at inland centres. If in the coming years the industries starved of power have to take greater resort to furnace oil, it is just appropriate that the Union Finance Ministry should reduce the burden of the excise duty.

Another aspect of the problems that has to be taken note of in the next few years is the evening out of power shortages and surpluses in the adjoining States. The States like Gujarat, Madras and West Bengal today suffer acute power shortages, while power is available in surplus in the neighbouring States of Maharashtra, Kerala and Uttar Pradesh. Some ad hoc arrangements have been made in the past few months to remedy this situation (the surplus power from the Rihand Dam in U.P. has been made available to the areas served by the Damodar Valley Corporation and similar arrangements are stated to have been made between Madras and Kerala), but a permanent solution to this imbalance in power supply can only be found in setting up inter-State electricity grids with the ultimate objective of establishing an all-India grid. Some progress has been made in this direction in the recent past, but it is obviously not enough. The work on these projects has to be stepped up appreciably.

From the long-term point of view, the power problem in India has two components—(1) stepping up of power resources in advance of the demands cropping up, and (ii) bringing down the power costs charged to the various consumers. The Government of India, this week, set up two high-level Committees (which have on them some eminent experts from abroad as well) to assess the power requirements of the country right upto 1981 and to suggest ways and means to meet the situation. The deliberations of these Committees will obviously be watched with great interest. A few suggestions, however, may be offered here.

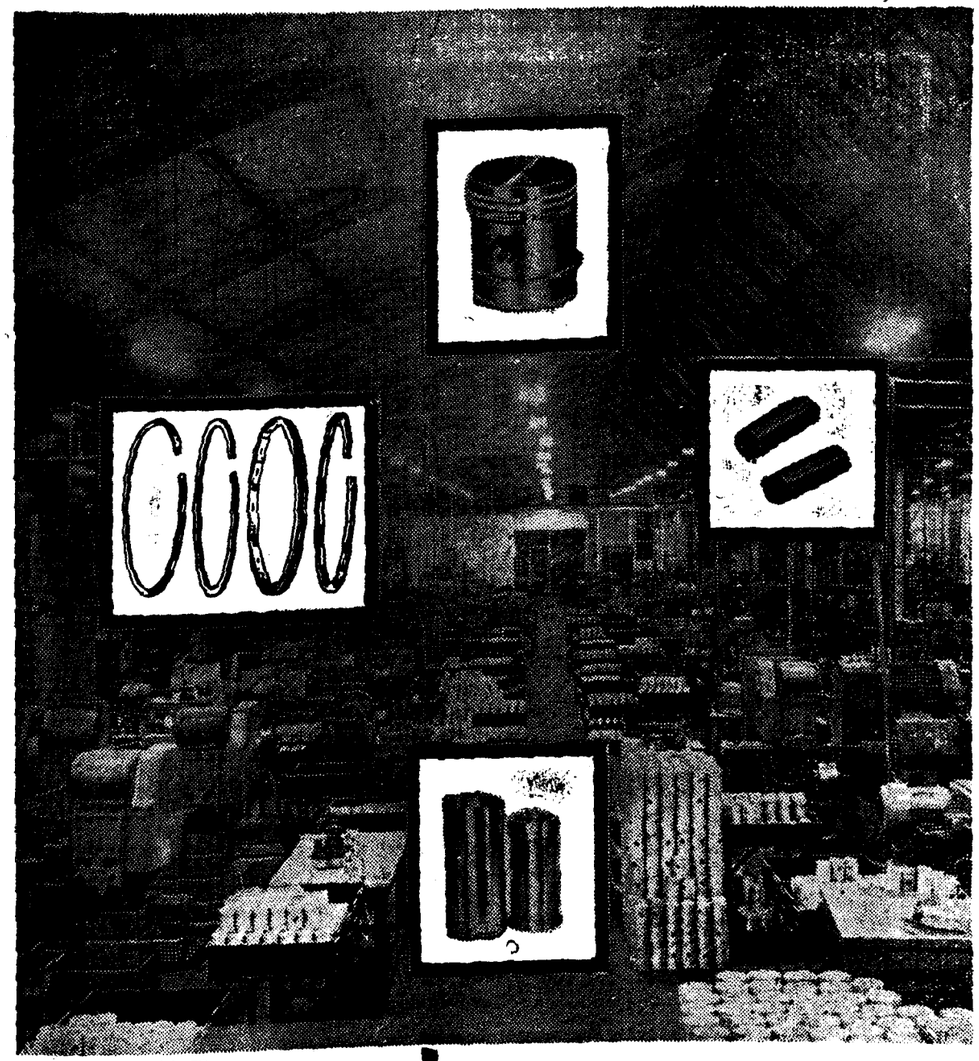
The power requirements of India are bound to grow at a staggering rate with the development of the economy. This implies that all the sources of power—whether conventional or unconventional—have to be harnessed into use in an integrated manner. In areas where natural gas is available in exploitable quantities, e.g. Assam and Gujarat, its utilization has to be speeded up. Similarly, possibilities of power generation in Kutch area and Rajasthan from lignite have to be expeditiously explored, besides stepping up the tempo of development at Nyveli where lignite resources have already started to be made use of. In areas where hydro power potential is not so great and which are also situated far away from the main coal-belt, nuclear power may have to be taken resort to in an increasing measure. The beginning made by the Union Government in setting up two nuclear power stations—one in Maharashtra and the other in Rajasthan—has, thus, been a step in the right direction even though it involves a strain on our foreign exchange resources.

With a view to keep electricity costs to the various consumers at the low side, generation of hydro power

THE PATTERN OF ELECTRICITY CONSUMPTION

(Million kilowatt hours)

Electricity Sold	1951-52	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62
1. **Domestic Consumption** ..	588.3	845.2	964.1	1,050.8	1,165.3	1,311.3	1,422.3	1,595.6
Heat and Power ..	88.3	156.8	191.3	217.2	242.5	269.4	303.2	377.5
Light and Fans ..	500.0	688.4	772.8	833.6	922.8	1,041.9	1,119.1	1,218.1
2. **Commercial** ..	337.6	487.9	549.1	576.4	628.2	724.8	864.5	913.4
Heat and Small Power ..	91.3	151.8	173.8	174.7	187.5	202.7	248.9	267.1
Light and Fans ..	246.3	336.1	375.3	401.7	440.7	522.1	615.6	646.3
3. **Industrial Power** ..	3,104.3	4,762.8	5,404.1	6,013.8	6,899.6	8,324.1	9,643.2	11,838.3
Low and Medium Voltage Supply ..	569.2	881.5	941.1	1,001.0	1,171.8	1,367.9	1,664.1	1,848.4
High Voltage Supply ..	2,535.1	3,881.3	4,463.0	5,012.8	5,727.8	6,956.2	7,979.1	9,989.9
4. **Public Lighting** ..	67.2	103.1	124.7	143.1	160.0	174.7	194.5	208.5
5. **Traction** ..	332.8	406.6	408.9	422.9	431.9	434.7	450.7	556.2
6. **Irrigation** ..	201.1	280.3	320.6	444.5	667.7	720.0	805.4	859.2
7. **Public Water Works and Sewage Pumping** ..	217.7	300.1	331.4	359.6	408.2	441.2	451.1	464.4
TOTAL ..	4,849.0	7,185.8	8,103.1	9,011.1	10,360.7	12,130.8	13,831.8	16,435.5



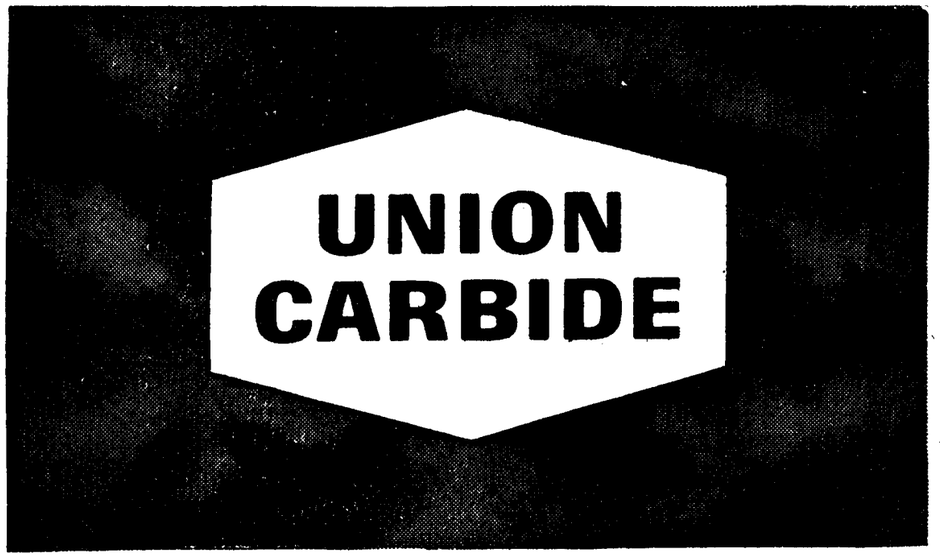
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GROWTH OF INSTALLED GENERATING CAPACITY
(By type of plant)

(Figures in megawatts)

State	At the end of 1960-61				At the end of 1961-62				At the end of 1962-63*			
	Hydro	Thermal	Oil	Total	Hydro	Thermal	Oil	Total	Hydro	Thermal	Oil	Total
Andhra Pradesh ..	124.5	83.5	20.2	228.2	124.5	83.5	20.2	228.2	124.5	83.5	20.2	228.2
Assam ..	9.3	..	10.1	19.4	9.3	..	16.1	25.4	9.3	..	16.1	25.4
Bihar ..	..	33.5	18.4	51.9	..	33.5	18.4	51.9	..	48.5	18.4	66.9
Gujarat ..	..	280.9	52.4	333.3	..	310.9	56.4	367.3	..	350.9	60.4	411.3
Jammu & Kashmir ..	10.6	1.5	0.9	13.0	19.6	1.5	0.9	22.0	28.6	1.5	0.9	31.0
Kerala ..	132.5	..	4.8	137.3	147.5	..	4.8	152.3	177.5	..	4.8	182.3
Madhya Pradesh ..	34.5	169.8	28.7	233.0	34.5	169.8	28.7	233.0	46.0	179.8	28.7	254.5
Madras ..	415.5	101.5	0.5	517.5	450.5	101.5	0.5	552.5	450.5	101.5	0.5	552.5
Maharashtra ..	281.9	443.2	34.4	759.5	281.9	443.1	34.4	759.5	461.9	443.2	34.4	939.5
Mysore ...	185.4	...	12.9	198.3	194.4	..	12.9	207.3	236.6	..	12.9	249.5
Orissa ..	157.4	5.8	7.5	170.7	157.4	5.8	7.5	170.7	266.9	5.8	7.5	280.2
Punjab ..	221.8	7.9	16.7	246.4	405.8	7.9	16.7	430.4	405.8	7.9	18.7	432.4
Rajasthan ..	65.2	46.2	24.4	135.8	98.2	46.2	24.4	168.8	109.7	46.2	27.4	183.3
Uttar Pradesh ..	92.5	270.8	34.1	397.4	342.5	270.8	38.1	651.4	342.5	355.8	38.1	736.4
West Bengal ..	7.2	512.0	9.4	528.6	7.2	512.0	9.4	528.6	7.2	512.0	9.4	528.6
D.V.C. ..	104.0	420.0	..	524.0	104.0	420.0	..	524.0	104.0	420.0	..	524.0
Delhi ..	..	53.6	22.7	76.3	..	53.6	22.7	76.3	..	53.6	22.7	76.3
Other Union Territories ..	0.4	6.0	2.0	8.4	0.4	6.0	2.0	8.0	0.4	6.0	6.5	12.9
Total utilities ..	**1842.7**	**2436.2**	**300.1**	**4579.0**	**2377.7**	**2466.2**	**314.1**	**5158.0**	**2771.4**	**2616.2**	**327.6**	**5715.2**
Self-generating industrial establishments	2.7	968.8	44.4	1015.9	2.7	968.8	44.4	1015.9	2.7	118.8	44.4	1165.9
Total installed generating capacity ..	**1845.4**	**3405.0**	**344.5**	**5594.9**	**2380.4**	**3435.0**	**358.5**	**6173.9**	**2774.1**	**3735.0**	**372.0**	**6881.1**

* Estimated

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has to be taken resort to to the maximum extent. But hydro-electric projects take appreciably longer time to build than the thermal power stations. This warrants bringing down of the generation costs of the latter by enlarging their size. All the big-sized thermal power stations which may be set up in the future will have to be built near the coal mines so that they may be worked on inferior type coals and washery middlings and rejects the movement of which is a costly proposition and entails great strain on the transport system.

Coal Supplies

AS STATED in the last article, coal is to continue as the most important source of power generation in India during the next five crucial years. If power shortages, therefore, are to be obviated or the situation in regard to power supply is to be eased to any appreciable degree, coal will have to be made available in various parts of the country in adequate quantities and without interruptions or delays.

The acute situation that came to develop on the coal front towards the close of 1960, apparently, has eased to a very great extent in the last few months, thanks to some balance being restored in the output and movement of coal. Stocks at pitheads in October last fell to barely 2.93 million metric tons, as against the irriducible average of nearly 2.7 million metric tons at any time since 1951. But how far this somewhat happy state of affairs will continue, it is difficult to say. With the onset of the busy season and the railways coming under great stress due to the emergency movement of troops and war materials, coal transportation must have suffered to some degree. But this does not cause that much concern as the fact that the balance between coal production and its movement has been brought about at not-so-high ranges of production.

PITHEAD STOCKS OF COAL IN INDIA
(In Million tonnes)

Coalfields	October, 1962	September, 1962	October 1961
(1) **Bengal-Bihar Fields**			
Public Sector	0.33	0.37	0.50
Private Sector	2.33	2.57	2.60
(2) **Outlying Fields**			
Public Sector	0.14	0.14	0.09
Private Sector	0.10	0.10	0.12
(3) **Singareni**	0.03	0.02	0.01
TOTAL	2.93	3.20	3.32

Coal output during the first nine months of the current calendar year amounted to 44.89 million metric tons. At this rate, the 1962 production is estimated around 59.85 million metric tons, as against 56.04 million metric tons in 1961. As a result of the suspension of the mining regulations during the emergency, enabling the collieries to work for more hours per week, some further improvement in output must have been effected. But it is very unlikely that the current year's production would go up to beyond 62 million metric tons. This means that coal output in the major part of the second year of the Third Plan has not been much above the Second Plan target of 60 million tons.

LATEST OFFICIAL ESTIMATES OF COAL PRODUCTION IN 1962
(In Million tonnes)

	Bengal-Bihar Area	Outlying Areas	Total
1. Target for 1962-63	47.30	13.80	61.10
2. Target for Jan.-Sept., 1962	35.48	10.35	45.83
3. Actual Production during Jan.-Sept., 1962	35.60	9.29	44.89
4. Annual Production (based on item 3)	47.47	12.38	59.85
5. Shortfall or surplus (Item 2—Item 4)	+0.17	—1.42	—1.25

If the Third Plan target of a little over 100 million metric tons output, or even rated capacity, is to be achieved, coal production during 1963 will have to be stepped up at least by 10 million metric tons and in the succeeding two years by 12 to 16 million metric tons. The task is stupendous, indeed. How should we go about in handling this arduous job?

The past experience shows that even if the potential is created to step up coal output, a high level of production cannot be achieved unless stock accumulation at pitheads is avoided. The public sector in coal achieved its target rate of production in the beginning of 1961, but this level of output could not be maintained subsequently for quite some time because of piling up of stocks at the pitheads. Even otherwise, no amount of production is of any use unless coal can be made available at the consuming centres. This, obviously, implies that before efforts to step up coal output are redoubled, attempts have to be made to strengthen the transport system.

By far the greatest reliance has been placed uptil now on movement of coal by rail. The experiments with shipment of coal by sea or its haulage by road have not proved an unqualified success as yet. But efforts have to be continued in this direction in the interest of removing coal transport bottlenecks. The railways, despite their expansion envisaged under the current Plan, can move only the planned quantities of coal from the main coal-belt in east India. They, of course, are in a position to move as much of coal traffic from the outlying coalfields as offered. The production programme in the outlaying collieries needs, therefore, to be stepped up even though the quality of coal here is only poor.

Quite a good deal of strain on the transport system can be mitigated by moving to the far flung areas only coal with comparatively low ash content. This calls for expediting the setting up of the proposed coal washeries and for improving the performance of the existing ones, especially the Kargali washery where current output of about 97,000 metric tons can be stepped up by another about 20,000 to 25,000 metric tons only if adequate power supplies are ensured. Augmenting the supplies of materials for coal stowing should also help in reducing the ash content. This is warranted in view of the fact that as an incentive to improve the quality of coal, the Union Government a few months ago announced some increases in coal prices.

Some improvement in coal transport from the collieries to the consuming centres should also follow the rationalisation being attempted in coal distribution under the block-rake scheme. According to this plan, bulk consumers of coal, individually or jointly in groups of two or three, requiring 1,500 tons a month, would be supplied their requirements once in thirty days through a rake of seventy wagons. For the smaller consumers, dumps will be created by the State Governments at suitable places in their areas from where supplies will be effected by road. Originally, this scheme was to be put into operation from January 1, 1963. But following objections from various consuming interests, to the effect that it would enhance their coal costs and that adequate siding facilities were not available everywhere, its implementation has been deferred to February 1, 1963. A Committee has been set up to go into these and the other possible objections and suggest ways and means to tide over the difficulties. In all probability, the scheme would have to be phased out for implementation, since the setback suffered by the truck manufacturing programme, from the civilian use point of view, would involve delaying all plans to harness road transport for movement of coal on any large scale. Use of inland waterways for coal shipment, however, can be stepped up if the initial difficulties of obtaining barges, motor boats etc. in adequate numbers are overcome.

Implementation of the coal production programmes, now being executed both in the private and public sectors with assistance from various friendly countries and the World Bank and its affiliates, would, indeed, be facilitated by removal of movement bottlenecks. But any substantial increase in output can come only through assuring to the collieries adequate quantities of power, explosives, spare parts and the other prerequisites to coal mining. The aliveness of the Union Ministry of Mines and Fuel to this fact is welcome, but it is very unlikely that the Third Plan coal target would be achieved in view of the delays that have already occurred, especially in stepping up the tempo of activity for raising high grade coking coal. Development of deep mines is necessarily a time-consuming process.

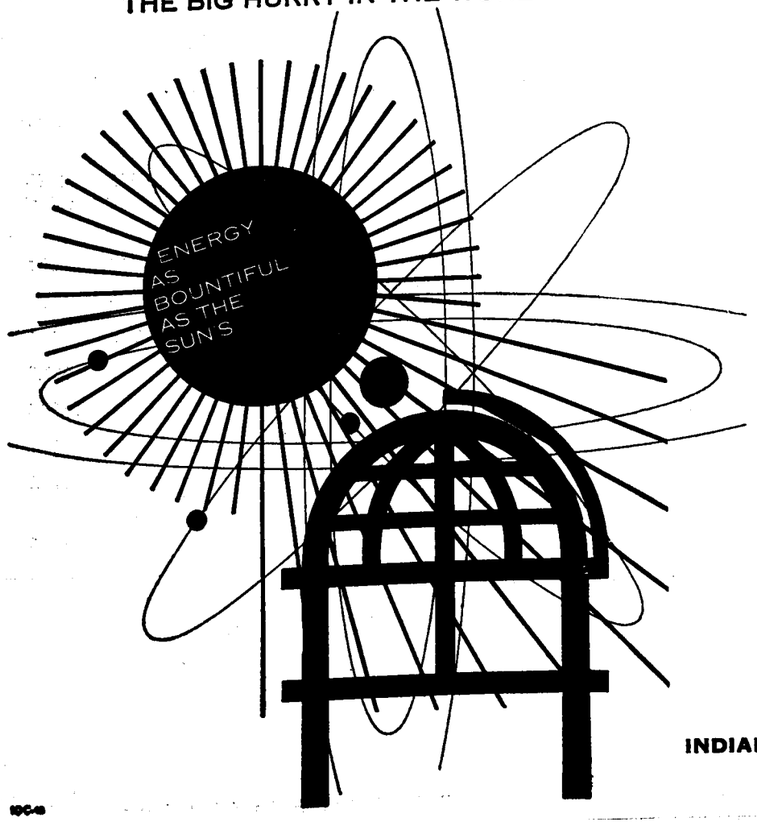
With steel production picking up now more or less according to the schedule, further progress in this regard is very largely dependent on fulfiling the targets fixed for coking coal output or, alternatively, arranging for supplies of high grade coal from abroad. The fact that coking coal output indigenously is not keeping pace with demand apparently has prompted the Union Government to think in terms of metallurgical coal imports. Trials with some samples of imported coal, it is stated, are already being conducted. Finalisation of the various proposals in regard to high grade coal imports for steel works obviously is urgently called for. Incidentally, this will help in greater quantities of indigenous coal being available for not-so-high priority users. Consideration may also be given to import of superior quality coal for some export industries situated far away from the main coal production centres. This should help in strengthening the export effort.

In view of the likelihood of coal production lagging behind the planned scheduled, it is also imperative that all wastage of coal is avoided scrupulously. Owing to defects developed in heat measurement instruments at many a thermal power plant, excessive quantities of coal are said to be being used to generate heat in quantities more than required. In many cases, heat control has today become a hit in the dark. Spending of some foreign exchange on replacement of the heat measurement instruments should pay rich dividends by not only bringing down production costs but also by helping in striking a better balance between demand and supply of coal.

PRODUCTION OF COAL IN PUBLIC AND PRIVATE SECTORS : 1950-61
(In thousand metric tons)

Period	Private Sector	Public Sector			Total (1+4)
		N.C.D.C.	Singareni	Total (2+3)	
	(1)	(2)	(3)	(4)	(5)
1950 ..	28,948	2,633	1,233	3,867	32,815
1951 ..	30,643	3,050	1,290	4,340	34,983
1952 ..	32,096	3,332	1,457	4,789	36,885
1953 ..	32,014	3,190	1,352	4,542	36,557
1954 ..	32,824	3,032	1,526	4,559	37,383
1955 ..	34,360	2,904	1,565	4,469	38,829
1956 ..	35,306	3,039	1,721	4,760	40,066
1957 ..	38,811	3,441	1,950	5,392	44,202
1958 ..	40,178	3,718	2,150	5,869	46,047
1959 ..	40,959	4,561	2,266	6,827	47,786
1960 ..	44,037	6,059	2,517	8,576	52,613
1961 ..	45,771	7,560	2,771	10,331	56,102

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(Figures in thousand tons)

Period	Production					Production ceiling fixed for the year	Total Despatches
	Sel.A.	Sel.B.	Gr. I.	Gr. II	Total		
1952 ..	2,247	5,632	..	..	7,879	8,150	7,470
1953 ..	2,184	5,104	3,732	2,940	13,960	15,420	13,065
1954 ..	2,217	5,108	3,717	2,789	13,831	14,600	13,095
1955 ..	2,126	4,978	3,758	2,705	13,586	14,620	12,879
1956 ..	2,199	5,144	4,190	2,502	14,035	15,240	13,586
1957 ..	2,381	5,326	4,702	2,912	15,321	16,970	14,562
1958 ..	2,382	5,048	4,894	3,076	15,400	18,490	15,229
1959 ..	2,100	4,552	5,233	2,914	14,799	18,690	14,174
1960 ..	2,382	4,070	6,173	2,659	15,284	19,500	14,013
1961 ..	2,428	3,959	7,982	2,675	17,044	19,200	15,228
1962-							
January ..	0,185	0,378	0,711	0,260	1,534	19,200	1,314
February ..	0,179	0,362	0,663	0,232	1,436	19,200	1,239
March ...	0,193	0,388	0,692	0,265	1,538	19,200	1,369
April ..	0,197	0,369	0,679	0,267	1,511	19,200	1,308

PRODUCTION OF PETROLEUM PRODUCTS IN INDIA: 1951 — 1962

('000 metric tons)

Product	1951	1955	1956	1957	1958	1959	1960	1961	1962 (Estimated) ¶
Kerosene*	51.8	449.1	545.6	617.8	643.2	736.0	931.3	1,017.4	1,112.1
Diesels†	43.7	592.4	711.2	926.6	1,191.8	1,419.2	1,599.6	1,668.6	1,728.7
Lubricants††	23.4	16.3	17.3	17.3	18.3	21.5	21.6	25.3	23.7
Bitumens§	4.1	85.3	164.6	176.8	226.6	290.4	399.8	438.4	373.3
Heavy ends§§	17.3	1,007.9	1,416.4	1,599.3	1,649.1	1,682.6	1,692.8	1,811.3	1,838.5
Light distillates** ..	50.8	797.6	964.2	1,041.5	986.6	951.0	1,047.1	1,068.8	1,136.8
Other products	57.9	75.2	71.1	69.1	56.9	51.6	65.6	70.7	129.2
All petroleum products ..	**249.0**	**3,023.8**	**3,890.4**	**4,448.3**	**4,772.4**	**5,152.3**	**5,757.8**	**6,100.4**	**6,342.2**

¶ Before the increased throughput allowed to refineries after the emergency.

** Includes Aviation, Gasoline, Motor Spirit, Solvent Oil and Liquid Petroleum Gas.

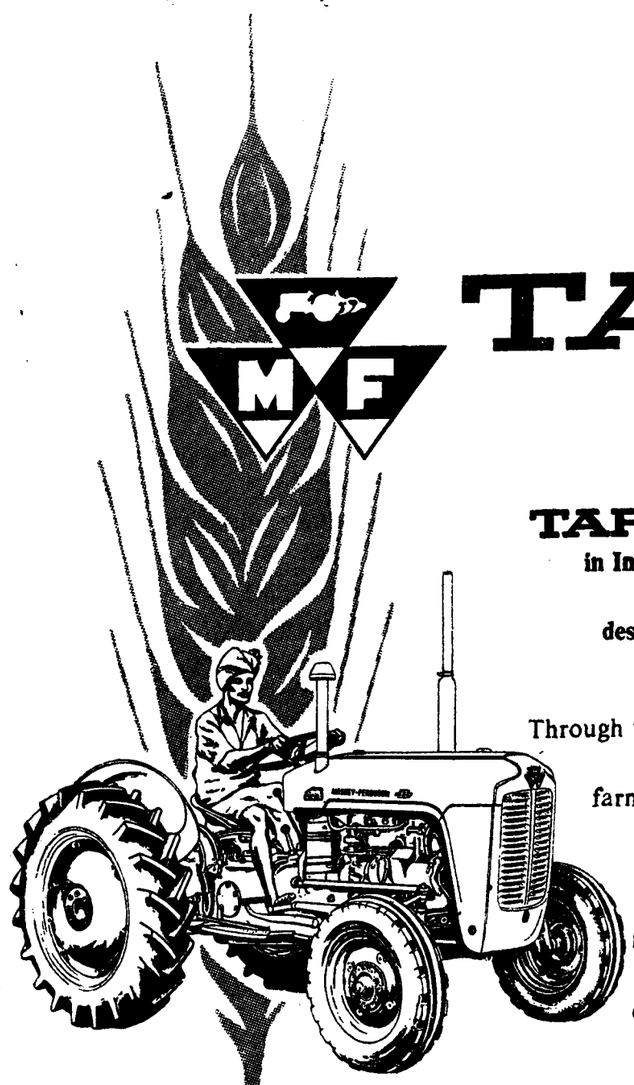
* Includes Kerosene (Superior and Inferior/ATE).

† Includes High Speed, Low, and Medium Diesel Oils.

†† Includes lubricants and greases.

§ Includes all grades of Asphalt.

§§ Includes Furnace oil, Bunker "S" Fuel, Sulphur Fuel oil, Jute Batching oil and Hot Heavy Stock



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Oil in India

IN the modern world, oil consumption in a country is taken as an index of its industrialisation and the standard of living of its people. In a war, oil plays a very prominent role; it not only helps in keeping the wheel of economic progress moving, but also provides strategic materials for many a combat activity. Every independent country, therefore, attaches great importance to the development of its oil industry.

The Indian oil industry has, indeed, made a very commendable progress during the last decade. Before 1953, India had only one oil refinery at Digboi having a capacity of not more than 4.5 lakh m. tons, the rest of the petroleum products requirements were met by imports. Today, after the increased throughput allowed recently to three refineries, we have a refining capacity of over 8 million m. tons—Burmah-Shell Refinery 3.75 million tons, Esso Standard Refinery 2.5 million tons, Caltex Refinery 1.2 million tons, Digboi Refinery 0.45 million tons and Nunmati Refinery 0.75 million tons. Another 2 million m. tons capacity is currently being created at Barauni and is expected to be commissioned by the middle of 1964. Plans are also afoot to augment the refining capacity further by 7 million m. tons by the end of the Third Plan, through expansion of the Nunmati and Barauni Refineries to 1.25 million tons and 3 million tons, respectively, and by setting up two more refineries, one at Koyali with a capacity of 3 million tons and the other somewhere in South India with a capacity of 2.5 million tons. Opinions may differ whether this 7 million m. tons additional capacity would be brought into existence according to the programme, but there is little doubt that a substantial portion of it would be in production in the early years of the Fourth Plan.

Along with the stepping up of the refining capacity, India has recorded during the 'fifties significant achievements in oil prospecting and exploitation. Two fairly rich oilfields have been discovered, one in Nahorkatiya-Moran containing crude reserves to the tune of 46 million metric tons and the other in Ankleshwar having a potential yielding 48 million metric tons crude. By the end of the current Plan period, expectations are that the crude oil production from these two oilfields would be at the rate of about 6 million metric tons per annum.

Oil exploration at some other places also has yielded results — at one place, Sibsagar area, oil has been struck in two of the four wells drilled so far and at another, Cambay, a gas-field has been established. Oil has as well been found at Kalol near the Ankleshwar horizon.

A significant role has been played in this rapid development of our oil industry by both the private and the public sectors—at some places working jointly as in Nahorkatiya and Moran, through Oil India Ltd. (a fifty-fifty partnership between the Union Government and the Burmah Oil Company) and at others individually.

Howsoever heart-warming the development of our oil industry might have been uptil now, the exigencies of the Sino-Indian border dispute developing into a full-scale war between the two countries — a limited war has already been fought on this front a month and a half ago — warrant that we should shed all sense of complacency and develop our oil industry at the fastest rate possible. Currently, we are not in a position to meet even our normal requirements fully and have to depend on imports of refined products from abroad to the tune of about 2 million m. tons. In war times, the demand for petroleum products is bound to increase at a rapid rate and there will also be a marked change in the demand pattern of oil derivatives. This implies that we should not only aim at achieving self-sufficiency in the demand for various oil products in peace-time, but think also in terms of some surplus which should stand us in good stead in times of emergencies. In normal times this surplus output can well be exported to earn some extra foreign exchange.

Today our refining capacity plans do not appear to be even fully catering to the peace-time requirements by the end of the current Plan. On the basis of the rate of growth in petroleum products consumption registered in the recent past, the Steering Committee of the Oil Advisory Council has placed the demand pattern for various products as follows:

(Million metric tons)

End-Product	Anticipated Demand in 1965-66
1. Light Distillates ..	2.70
2. Kerosene ..	4.20
3. Diesels ..	3.95
4. Lubricants ..	0.50
5. Bitumens ..	0.62
6. Heavy-ends ..	5.05
7. Other Products ..	0.10
TOTAL ..	**17.12***

* The Oil Advisory Council, at its last meeting, brought down this estimates to 16.67 m. metric tons as it thought that fuel oil figure included in heavy-ends was rather on the high side and because increased consumption of coal will keep down kerosene consumption.

The dramatic announcement made by the Union Minister for Oil, Mr. K. D. Malaviya, a few days ago, on expansion of the public sector oil refining capacity to 10 million metric tons by 1965-66 (by stepping up the capacities of the Nunmati and Barauni refineries from the present capacities of 0.75 million metric tons and 2 million metric tons to 1.25 million metric tons — with provision to raise the capacity ultimately to 1.5 million metric tons—and 3 million m. tons, respectively, and by setting up the proposed refinery at Koyali with an initial capacity of 3 million m. tons and another one in South India with a capacity of 2.5 million m. tons) would give to the lay man the impression that India would achieve self-sufficiency in petroleum products requirements by the end of the current Plan period. But will it be so? In the absence of the availability of the product pattern of these refineries, it is difficult to say in which particular petroleum products self-sufficiency would be attained. But in view of the fact that gasoline surplus will go up from the marginal level of today to a substantial extent, even if through modern techniques its production is kept at the lowest minimum, the output

of some other products, mainly middle distillates, is bound to be less than the demand for them. We will have to continue to import these even after 1965-66 if the refining capacity is just raised by then to 17.1 million metric tons.

"The Eastern Economist", however, has its own doubts about the proposed expansion of the public sector in oil refining coming through according to Mr. Malaviya's expectations. There are various reasons for it. The obvious limitation in so far as the expansion of the Nunmati and the Barauni refineries to a combined capacity of 4.5 million metric tons is concerned, is the availability of crude. All along till now the expansion of these two refineries has been talked about to a combined capacity of 4 million m. tons. Even the crude supply pipeline from Nahorkatiya to Nunmati and Barauni has been designed to carry only this much oil. It may be possible to step up the capacity of this pipeline slightly or even to 4.5 million metric tons, but where from are the crude supplies in excess of it to come when as a result of improvement in the operational efficiency the throughput of these expanded refineries goes up from 4.5 million metric tons to say a minimum of 5 million metric tons.

As regards the Koyali and the South Indian refineries, even if these two are set up by 1965-66, it is anybody's guess whether they will be in full operation by that time. The experience with the Nunmati Refinery so far has been none-too-happy. Although this refinery was commissioned into production full one year ago, it is yet to turn out production at the rated capacity of 0.75 million metric tons.

The emergency through which the country is passing today demands that the expansion of our refining capacity should be achieved in the quickest possible time and not merely just to the tune of the anticipated peace-time demand. And this can only be done by allowing expansion of the private sector refineries, which can be executed in a period of about 18 to 24 months, as against the minimum 3 to 3½ years required to build a new refinery from a scratch. The possibility of dislocations in the flow of crude oil from Assam as a sequel to damage to, or loss of, the Nahorkatiya oilfield, situated within the immediate danger zone in the event of a wholesale attack by China, is also a factor which has an important bearing on the private refineries expansion issue. One need not dwell upon it at any length.

In view of the present emergency, two more aspects of the oil problem need to be taken care of. They are (i) the production of lubricants in the country, and (ii) oil prospecting and exploration. Our peace-time demand for lubricants at the end of the current Plan period is placed around 5 lakh m. tons per annum, of which we produce only a little at present. Plans have been prepared to augment this capacity by another only 3 lakh m. tons. Why the Government is hesitant to allow installation of further capacity for the manufacture of lubricating oils, is something not comprehensible.

So far as oil exploration is concerned, this programme has to be stepped up appreciably in view of the staggering rate at which our oil requirements are expected to grow. The Oil and Natural Gas Commission is doing a commendable job in this respect, though not so very economically. Its efforts need to be supplemented by those of others. Since oil prospecting is a very hazardous activity, no loss but only gain can accrue to the country if private oil interests undertake exploration work here, not merely as contractors to the ONGC but also at their own expense. If need be, some flexibility might be effected in the policy in this regard so that the interest of the experienced foreign oil companies may revive in the exploration work in this country.

CONSUMPTION OF PETROLEUM PRODUCTS

('000 tonnes)

Year	Light Distillates	Kerosene	Diesels	Fuel Oil	Others	Total
1948 ..	513.7	571.8	353.7	499.3	310.5	2249.1
1949 ..	599.4	773.6	511.5	558.6	312.5	2755.6
1950 ..	680.0	937.1	516.6	579.7	277.9	2991.3
1951 ..	904.2	1099.2	674.4	626.0	333.0	3636.8
1952 ..	902.8	1105.7	659.1	585.3	375.8	3628.7
1953 ..	859.8	1222.7	712.4	598.6	375.9	3769.4
1954 ..	886.8	1300.0	767.1	622.0	424.7	4000.6
1955 ..	936.8	1480.0	860.5	687.7	558.4	4523.4
1956 ..	962.6	1608.4	980.5	735.7	595.2	4882.4
1957 ..	942.7	1746.9	1189.7	890.9	568.7	5338.9
1958 ..	879.7	1754.1	1404.5	1024.6	616.2	5679.1
1959 ..	885.4	2091.9	1602.8	1175.0	651.1	6406.2
1960 ..	1055.5	2177.0	1878.9	1744.9	795.3	7651.6
1961 ..	966.9	2436.1	2048.3	1887.6	933.4	8272.3*

* Estimate; 1960 and 1961 includes Bunkers.



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Foreign Trade

The Dimensions of the Problem

THE scale on which the Third Plan has been conceived has naturally produced its immediate impact on the problem of foreign trade. In the two components of the financial resources for the Plan — the rupee component and the foreign exchange component — the outlook is no doubt one of tightness, but in regard to foreign exchange it goes beyond that and assumes a critical character. The stress in the current Plan is on the expansion of heavy and basic industries and next on the expansion of the industrial sector in general. The urgency to achieve self-sufficiency in the production of foodgrains at the end of the Third Plan has created priority demands on indispensable imports like fertilizers. All these pressures on the foreign exchange expenditure on the Plan have a direct and vital bearing on the foreign trade.

The dimensions of the problem which has been posed for the expansion of our foreign trade in the Third Plan are quite apparent from the approach with which the scheme of foreign exchange resources for the Third Plan has been drawn up in the Plan. The final scheme as it appears in the text of the Plan conceals many stresses and strains which the demands of the foreign currency expenditure produce on the foreign trade. A fair idea of these stresses can be obtained by a comparison of the estimates of these resources in the Draft of the Third Plan and the estimates accepted in the final version of the Plan. But in interpreting these strains there is an important consideration which ought to be taken into account. The assumption about prices on which the estimates are based will inevitably prove somewhat wide of the mark when the actual contracts of purchase or agreements of procurement are made. It is easy to appreciate that international prices would move upwards rather than downwards with the passage of time.

The import bill for the Third Plan has been pitched at a high point consistently with the targets which have been prescribed in the different sectors of the economy. Broadly, the classification of these imports falls into two categories — development imports and maintenance imports. The planners estimated in the draft that imports of machinery and equipment for executing the projects of expansion in the Third Plan would be of the value of Rs. 1,900 crores. Then comes a border-line item, which some may be prone to classify as maintenance import but which in reality belongs to the development category and it has been accepted as such by the foreign governments which have extended their hand of co-operation and economic assistance for the Third Plan. There is a part of our imports of components and balancing equipment which would be required for the existing plants or factories, but which, in fact, is intended for the expansion of their capacity in order to enlarge the base of industry. The value of imports for such balancing equipment and components has been placed at Rs. 200 crores.

Then comes the maintenance imports which include all the replacement equipment, raw materials and intermediates or semi-manufactured products required to consolidate and maintain the production of the industrial capacity which has been already built. To this must be added the claim of imports of essential consumer goods. The total bill of maintenance imports according to the Draft of the Third Plan added up to Rs. 3,650 crores. In the aggregate, therefore, development and maintenance imports rise to Rs. 5,750 crores. These exclude Rs. 600 crores worth of supply of surplus commodities (particularly foodgrains and raw cotton) under the P.L. 480 agreement with the USA. This item of Rs. 600 crores, which would normally be classified as a commercial transaction has been integrated with the external credits. For a fair comparison between the import bills of the Second Plan and the Third Plan it would be necessary to merge this P.L. 480 amount in imports. On this basis the annual average imports during the Second Plan were of the order of Rs. 1,072 crores from which they will now shoot up to an annual average of Rs. 1,270 crores in the Third Plan.

On the basis of these estimates the Draft Plan devised a scheme of resources to meet the liabilities of maintenance imports which cannot be discharged from foreign assistance. The estimates made are significant for a reason which will be quite apparent from the discussion that immediately follows. Export receipts in the Draft Plan were placed at Rs. 3,450 crores and receipts from net invisibles were assumed to be Rs. 120 crores. In all Rs. 3,570 crores were expected to defray the bill of maintenance imports. There could be no rigidity or precision about these estimates and it was presumed that on considerations of flexibility a figure up to Rs. 3,700 crores might be taken as our external earnings during the Plan period.

But the foreign exchange earnings (coupled with the marginal net invisible receipts) left the problem of financing development imports and the balancing equipment and components altogether unsolved. The only solution for this lay in the procurement of external assistance. But here another problem was posed. The payments of interest on the foreign loans and the maturing instalments or obligations of some of them will total up to Rs. 500 crores during the Third Plan period. In the normal situation foreign debt should be serviced out of our current earnings. But the very nice balancing of the maintenance import bill left no surplus out of the current foreign exchange earnings which could be applied to meet the debt service obligations. It was, therefore, estimated in the foreign exchange requirements by way of external assistance that Rs. 500 crores should be made available to us for what is termed as "refinancing maturing obligations" in the Plan text. Rs. 1,900 crores for development imports and Rs. 200 crores for the border-line item raise our requirements of foreign aid to Rs. 2,600 crores. This is, of course, exclusive of Rs. 600 crores via the P.L. 480 agreement with the USA.

The foregoing narration of the scheme of foreign exchange resources has been dilated upon in some elaborate detail to highlight the real magnitude of the problem of foreign trade in general and of its export component in particular and to put it in its real perspective.

After the Draft very significant changes in the estimates had to be made and finally incorporated in the Plan. This is apart from the element of a possible increase in world prices. On a revised consideration, the requirements of development imports were raised by Rs. 130 crores. Subsequent investigation made after the Draft showed that for a variety of reasons the net invisible receipts of Rs. 120 crores, which were relied upon as a means to meet the partial cost of maintenance imports, were totally wiped out and to that extent a gap was created in

the original estimate of our foreign exchange earnings. The two items taken together enlarge the margin of shortfall in the requisite amount of foreign exchange to the extent of Rs. 260 crores. A re-examination of maintenance imports disclosed that an increase of Rs. 150 crores would be necessary to meet their full quantities. Thus the total gap was Rs. 410 crores. Wisely, there has been no attempt made to raise the export target and provisionally this gap of Rs. 150 crores is left uncovered. The only way in which the gap could be reduced (the question of its complete elimination was not deemed feasible) was to raise our sights and make a determined bid to push up exports. This was for two obvious reasons. A higher expectation of external assistance above the original estimate of Rs. 2,600 crores and raising exports to cover the whole gap were both considered as apparently not too practical propositions.

The relevant point, however, is that between the publication of the Draft in May 1960 and the publication of the text of the Third Plan in August 1961, the estimate of export earnings was stepped up from Rs. 3,450 crores to a minimum of Rs. 3,700 crores. This step-up of Rs. 250 crores was, of course, based on a revision of export targets and hardly on any positive new avenues for our exports. Flexibility is the essence of planning and on this score there should be no quarrel with pitching our ambitions somewhat high. But the point of emphasis is that they impose a heavy liability on the conventionally difficult export promotion effort.

Now in the wake of the defence emergency, it has been tentatively assumed that our import bill for outlay on arms and ammunition may very likely go up by something like Rs. 300 crores. The primary means of meeting the cost of imported arms is practically well-known and a very reassuring initiative has been taken by the USA and the UK in relieving our almost insoluble problem of prompt payment for armament imports. Lend-lease and similar arrangements of deffered payments would help us overcome this fresh liability of foreign exchange outlay. Nevertheless, some part of this expenditure will need to be met out of our own resources. And these resources substantially mean export earnings. It will thus be seen that the shortfall in the foreign exchange earnings as envisaged at the moment poses a very serious challenge to the export trade.

Any consideration of the foreign exchange resources must inevitably be related to the state of the balance of payments of the nation. Our balance of payments on current account has revealed an uninterrupted and aggravating trend towards an enlarged size of the deficit from the third year of the First Plan. The half-yearly figures for the financial years 1953-54 to 1961-62 reveal that, although the payments deficit is not increasing with a strict progressive regularity and there are the usual fluctuations, nevertheless, the gap is widening. In the first half of 1957-58 the adverse balance reached the peak during the afore-mentioned period at Rs. 238 crores. It would appear that seasonal factors explain the high level of the deficit in the first half of the financial year and its relatively small size in the second half. But it is significant that in the fifth year of the Second Plan in both the halves the deficit was a little below Rs. 195 crores. In the two half-yearly periods of the first year of the Third Plan it stood at Rs. 159 crores in the first and at Rs. 120 crores in the second. These latest trends reveal a considerable cancellation of the possible seasonal factor.

Side by side with this continuous adverse balance of payments on current account (which is, of course, openly taken for granted as an inevitable concomitant

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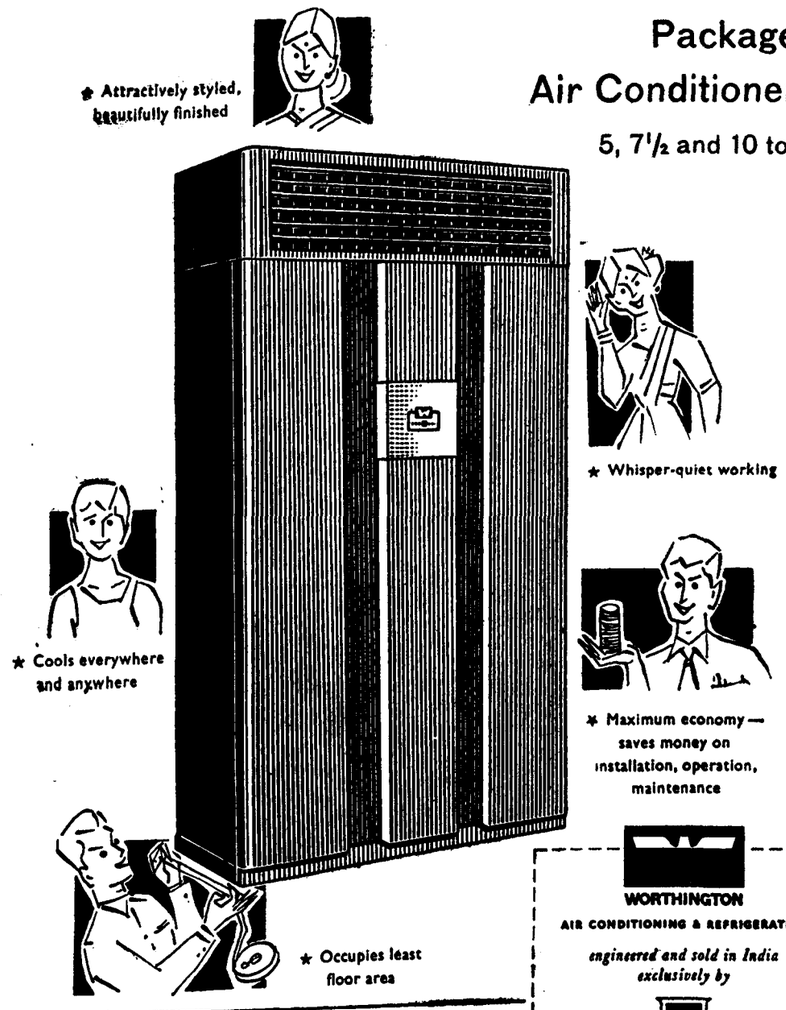
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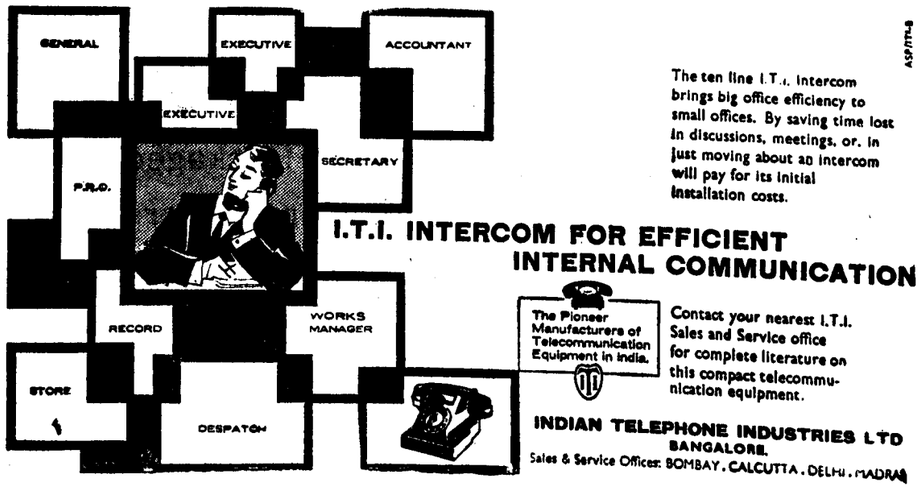
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of a fast developing economy), one has to cast a glance at the deteriorating state of our sterling balances. The monthly figures for the period 1958-59 to 1962-63 (April to mid-December) sharply bring out the fact that the balances have not only been exhausted (above the statutory minimum line) but any expectations of additions to them would be due only to some fortuitous causes. Since August 1962 the sterling balances have been hovering around Rs. 94 crores and if the mid-December position shows a fractional improvement at Rs. 97 crores it should be practically ignored. The conclusion from the trend of the sterling balances is that we have lost the cushion against any abrupt emergence of the liability of external payments. This position places all the greater responsibility on the contribution of the export trade to the financing of the Plan and now the financing of the extra defence import bill in a partial degree.

Austerity Imports

AT THE time of writing, the official Press Note on the Import Policy for the current half year October 1962 — March 1963 highlights two facts. Commercial imports have been subjected to a drastic cut of 6.25 per cent. The axe comes heavily on the established importers and the overall pattern of the permissible imports raises a question of fundamental importance whether the legitimate pursuit to keep the balance of trade within minimum limits of disequilibrium will not create another wave of shortages in industry. In that situation the intractable problem of holding the price line would be put to further strains. This austere policy has been imposed as what would now appear to be a matter of convention that has come to be established practically since the middle of the Second Plan period. Progressive doses of austerity in imports have already manifested themselves in the enforced under-utilization of industrial capacity. How large the magnitudes of that under-utilization are over a wide range of industries will be quite obvious from a detailed table on this specific phenomenon which has been published elsewhere in this Annual Number. The moral of these strenuous trends is that further economies in foreign exchange outlays by cutting back imports have an extremely limited scope. This, however, does not affect the harsh practical problem that austerity has got to be resorted to when the resources position at the relevant time leaves little room to explore an alternative. This consideration underscores the new character of import policy — imports being held to the minimum that is essential.

In Table TRD-No. 1 set out alongside the course of India's foreign trade since the inception of the First Plan has been shown for ready comparison. The absolute value of imports is no doubt the correct criterion to judge how the development needs of the economy are progressing and the balance of trade provides an index of how they are being met. Throughout this entire period there has been not a single year in which our trade balance was in surplus. If the first year of the First Plan is left out of account owing to the heavy draft of food imports on foreign exchange, it would be apparent from this table that since the start of the Second Plan the trade deficit has been widening. If it was Rs. 449 crores in 1957-58, it rose still higher to Rs. 479 crores in 1960-61.

There is something positive to be said about the lower levels below these peaks at which the trade deficit has been held since the start of the Second Plan. Normally, in consonance with the targeted tempo of industrial expansion, imports should be heavy in the second half of the plan period. Actually they were held to somewhat lower levels in these two years. Between 1960-61 and 1961-62 one finds a remarkable decline of Rs. 50 crores in the import bill of the latter year. There are, of course, certain special factors, such as food imports, which could explain part of the erratic nature of these trends. But they do not affect the general conclusion that at a time when the requirements of development would necessitate higher values of imports, those value levels have been held by means of austerity curbs even on urgent maintenance imports and some development imports.

By contrast the trends in exports between 1950-60 and 1961-62 do not show a high rate of increase. This is one of the major causes which urge the necessity of putting restraints on imports — a policy which on the face of it is inconsistent with the legitimate requirements of a developing economy. Another factor which has created the strains resulting in the adherence to a policy of minimum imports is the recent fast emerging policy of most of our friendly governments to offer aid on the basis of a tie to particular projects. While, therefore, the development needs as envisaged in the Plan are assured by the flow of assistance from foreign governments, the actual requirements of maturing obligations to pay for the shipments of imports always create immediate strains. These strains explain a good part of the reason why a resort has to be taken to this policy of austerity in imports.

Table TRD- No. 6 included in this Section is of great significance. It brings out the break-up by broad categories of imports and again underlines the fact that imports are overwhelmingly related to the consolidation of industrial growth already achieved and the expansion that is taken in hand. This table divides all

TABLE TRD-NO. 1

(Rupees crores)

Period	Imports	Exports* (Incld. re-exports)	Balance of Trade
1951-52	970.8	733.0	—237.8
1952-53	701.8	577.3	—124.5
1953-54	610.2	530.6	— 79.6
1954-55	656.4	592.5	— 63.9
1955-56	678.8	596.4	— 82.4
1956-57	840.6	604.5	—236.1
1957-58	1,034.9	586.0	—448.9
1958-59	906.3	572.8	—333.5
1959-60	960.8	639.7	—321.1
1960-61	1,121.6	642.3	—479.3
1961-62	1,071.2	662.0	—409.2
1962-63 (upto Nov. 62)	683.0	451.0	—232.0

* Less Transit Trade

imports into three classes, namely, capital goods, industrial goods and consumer goods. It would be obvious that the consumer goods referred to there are the essential consumer goods. Their share has normally been below 20 per cent during the period 1958-59 and 1962-63 (April to September). But even in this class of consumer goods it is the imports of foodgrains (primarily wheat and rice) which take away the substantial share of the foreign exchange allocation.

The pattern of imports of capital goods and industrial goods shows that their shares have now come to be very nearly fixed. Capital goods get a slice of something around 15 per cent of the total imports by value and industrial goods get the lion's share of something around 65 per cent. Industrial goods include raw materials, intermediates, replacement components and equipment as well as semi-manufactures which cannot be produced in the country. It would thus be seen that maintenance of the economy and execution of the development plans at a restrained rate below what is envisaged in the Plan exhaust two-fifth of the import bill. This break-up again underlines the conclusion that imports are being maintained at the minimum level, but it would be more correct to say that they are being so maintained at the cost of leaving industrial capacity idle in varying proportions.

The composition of our import trade which has been described in detail in Table TRD-No. 5 gives the trends during 1951-52 to 1962-63 (April-September). A scrutiny of this table would conspicuously bring out the fact that particularly in the last four years, 1959-60 to 1962-63, the items of imports which have claimed sizeable shares in the import bill are iron and steel, mineral oils, chemicals, electrical machinery, power generating machinery, transport machinery and, above all, the omnibus category of "other machinery" of which details are not possible to be given within a short space but which are indispensable both for maintenance and development. These items once again emphasize the operation of the policy of austerity imports. Of course, there have been heavy imports in some years, as will be noticed from the actual figures in this table, of raw cotton, wheat and fertilizers, for instance. These imports are again absolutely essential for industry, agriculture and every-day consumption needs.

Stretching the Exports

IT WOULD be no exaggeration to state at the very outset that the task which has been thrust upon the export trade of the country literally calls for a herculean effort. This should be quite apparent from the dimensions of the problem of foreign exchange resources discussed in some detail in the introductory part of this Section. But the basic facts need restatement for emphasis. Between May 1960 when the Draft Plan was prepared and August 1961 when the final version of the Third Plan was released, a reconsideration of the foreign exchange budget of the Plan involved very vital changes. The requirements of development imports were raised by Rs. 130 crores above the original estimate in the Draft, in the case of maintenance imports they were stepped up by Rs. 150 crores, while the credit taken for invisible receipts of the order of Rs. 130 crores was found to be totally cancelled out by invisible outgoings. All told, a gap of Rs. 410 crores was created in the availability of foreign exchange.

On a liberal reconsideration of the export potential it was agreed upon between the Planning Commission and the National Development Council that exports should be maximised and on this score allowance should be made for higher earnings of Rs. 250 crores so as to raise the target of exports from Rs. 3,450 crores to Rs. 3,700 crores. This step-up of Rs. 250 crores is not claimed to be a matter of easy achievement and it has been prescribed as a target for which the country must strive. Thus there is nothing sacrosanct about this figure and variations from it (possibly downwards) need not come as the result of any unpardonable failure in export performance. Even so, a gap of Rs. 150 crores has been left unprovided. On top of this comes the first priority claims of such imports of armaments as we will need to finance out of our own resources. It would be hazardous to venture at this stage the size of this fresh liability, since the total amount of imports of armaments that would be required annually as well as the credit facilities which will be available from the United States and the Commonwealth countries via lend-lease and similar arrangements are both indeterminate factors. But this general setting of the problem of the foreign exchange budget would suffice to stress the fact that exports will need to be stretched to the utmost.

The trends in exports since the start of the First Plan and upto September 1962 have been put together in Table TRD-No. 7 in respect of all the major and certain medium export commodities. A study of these trends would serve as a guide to assess the possibilities of stretching the export trade. It is not necessary here to enter into an elaborate comparison of the statistics contained commoditywise in this table.

But the major conclusions relating to the magnitude of earnings that can be acquired by means of different export items need to be set out briefly. Whether it is the composition of the exports or the destinational direction of exports, both the aspects of this trade need a persevering and consistent effort for their development for a number of years. Then again the export markets where they have to acquire a strong foothold are subject to two major influences—the local consumer preferences and the competition from other exporting countries. It should thus be clear that expansion of exports depends as much upon the effort of exporters as upon the international factors prevailing from time to time. This situation explains why each country takes special care to safeguard and develop its conventional exports.

This strategy, however, is subject to one qualification. If the items of conventional exports begin to lose custom in the traditional markets or there is an aggressive onslaught of competition from other countries, the strategy is changed to another aspect of export trade, namely, its diversification by an increasing resort to new items of exports. The capacity for diversification depends essentially on the level of the industrialisation of the country inasmuch as the new demand that is arising in the export markets makes its impact more on new types of goods than on primary commodities, raw materials, etc. The fact must be confessed that India, which has just started laying a modern base of industry for her economy, does not possess this competitive potenial to diversify her exports within a reasonably short time and over a wide range of new manufactures now being undertaken.

These handicaps and pains of the growing economy explain the present pattern of the composition of our exports. It will be observed from Table TRD—No. 7 that jute manufactures, tea and cotton piecegoods have maintained their traditional three top positions. The first rank in respect of export earnings has changed places in different years between jute and tea, but cotton piecegoods have always come third. An important fact about these three major exports is the wide degree of

fluctuation in their earnings over the decade covered in the table.

Leather and leather manufactures are looking up and they typify an example of traditional exports expanding somewhat fast. The same position holds good about unmanufactured tobacco, but spices in which India had built a dynamic export market since the war are unable to keep their high level possibly because of the resumption of Indonesian exports. Cashew kernels typify an example where the market is being very carefully and progressively built up. In iron ore we have made sufficient progress largely because of the bilateral trade agreement with Japan. But in respect of manganese ore and mica, which used to be considered as our trump cards, there are declining trends in export earnings. The non-conventional or new items of exports are not many and they find place among engineering goods, machinery and transport equipment. Their impact on the export earnings will take time to be produced in a significant measure. But as industrial expansion proceeds ahead and we realize the need to give a separate and distinctive place to export industries in our future planning, it should be possible, say, in about eight to ten years, to raise substantially the share of manufactured goods in the total exports.

The experience of the first two years of the current Plan tends to show that the export promotion effort has not been taken up in a mood of a determined struggle. In the first year export earnings increased to Rs. 662 crores, but they were short of the target for the year by about Rs. 20 crores. On the basis of the actuals up to September in the current financial year, the apprehension is that there would be a shortfall of Rs. 30 to 40 crores in the export earnings below the target of Rs. 720 crores set for 1962-63. In Table TRD—No. 2 will be found the export performance of the different items in relation to the targets fixed for them. No targets were fixed for the first year of the Third Plan for the three ace exports, jute, tea and cotton textiles. But the other items enumerated in the table show that, while there have been some shortfalls in the commodities of lesser importance, the performance of about eight new items has been encouraging and it shows an excess over the targets prescribed for them.

One of the assumptions accepted by the planners is that a step-up in the export trade would be helped by some restraint on domestic consumption with a view to creating a larger volume of export surplus. But this assumption is dependent upon another assumption that markets exist to absorb our increasing surpluses of exports, which is not at all true in the case of most of our export items. The correct approach should be to explore and cultivate an export market first and in order to consolidate and develop that market make a call upon the people to tighten the belt and not vice versa. The planners again state that if the domestic market offers lucuraive profits, the temptation to sell at home ought to be countered by raising the profitability of exports. In the first place, it should be remembered that since it is the basic policy in our planning since the Second Plan to expand the base of the heavy sector of industry, there is a pressure on most of the goods in the domestic market, heightened by a higher purchasing power. This has created a seller's market and domestic profits are bound to range at high levels.

The profitability of exports, in the first place, has been cut down by us because of our high cost of produc-

TABLE TRD—No. 2

EXPORT PERFORMANCE IN 1961 - 62

(Targets & Achievements)

(Rs. lakhs)

Item	1961 - 62 Target	1961 - 62 Actuals	1961 - 62 Excess or shortfall	1962 - 63 (Target)
1. Tea	..	122,40.00	..	140,00.00
2. Cotton Textiles	..	48,23.00	..	61,00.00
3. Jute Manufactures	..	144,79.00	..	150,00.00
4. Medicinal & Pharmaceutical Products	120.00	98.80	—21.20	130.00
5. Paints & Related Items	30.00	29.42	— 0.58	40.00
6. Soaps & Toilets	45.00	42.53	— 2.47	45.00
7. Glass & Ceramics	28.00	59.62	+31.62	40.00
8. Organic and Inorganic Chemicals	42.00	65.37	+23.37	N.A.
9. Crude & Processed Fertilisers	33.00	22.27	—10.73	395.00
10. Rubber Footwear	46.00	51.04	+ 5.04	N.A.
11. Tyres	18.00	22.18	+ 4.18	20.00
12. Essential Oils	400.00	451.07	+51.07	N.A.
13. Sandalwood Oil	160.00	193.21	+33.21	N.A.
14. Lemongrass Oil	150.00	236.03	+86.03	N.A.
15. Other Essential Oils	90.00	21.83	—68.17	N.A.
16. Iron Ore (Excluding Goa)	..	17,45.00	..	21,00.00
17. Manganese Ore	..	945.00	..	12,00.00
TOTAL EXPORTS (Including Others)	68,000.00	66,199.00	—18,01.00	700,00-720,00

tion, and secondly, the level of that profitability is not a matter within our exclusive control. The correct approach should be to provide incentives to the export trade and all facilities and even subsidies in certain cases to take to the more arduous course of establishing regular export markets. Productivity has been very badly neglected in our industrial production and there can be little doubt that the Muranjan Committee, which has been recently set up to investigate the problem of the cost structure of export industries and to make appropriate recommendations to bring it down, will lay accent on this neglected problem of productivity. How far different aids, incentives and encouragements really need to be given to the export trade has been thoroughly discussed by quite a number of enquiry committees and Government on its own part has not been lagging in providing some of them.

But what is essentially required in the promotion of exports is a courageous display of what the Ramaswami Mudaliar Committee has stressed as the crusading spirit. Challenges to the export trade have been posed to all the countries in the post-war period and since the emergence of regional economic integration as evidenced by the EEC, these challenges have been felt even by the industrially advanced countries like the UK and the USA. The problem posed for the UK is one of changing the whole structure of its export industries in order to reorientate it for the manufacture of sophisticated goods in which alone there lies the hope of the progress of her exports. Even in the USA opinion is now veering round to the dismantling of the tariff walls, although this strategy would involve great stresses and strains in the period of transition. India's problems of exports are far more acute than those of these economically advanced countries, but, if those problems are to be successfully met, a determined effort must be made to adopt aggressive marketing techniques which may involve sacrifices and burdens at home. In the last resort, if development finance is not adequately raised by exports, the inevitable consequence would be a slowing down of the pace of development.

Shifts in Direction

THE FOREGOING discussion of our foreign trade since we entered upon the momentous phase of planned development of our economy makes it vividly clear that we have to make a strenuous effort to keep the disequilibrium in our import-export trade within as narrow limits as possible. In a developing phase this objective cannot be easily achieved by pushing up exports and in consequence import policy has to assume an austere character. Both the sides of the balance bear a profound imprint of development programmes on the trade flows. While, therefore, imports are sought to be kept within strictly reasonable limits of development and maintenance needs and the needs of essential consumer goods, exports, in the absence of rapid diversification, leave a modest scope for manipulation and enlargement

The trends in the direction of India's foreign trade during the period 1951-52 to 1962-63 (April-September) have been shown in detail in Table TRD—No. 8 in this Section. At the outset one important observation needs to be made about our efforts and the success they have achieved in consolidating our export markets or expanding them in the neighbouring countries of South-East Asia, the Middle East and Africa. It cannot be

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said from the evidence of the statistics in this table that we have gained any mentionable success in the Asian markets. The decline in our export trade with Pakistan is largely to be explained in political terms, but the figures show that even after 1955-56 (which was a normal year unlike the abnormal year of 1951-52 in respect of the import trade) our imports from Pakistan have remained at a much higher level than our exports. This is clearly reflected in our trade deficit with that country in a majority of the years during the period. With Burma we are steadily losing ground in so far as exports are concerned. Even if years of heavy rice imports are left out of account as in 1958-59, we import in larger amounts than we export to that country. With Singapore we continue to have an adverse trade balance, but the decline in exports has been more marked than that in imports. Another case to be cited from South-East Asia is that of Ceylon. With the exception of one year, 1959-60, we continue to maintain a surplus trade position with this island. But the more important aspect of this trade is the marked decline in the last two years in our exports. Indonesia comes in a somewhat similar category.

But the countries of the Middle-East and Africa are emerging as our stabilized markets for exports as well as sources of imports, particularly of essential commodities like raw cotton. If our imports from the Sudan and Egypt are relatively stable or rising in certain years, that is largely due to our offtake of long-staple cotton from these two countries. But it is a gratifying feature that our exports to these two countries show a steadily rising trend. Tanganyika and Ethiopia are other two instances where we are stabilizing our exports; but in Kenya, to whose economic development the Indian community has contributed a good deal over the years, we are progressively losing ground in exports. Imports from Kenya, though declining, are ranging at higher levels. In the aggregate of our external trade by value, the share of these three neighbouring regions is quite modest. With Afro-Asian economic co-operation, there should be room for expanding it on a basis of reciprocity.

But the most dominant feature highlighted by the direction of our trade is the significant shifts in the direction of our external trade. During the post-war period its geographical pattern has continuously gone on changing and the UK does not enjoy the position of being our premier trading partner that it was before the war. These shifts are quite easy to explain and they were but inevitbale. The pressures of development imports and maintenance imports for the expanded economy have made it incumbent upon us that our development programmes and the strategy of procuring financial resources for them should produce a decisive and substantial influence on the direction of our trade. Similarly, it follows as a logical sequence that our exports should be directed to those destinations wherefrom we import for development.

Table TRD — No. 3 set below brings out the conspicuous shifts in the direction of our trade. Normally the comparison ought to have been made between the first year of the First Plan and the first year of the Third Plan. But such a basis would be more misleading than it would appear logical. In the First Plan, there was, in fact, no scientific integration of the expansion programmes or a centrally determined scheme of the development of the different sectors of the economy. That Plan was more or less a string of schemes most of which were already formulated before its conception and on which either blueprints were ready or financial commitments were already made. Furthermore, industry had a modest place in this Plan. The correct basis would be 1955-56, that is, the last year of the First Plan, and the following years upto 1961-62 for the obvious reason that industry was then given a deliberate and pronounced bias in the allocation of financial resources as well as of physical targets. Once we embarked upon the phase of the accelerated growth of our industrial sector it became necessary to import high cost capital goods and equipment as well as industrial materials in large quantities. The direction of the trade, therefore, could not but be decisively influenced by the countries supplying our developmental imports. Already the bulk of our exports went to the industrialized countries, in particular, the UK.

TABLE TRD — No. 3

SHIFTS IN DIRECTION OF TRADE

(Percentages)

Country	Imports		Exports	
	1955-56	1961-62	1955-56	1961-62
1. U.S.A. ..	13.15	21.80	14.61	17.64
2. E.E.C. ..	17.51	16.98	9.40	7.88
of which: Germany, West ..	8.88	11.04	2.50	3.12
3. U.K. ..	25.44	18.16	27.86	24.34
4. Eastern Europe	1.56	6.89	0.85	8.69
of which: U.S.S.R.	0.91	3.30	0.55	4.85
5. Japan ..	4.92	5.47	5.07	6.09
6. Australia ..	1.98	2.12	4.16	2.42
7. Canada ..	1.01	1.55	2.35	2.63

There is another vital reason which explains why the shifts in the destination of our external trade took place in the manner they did. All the seven regions or countries included in this table are also our suppliers of credits for financing the Five-Year Plans. Since the start of the Second Plan, but more particularly in the recent past, external aid is based very largely on the principle of a tie-up with specific projects. In simple terms it meant that we had to import at least our development goods from the countries supplying us credits for particular projects. Then in the case of the East-European countries the emergence of the rupee payment facility for imports gave a positive mould to the direction of our trade. In a situation of foreign exchange tightness, this facility came in handy for us and we imported from these countries primarily because of the medium of payment. But here there was a corresponding and equally important change in the direction of our exports. The rupee balances accumulated by these countries were used for purchasing goods in our country for shipments at home. Thus it was that for the rupee imports there was the counterpart of rupee exports, although not in a precisely balancing manner. But both the components of the trade showed an increase in the direction of these countries.

In interpreting Table TRD — No. 3, one important consideration ought to be kept in view. This table shows the percentage shares of imports and exports. But in terms of absolute value our imports have risen to very high levels, while exports have achieved only a modest rise. It is, therefore, the import side of this picture which is important and which creates all the problems of trade deficit and, therefore, of the payments deficit.

The USA has now emerged as our premier partner in trade. Its share in our imports has jumped from

13.15 per cent in 1955-56 to 21.80 per cent in 1961-62. The percentage share of the EEC shows a marginal decline in 1961-62 and the share of the UK shows a steep fall. In the EEC region, West Germany has improved her position as our supplier of imports as will be seen from her bulk share of 11.40 per cent out of our total imports of 16.98 per cent from the EEC. Very nearly the same position obtains in the case of the share of the USSR in our total imports from Eastern Europe. Japan and Australia have recorded sizeable improvements as our suppliers of developmental goods and Canada, despite her nebulous trade tie with us in the pre-war period, has also become a valuable partner.

The export side of the picture reveals the inflexibility of our trade except in the case of Eastern Europe for reasons which are elaborated above. Our exports to the USA improved by 3.3 per cent in 1961-62, but the source of the greatest worry is the decline in the share of our exports to the EEC in our total exports from 9.40 per cent to 7.88 per cent. In the case of West Germany, there is some improvement, but since most of the EEC Six constitute our vital providers of credit, the declining exports in terms of percentages are producing greater strains in our balance of trade with this region.

While our needs of planned development are being progressively met, as indicated by the shifts in the direction of our import trade, the problem of discharging our obligations of credits from the supplying countries has posed another and pressing challenge to our exports. It is true that the competitive efficiency of our exports does not match that of some other exporting countries trading with these regions. But if aid is being extended on the basic and long-term principle of sharing prosperity and assisting economically backward countries to rise, a corresponding principle also should be translated into practice. So far it is being approved as a matter of enlightened mutual interest. That principle is that aid ought to be followed by trade in the case of the underdeveloped countries. Unless, therefore, a deliberate policy is adopted by the credit-supplying countries to encourage the exports of the credit-receiving countries like India, the strains on the balance of payments of these countries will reach a point of intolerance. It is primarily the function of the developing countries to resist the emergence of this saturation point, but they can succeed in their efforts only with a liberal policy of trade to be adopted by the aid-giving countries.

E.C.M., Britain and India

By Neil McInnes

THE prospect of Britain joining the European Common Market has awakened anxiety in India, as in various other overseas Commonwealth countries — and, for that matter, in developing countries outside the Commonwealth, as in Latin America. It is feared that the re-organisation of traditional trade patterns must endanger the export earnings of countries like India, and hence their ability to finance their development. These apprehensions are usually met with two general arguments. Firstly, it is pointed out that there are no "traditional" trade patterns, in the sense of static channels that do not vary from decade to decade. Change is constant, and where it undermines old arrangements, it simultaneously creates new opportunities. The existing pattern of Commonwealth trade was evolving fast, even when Britain had no intention of joining the Six; her entry into the Common Market will constitute one big, abrupt change that concentrates inconveniences into a short space of time but also concentrates opportunities. On this view, Indian exporters who fear the consequences of loss of old facilities are being unenterprising, when they should be looking for the new trade openings that European unity will create. They are being asked to sacrifice something that could not last anyhow, and offered in return a new dispensation that contains challenges to their trading ability and to innovation.

The assertion that the new arrangement will, on balance, be less advantageous to India than the old is met with the second general argument, to which we will turn shortly. Before that, however, it is necessary to note that this argument that Indian trade tomorrow, as yesterday, will depend on what Indian traders make of it contains very cold comfort but also a large grain of truth. Whatever new arrangements emerge, be they unexpectedly favourable or apparently disastrous, markets are not to be regarded passively as something created by tariffs, but actively as something created by trading ability, by business acumen and by enterprise. It has been shown repeatedly (the latest demonstration was British trade success in the Common Market in 1959-62) that when business men are galvanised into aggressive market activity by a deeply resented "tariff discrimination", they have found that new customers could be won on the other side of a higher customs-duty barrier.

One must not exaggerate this point. It would be the merest hypocrisy to pretend that India's future export earnings depend entirely on her traders' efforts regardless of tariff obstacles. If customs unions did not discriminate against outsiders to some extent, then people would never bother to form them. Yet no discussion of India's likely trade position in the coming decade would be complete if it omitted emphatic reference to the vital need of more aggressive overseas marketing, far beyond anything that has been attempted to date, and especially in Continental West Europe. India's trade effort, or rather lack of it, in the Latin and Germanic countries of Europe is frankly deplorable. If the shock resulting from loss of the "safe" British market (which in reality was being eroded insensibly and yet was scarcely less neglected by Indian traders) produces more aggressive trade policies covering Europe as a whole, it will be a great good. The point is that the tariff obstacles set up by a new customs union are never as bad as they look at first, especially when (as is the case in the Common Market) the common external tariff of the new unit is low, in absolute terms. At all events, tariffs are only one—and by no means the most important—limitation on trade. If, in spite of really vigorous selling efforts in Europe, it appeared that India's exports were encountering insurmountable barriers, it is sure that the reason would not be tariffs but technological changes leading to the substitution of man-made products for natural materials. The progress of synthetics is certain, and so far is to India's disadvantage, but that has nothing to do with the formation of European trade groupings.

The second general argument used against Indian anxieties is that the enlargement of the Common Market to cover Britain and a few other countries will stimulate an advance of industrial activity and a rise in living standards in all Europe that must be reflected in bigger demand for Indian goods. Indeed, this answer is given to all non-members of the Common Market. It is economically sound. The volume of effective demand depends both on the price of the goods demanded and on the purchasing power of the demanders. If membership of a trade zone, protected on the outside by a tariff wall, makes goods from within that zone cheaper than goods from outside, it is also true that a rise in incomes in that zone can cancel out this negative effect on goods from outside. Supposing that incomes inside the zone rise by 1 per cent annually for ten years, then the effect of a 10 per cent tariff duty is cancelled out. Now in fact demand is more elastic in relation to rising incomes than in relation to rising prices. That is, the relative dearness of goods from outside (due to tariff discrimination) is very quickly counterbalanced by increased spending power. This argument is accepted in the main by North American manufacturers, who realise that they will do more business with a protected but more prosperous West Europe. It is not accepted by North American farmers, because demand for food is inelastic, i.e., will not increase much no matter how much richer the Europeans get.

This argument is extremely general, in fact abstract. One culd not apply it to specific Indian goods until one knew something about the elasticity of demand for them in relation both to higher relative prices and rising incomes. But before accepting it even as a general proposition Indians would be entitled to ask why Britain was not convinced by it. If rising standards on the Continent were sure to generate greater demand for goods from outside, despite tariff discrimination, Britain would naturally have been the first to gain, as the nearest major industrial power. Yet Britain refused to rely on that prospect and sought to get inside the Common Market. So why should remote India be satisfied with the vague general proposition that economic expansion in the Common Market will maintain, or even expand, demand for her goods despite the details of tariff arrangements?

The only answer to that is that, in so far as Britain was thinking merely of the volume of her trade across the channel, the decision to enter the Common Market was unnecessary — as about half the Britain people still believe at this moment. Staying outside the Common Market, Britain was assured of doing immensely more trade with the Continent in the years to come, in spite of the fact that the common external tariff would discriminate against her goods as compared with German, French or Italian goods offered for sale on the Continent. Indeed as an exporter of certain goods that are extremely sensitive to rises in living standards (superior grade cloth, whiskey, sports and luxury cars) and as a provider of capital equipment, Britain could consider the trade prospects with the Common Market as excellent; she had in fact already begun to benefit in these ways after 1958, incipient tariff discrimination notwithstanding. So Britain's application for admission to the Common Market does not show disbelief in the argument that economic expansion on the Continent will benefit outside traders.

It was simply that Britain had the opportunity (not available to non-European countries) of actually getting inside the Common Market, whereupon her trade would increase even more — for it is not denied that internal Common Market commerce is expanding faster than the region's rising foreign trade. Yet that consideration was not decisive either. Considered as a purely commercial question, it is not yet proven that Britain did the right thing in seeking admission to the Common Market. Her gains will have to be counterbalanced with serious sacrifices, for example in regard to agriculture, and at the present moment those sacrifices seem so immense that Britain's decision was not primarily commercial but political. Her international status was threatened by the rise of a European political union from which she would be excluded. And even if her trade with that union increased mightily, the concentration of Continental industries into firms of American size would jeopardise Britain's exports to countries outside Europe, notably in the case of capital equipment. On the contrary, by participating in that process of concentration, British industry will receive a much needed technological stimulus.

Thus, after disposing of that objection based on the British decision, we are left with the argument that the Common Market's expansion will stimulate its imports from countries like India. And now that argument is much stronger, for the unit in question is no longer just the Six but the Six plus Britain. They together constitute a unit of unequalled economic potential and — more important from our present point of view — a unit that depends on imports much more than the USA, the only other comparable economic power. Without launching into calculations about the likely increase in the imports of the enlarged Common Market (and such calculations have been attempted by the OECD), I think it is obvious that the prospects for Indian exports in this vast expanding market are so considerable as to outweigh the loss of preferences in the British market alone. In particular, the value of trade concessions made by this large unit (for example, duty-free entry for tea) is immense when one remembers that living standards within it are to rise to present American levels within a few decades.

Rather than labour that familiar point, I would draw attention to something that is usually overlooked in this discussion. It is this: the increase in imports that is bound to be caused by higher living standards and more intense business activity in the rich countries of West Europe (Britain, France, Germany and Benelux), is actually smaller than the increase that must follow the spectacular economic progress of the poorer European countries: South Italy, Spain, Greece, Portugal, Ireland. This progress is directly related to the Common Market (in the case of South Italy and Greece) and to Britain's admission to that association (for Ireland and the Iberian countries followed Britain's lead). Altogether, these regions contain about 70 million people, who, thanks to the Common Market, have entered on a revolutionary phase of their economic development. Because of the familiar fact that there is a higher import-content in an increase from very low to moderate living standards, than there is in an increase from rich to very rich living standards, the development of these peripheral regions of Europe is of prime importance to overseas countries. Instead of musing on the consequences for foreign trade of the fact that rich Europeans will soon enjoy American standards, one might reflect on the consequences of the fact that 70 million poor Europeans will soon enjoy standards now taken for granted in Britain and France. This has an evident commercial corollary: the peripheral regions of Europe, be they members or associates of the Common Market, will be a market to watch, or rather explore, in the years immediately ahead.

Up to this point, the drift of the discussion might seem to be optimistic: there are trade advantages in the enlargement of the Common Market that did not exist in the combination of a six-power Common Market and Commonwealth preference. But we started out talking about the need of export earnings to finance Indian development. Now, in that context, I think that any discussion of India's trade prospects must lead to pessimistic conclusions. In other words, I do not believe that any trade arrangements that we can conceive at present will guarantee that India will earn enough from her exports to finance her development at the pace desired. Britain might stay out of the

Common Market and continue, even intensify, preference for Indian exports; or she might join the Common Market and touch off an economic expansion in Europe that will greatly stimulate demand for Indian exports — but in neither case will the volume of Indian export earnings suffice to finance industrial development.

The most favourable trade and tariff arrangements imaginable will still leave India with an unmanageable trade deficit. It does not follow from this that foreign trade is of marginal importance, since it will not by itself solve the whole problem. There are excellent reasons for trying to keep the deficit as small as possible, and there are dozens of sound reasons for promoting Indian industries that are good enough to be able to export some part of their product, even if they cannot make the nation economically independent, in the sense of balancing her trade. It is necessary to get the best trade terms possible; it is vital to promote exports and seek new markets; it is even more important to control prices and modernise production in such a manner that Indian goods are competitive with foreign whether they are sold outside the country or within. But some Indian politicians have been connecting the Common Market debate with India's development in a way that suggests that there exists some trade dispensation that would enable India to balance her trade and payments during the development phase. It is better to be clear on the fact that, on present indications, there exists no such trade dispensation. No manipulation of tariffs and preference within the present world trade pattern is going to enable India to balance her trade. For that balance to be achieved, there will be required nothing short of a revolution in the international trade nexus. The question then would be whether Britain's admission to the Common Market is a step toward that complete re-thinking of trade between the industrialised and developing nations.

That an increase in Western imports (even on the optimistic assumption made above) will not serve to balance India's trade can be seen in trade forecasts made by the Economic Commission for Europe; we can extend the argument to all the developing countries while we are about it, because it is world trade and not just Indo-Western trade that is in question. The pace at which developing countries would have to boost their export earnings in order to achieve trade balance while raising per capita revenues by three per cent annually may be read off from the table below (India belongs with the ECAFE group of developing nations).

If the developing nations are to increase their per capita revenues by three per cent yearly, their combined net national product will grow from $132,000 million in 1958 to $416,000 million in 1980, taking account of the concomitant rise in populations. Now, every one per cent increase in net national product entails an increase of 0.85 per cent in import needs, because development requires imports of capital equipment and even of some consumer goods and food. It follows that the combined import bill would rise from $22,500 million to $60,000 million. To pay for those imports, these nations have their exports and their capital imports. Take the latter first. They amounted to $3,500 million yearly in 1958-60. (In this discussion as in the right-hand columns of the table, we leave out of account the oil-producing nations: the Middle East, Venezuela, Sarawak and the Dutch West Indies, for their foreign trade and capital imports are quite exceptional.) If we are optimistic, we can assume that capital imports will continue to grow in phase with rising import of merchandise. That is an optimistic assumption because, naturally, we are talking about net capital imports; so gross capital imports will have to rise much faster in order to finance the servicing of external long-term debt, which is rapidly becoming onerous. Given this, we may forecast that capital imports could grow from $3,500 million in 1958-60 to $9,300 million in 1980.

We have now to subtract from the cost of imports c.i.f. this figure for capital imports, to get the value of

TABLE TRD—4

IMPORTS AND EXPORTS OF DEVELOPING NATIONS IN 1980

(In thousand millions of dollars)

	Latin America		Middle East		Africa		ECAFE Asia 1		Total 2	
	Now	1980	Now	1980	Now	1980	Now	1980	Now	1980
Population (millions)	190	340	50	85	230	335	730	1170	1145	1830
National Income	55	185	8	28	27	80	55	170	132	416
Imports c.i.f.	10.5	30.5	2.7	8.0	7.4	18.8	8.7	22.6	22.5	60
Capital Imports	..	..	..	..	..	..	..	..	3.5	9.3
Exports f.o.b.	9.8	28.0	3.8	11.3	5.7	14.5	6.9	17.9	19	50.7

1. Excluding Japan.

2. Excluding the oil-producing nations.

"Now" means the year 1958 as regards population and national income; it means the average of 1957-59 as regards the trade and payments figures.

Source: "L'etude sur la situation economique en Europe", Geneva, 1961.

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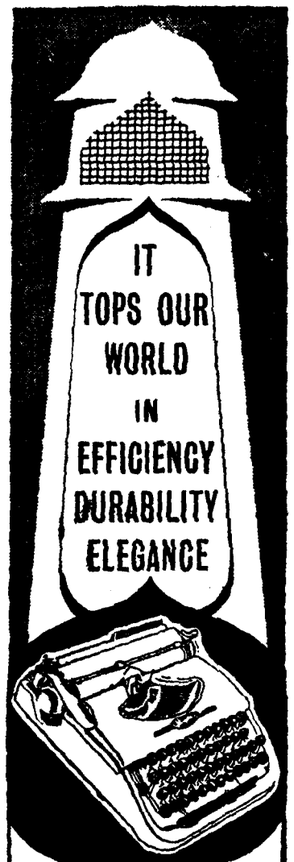
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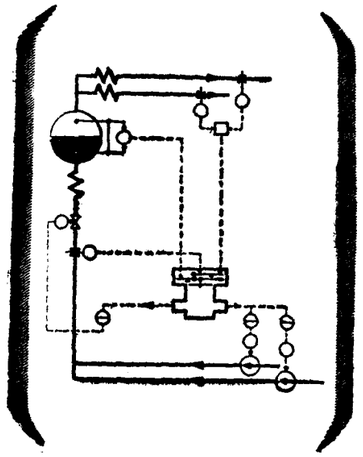
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exports f.o.b. required to balance the account. In 1958-59 we know that this was $19,000 million for the group of developing countries considered. *In 1980 it will have to be $50,700 million.* In twenty years, then, the developing countries will have to increase their exports by 250 per cent. The ECAFE countries (excluding Japan) will have to boost their exports from $6,900 million to $17,900 million in that same period, or by rather more than 250 per cent. Perhaps these percentage figures mean little to some readers, so I should point out that there is nothing improbable about them; various nations have doubled their exports, or better, within a generation — France is a recent example. Theoretically, there is no impossibility in multiplying exports by two and a half in twenty years, but our problem is whether this is conceivable for developing countries like India in their present circumstances, and given the goods that now make up their export catalogue. More specifically, we are asking whether the tariff changes consequent on Britain's joining the Common Market would affect the issue noticeably.

It seems we have to answer 'No' both times. Of the $19,000 million worth of exports shipped by these developing countries in each year from 1957 to 1959, on average, $12,000 million were bought by West Europe, the USA and Japan. Prospective studies have been made of the likely evolution of demand in those industrialised countries for the goods concerned, and they suggest that between now and 1980 that demand will rise by only 70 per cent. Instead of selling $12,000 million worth of goods in those markets, the developing countries in question could hope to sell $20,000 million. Highly favourable tariff arrangements and spectacular economic expansion in the enlarged Common Market might raise that latter figure somewhat — but, on the most sanguine hypothesis, it would still fall far short of the $50,000 million target for exports. At this point, one thinks of the potential market constituted by Soviet Russia and her allies. It is indeed promising, but it is easy to see its limits: one just has to assume that consumption of "tropical goods" and "colonial produce" in the Soviet world rises to the same per capita level as in the West — whereupon new export markets worth several thousand million dollars would have been won by the developing countries. But one would still be well short of the export target we have calculated from the import content of development.

The conclusion is that in the existing structure of world trade, however modified by changes in tariffs and preferences such as are being discussed by Britain and the Six in Brussels, it will be impossible for countries like India to come anywhere near financing their development out of their export earnings. What implications this has for the problem of development as a whole is a large question that lies outside our scope, which is limited to India's trade with the West. We do not have to conclude that the Brussels negotiations are of no interest, on the grounds that trade prospects are poor no matter what is decided there. We are forced to the conclusion, rather, that the existing pattern of world trade is incompatible with development in countries such as India, and then we are led to ask whether British membership of the Common Market might produce new thinking about that pattern.

Here, we do not have to speculate, because the facts are plain even before Britain's admission is negotiated. The American Government has proposed, exactly because the Common Market is being enlarged and is growing rapidly, an ambitious plan of tariff disarmament which would lead to abolition of customs duties on various present (and other future) exports from India to the West, and the halving of duties on many others. At the same time, the French Government has proposed, exactly, because Britain is seeking entry into the Common Market, a scheme for the reorganisation of world markets in foodstuffs, which could have similarly welcome results for India. I do not want to suggest that either or both of these schemes are certain to be adopted, nor that if they were they would resolve the trade dilemma outlined above. But they both surely constitute imaginative efforts to revolutionise a pattern of world trade that is obviously unfavourable to the developing countries. Both those schemes were put up when Britain sought to enter the Common Market, and their implementation is dependent on her actually being admitted. This is so because the enlargement of the Common Market to cover Britain and sundry smaller West European nations would simplify one side of the world's trade problems enormously: there would be two Western authorities, in Washington and Brussels, capable of collaborating on tasks that become manageable then, in a way they would never be, when the West is fragmented into unco-ordinated and often rival centres of decision. The forthcoming admission of Japan to the Organisation for Economic Co-operation and Development would complete this unity, by bringing together in the one committee virtually all the world's non-Communist industrial powers.

Whatever we think of this prospect, it is surely in that perspective that we should set Britain's admission to the Common Market, instead of considering it in parochial terms — as when we deplore the loss of Commonwealth preference. Mr. Kennedy's Grand Design and the Baumgartner-Pisani Plan for foodstuffs may be taken as foretastes of the sort of new thinking about world trade that will become possible when West Europe has some measure of economic unity and continues collaboration with the U.S.A. There are other matters that could then be taken up: fluctuations of commodity prices, for example, and the opening up of Western markets to the manufactures of developing countries. It is not promised that on such issues the enlarged Common Market will necessarily take a progressive attitude, or even reach unanimity; but the point is that such matters cannot even be usefully discussed until Britain is inside the Common Market and is working towards a common commercial policy for all West Europe. The same applies to a co-ordination and significant increase in the volume of development assistance — "significant" meaning that it be carried to the point where it really hurts Westerners and entails noticeable sacrifices. In all such affairs, British membership of the Common Market is an essential first step. European commercial and monetary rivalries are an obstacles to any rational approach to trade with and aid for the developing nations.

To suggest that European trade groupings might have welcome effects on India's development is not by any means to imply that they are of decisive importance. (It is the pessimists who imply that, when they say that loss of Commonwealth trade channels will be a disaster). Nothing is less true than that India's progress depends on the greater or less goodwill of the industrialised democracies. The key to Indian development is not in the West but in India. The trade and payments balance is just one of the possible points of breakdown, among many others no less vital; it is a particularly interesting point because there will be reflected the failures and successes in many of those other sectors of activity. You watch a sensitive reflector of that kind in order to know when things have gone wrong, but you do not set them right again by acting on the reflector.

TABLE TRD No. 7

INDIA'S MAJOR EXPORTS : 1951 - 52 — 1962 - 63

(Rs. Lakhs)

Commodity	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1958-59	1959-60	1960-61	1961-62	1962-63 (April-Sept.)
Tea	93,94	80,88	1,02,19	1,48,25	1,09,64	1,45,15	1,29,69	1,29,50	1,23,59	1,22,40	55,43
Coffee	55	1,39	1,46	7,65	1,50	6,69	7,89	6,33	7,22	9,01	3,90
Spices	30,73	21,23	16,87	11,60	10,60	9,01	8,01	14,46	16,61	17,57	6,16
Cashew kernels	9,05	12,98	10,99	10,70	12,92	14,54	15,85	16,05	18,91	18,17	9,29
Vegetable oils	23,61	26,54	4,89	20,02	34,35	15,59	6,37	14,81	8,54	5,83	5,24
Hides and skins undressed	8,52	5,69 z	6,09	7,20	6,59	6,03	8,14	11,23	9,46	8,25	4,87
Gums, Resin & Lac	16,27	8,11	7,49	11,50	13,00	11,12	7,02	8,22	8,61	6,64	3,55
Cotton Raw and Waste	21,03	28,97	19,28	20,24	39,38	20,50	22,62	14,49	11,56	20,37	9,22
Tobacco unmanufactured	16,14	13,03	11,02	11,76	10,65	12,49	14,68	13,53	14,61	14,04	12,19
Mica	13,21	9,01	8,00	6,72	8,37	9,09	9,57	10,01	10,15	9,66	5,50
Iron ore and concentrates	1,00	3,70	5,82	4,21	6,27	9,31	9,65	14,59	17,03	17,45	8,24
Manganese ore and concentrates	15,69	21,76	24,27	12,93	10,72	16,04	13,64	11,99	14,06	13,42	4,14
Iron and steel scrap	70	10,21	4,67	1,70	2,68	3,99	1,63*	4,99	5,50	6,20	84
Leather and leather manufactures	25,85	20,58	25,48	20,97	22,97	21,28	18,93	30,66	24,97	25,46	11,22
Cotton piecegoods	51,67	62,22	63,77	63,31	56,63	63,13	45,48	64,27	57,55	48,40	21,80
Jute manufactures	2,69,94	1,29,39	1,13,92	1,23,80	1,18,25	1,19,21	1,01,82	1,09,87	1,35,13	1,44,79	76,11
Woollen carpets and rugs	5,88	2,80	3,69	3,87	3,97	4,10	4,52	4,92	4,79	4,28	2,01
Machinery	1,24	1,70	1,41	1,00	1,16	1,25	1,52	2,30	3,00	3,43	1,70
Transport equipment	32	45	95	23	33	47	15	40	69	50	32
Total Exports (including others)	7,32,95	5,77,31	5,30,63	5,92,48	5,96,39	6,04,46	5,72,76	6,39,65	6,42,32	6,61,99	3,25,87

*Relates to calendar year.

TABLE TRD No. 6

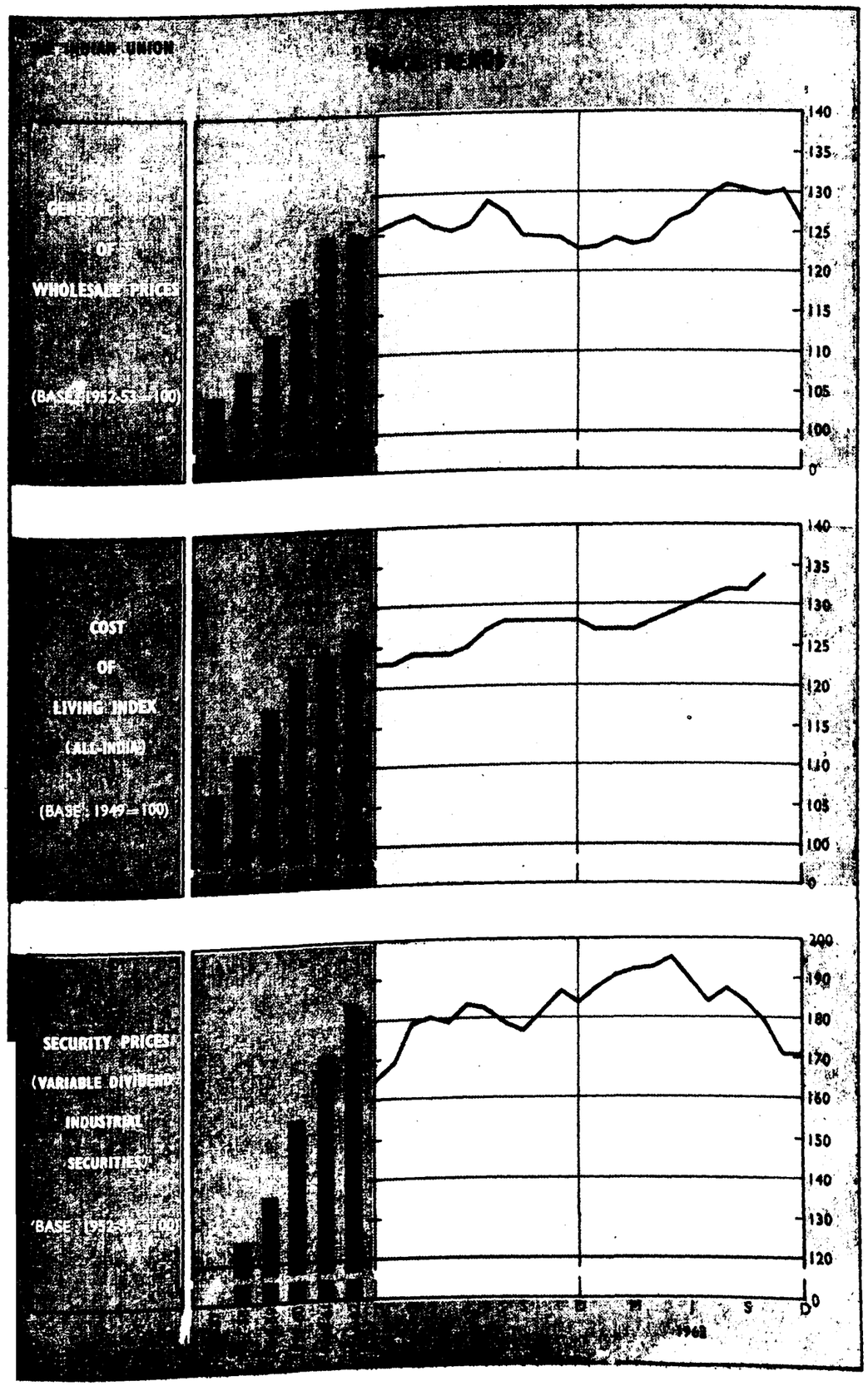
THE BREAK-UP OF IMPORTS

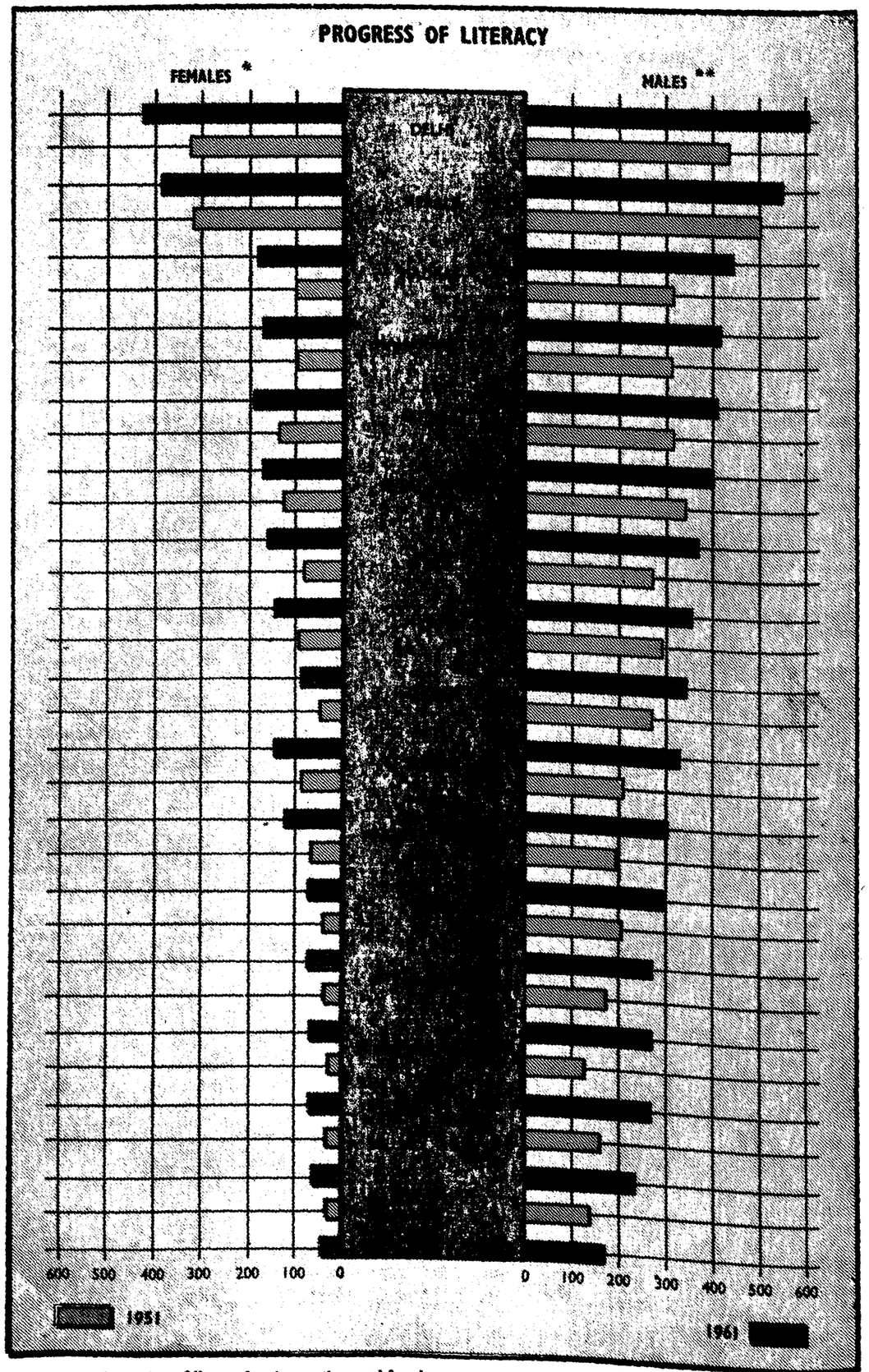
(Value in crores of Rs.)

Items	1958-59		1959-60		1960-61		1961-62		1962-63 (Apr.-Sept.)	
	Val.	%	Val.	%	Val.	%	Val.	%	Val.	%
1. Capital Goods	124.64	14.62	126.26	13.52	153.24	13.91	165.29	15.74	74.51	14.30
2. Industrial Goods	477.21	55.99	578.46	61.93	681.13	61.84	686.96	65.42	343.89	66.00
3. **Consumer Goods**										
(i) Food Grains (wheat and rice)	156.18	18.33	146.12	15.64	175.64	15.95	106.52	10.15	55.95	10.74
(ii) Others	94.26	11.06	83.26	8.91	91.38	8.30	91.34	8.69	46.66	8.96
Total of (3)	250.44	29.39	229.38	24.55	267.02	24.25	197.86	18.84	102.61	19.70
Total Imports	**852.29**	**100.00**	**934.10**	**100.00**	**1101.39**	**100.00**	**1050.11**	**100.00**	**521.01**	**100.00**

(1) The latest import figures for the years 1958-59, 1959-60, 1960-61 and 1961-62 are Rs. 906.31 crores, Rs. 960.77 crores, Rs. 1121.62 crores and Rs. 1071.17 crores respectively, the detailed break-up of which is not available.

(2) Figures for 1961-62 are provisional and subject to revision.





* Number of literate females per thousand females.

UNDER SECRETARY TO GOVT. OF INDIA
22 JAN 1963
PUBLIC DEPARTMENT

TABLE TRD NO. 5

INDIA'S PRINCIPAL IMPORTS: 1951-52 — 1962-63

(Rs. Lakhs)

Commodity	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1958-59	1959-60	1960-61	1961-62	1962-63 (April-Sept.)
Intermediate Goods											
Non-ferrous metals	21,02	1938	14,54	26,15	25,55	40,32	32,05	38,81	47,31	49,24	29,74
Iron and steel ..	23,41	23,92	23,61	30,90	66,88	1,38,16	92,37	84,29	1,22,54	1,01,98	38,54
Mineral oils* ..	70,92	76,92	84,92	82,35	54,86	75,05	71,58	86,84	69,52	95,85	41,93
Chemical elements and compounds ..	20,10	12,75	12,71	17,93	21,26	26,23	30,89	44,36	39,34	35,12	20,13
Cotton raw	1,38,99	76,67	52,75	58,45	57,33	51,49	28,29	41,23	81,74	62,65	36,79
Jute raw	67,07	16,48	14,32	13,00	19,32	8,65	2,65	3,42	7,64	6,27	1,16
Dyeing, tanning and colouring materials	19,30	10,42	18,87	19,28	17,64	16,08	9,10	10,01	12,91	14,47	95
Paper & paperboards and manufactures thereof	14,49	11,75	11,58	12,69	15,31	13,85	8,00	11,23	12,10	15,70	5,54
(a) Newsprint ..	5,72	5,02	5,29	6,31	6,66	5,36	5,15	6,55	5,95	9,71	3,16
Tobacco unmanufactured	1,85	1,67	62	1,01	1,29	1,11	1,66	73	23	1,07	36
Fertilisers (crude & manufactured) ..	6,34	2,03	3,41	1,79	2,24	4,70	11,03	18,70	12,13	14,64	12,12
Consumer goods											
Fruits, nuts & vegetables	19,69	17,34	16,84	16,46	19,03	19,46	17,51	17,69	20,38	14,58	6,29
Rice	38,19	43,05	13,31	54,98	4,70	5,70	40,80	16,34	22,44	15,04	16,03
Wheat	1,52,03	81,93	38,36	13,06	12,08	1,36	1,15,38	1,29,79	1,53,20	77,55	39,92
Spices	8,36	4,25	5,64	4,29	6,34	7,31	3,22	2,35	1,83	1,67	82
Medicinal and pharmaceutical products	16,61	12,34	13,26	14,24	15,93	16,52	9,28	9,71	10,50	11,17	4,85
Vegetable oils ..	6,18	3,68	6,63	5,87	6,56	5,22	3,33	4,13	3,66	5,29	2,29
Capital Goods											
Electrical machinery	32,63	34,44	33,10	28,48	37,55	49,28	46,57	53,15	57,22	63,01	25,79
Textile machinery	13,34	16,44	12,39	14,15	16,83	27,03	13,01	15,09	23,85	27,49	14,25
Chemical machinery†	..	..	..	..	..	..	3,05	2,08	4,84	4,95	5,91
Metal working machinery	2,68	3,13	2,62	3,88	6,16	9,03	26,18	29,90	39,54	44,15	17,03
Sugar machinery & parts	69	64	69	92	3,99	8,59	5,11	1,80	1,05	75	12
Agricultural machinery & implements	10,56	4,33	3,99	4,16	4,29	6,93	2,19	55	1,00	85	42
Power generating machinery except electric	..	..	..	..	..	..	25,11	26,53	26,21	28,13	21,03
Other machinery	59,39	43,00	44,57	41,49	62,50	73,03	56,63	76,09	1,08,24	1,25,37	64,17
Transport equipment	47,67	36,61	25,95	41,46	63,50	74,63	61,15	71,38	72,39	54,21	28,33
Total Imports (including others) ..	9,70,84	7,01,81	6,10,22	6,56,35	6,78,83	8,40,64	9,06,31	9,60,77	11,21,62	10,71,17	5,22,82

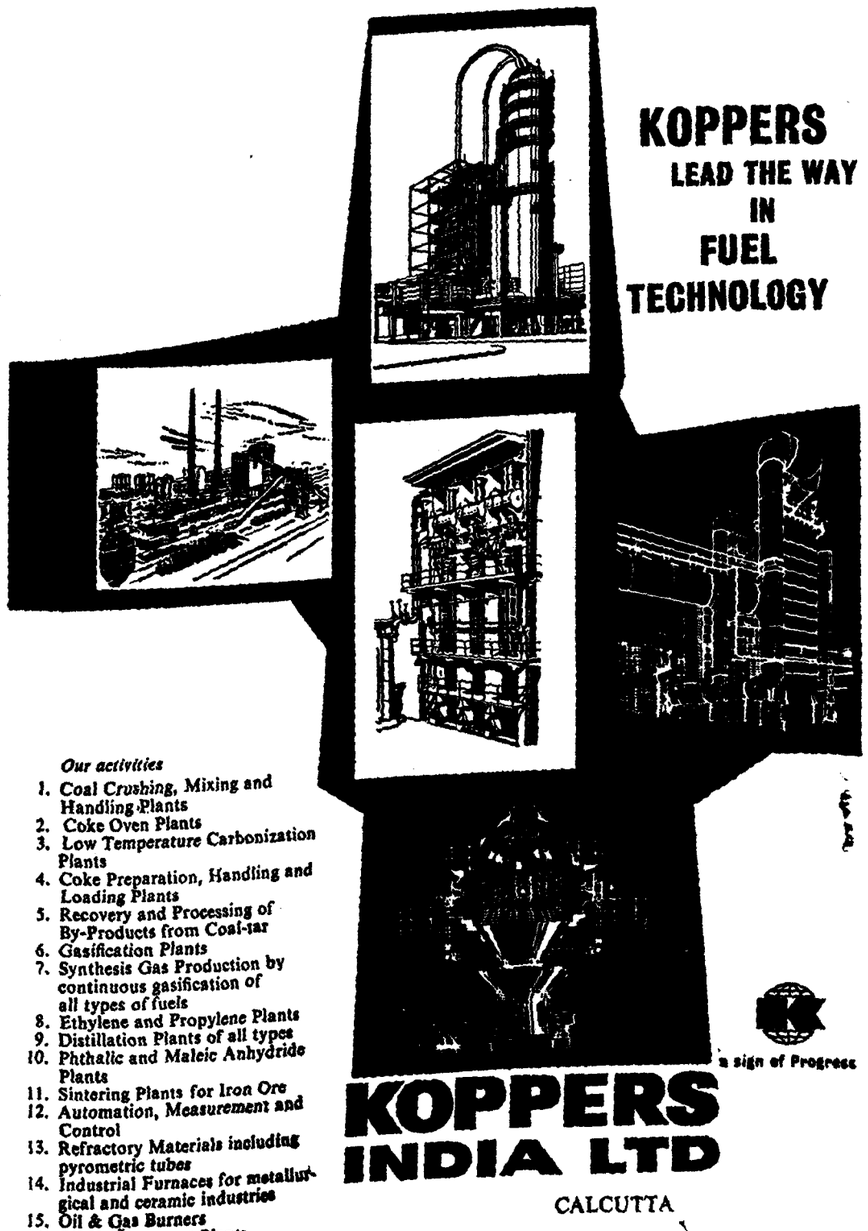
** Includes petroleum (crude and partly refined(kerosene, and other petroleum products.

TABLE TRD NO. 8

DIRECTION OF INDIA'S FOREIGN TRADE: 1951-52 — 1962-63

(Rs. lakhs)

Country		1951-52	1955-56	1956-57	1958-59	1959-60	1960-61	1961-62	1962-63 (Apr.-Sept.)
E.E.C.									
Germany West	Imports	28,88	60,28	90,00	94,50	114.87	122,52	118,21	48,47
	Exports	9,36	14,92	15,03	15,18	21,06	19,90	20,68	7,44
	Balance of Trade	—19,52	—45,36	—74,97	—79,32	—93,81	—102,62	—97,53	—41,03
France	Imports	11,21	15,54	21,41	17,64	19,08	21,13	15,98	6,13
	Exports	11,38	7,11	8,01	7,28	8,39	8,83	8,08	4,16
	Balance of Trade	+17	—8,43	—13,40	—10,36	—10,69	—12,30	—7,90	—1,97
Belgium	Imports	12,90	12,08	24,53	15,98	14,56	15,22	11,47	3,98
	Exports	8,39	9,00	6,85	4,42	5,77	5,26	5,94	2,48
	Balance of Trade	—4,51	—3,08	—17,68	—11,56	—8,79	—9,96	—5,53	—1,50
Luxembourg	Imports	Neg.	36	2,18	77*	29*	52	4	Neg.
	Exports	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg	Neg.
	Balance of Trade	..	—36	—2,18	—77	—29	—52	—4	..
Italy	Imports	18,13	16,50	26,31	27,49	22,79	25,97	23,68	9,84
	Exports	8,44	9,59	6,93	5,30	6,08	9,22	9,39	4,19
	Balance of Trade	—9,69	—6,91	—19,38	—22,19	—16,71	—16,75	—14,29	—5,65
Netherlands	Imports	12,28	14,13	13,92	9,78	14,55	10,54	12,51	7,29
	Exports	7,92	15,42	10,71	7,04	9,01	8,56	8,05	4,00
	Balance of Trade	—4,36	+1,29	—3,21	—2,74	—5,54	—1,98	—4,46	—3,29
Total E.E.C.	Imports	83,40	118,89	178,35	166,16	186,14	195,90	181,89	75,71
	Exports	45,49	56,04	47,53	39,22	50,31	51,77	52,14	22,27
	Balance of Trade	—37,91	—62,85	—130,82	—126,94	—135,83	—144,13	—129,75	—53,44
E.F.T.A.									
United Kingdom	Imports	170,82	172,69	212,92	158,63	181,98	217,15	194,52	87,20
	Exports	189,75	166,16	181,89	164,22	179,90	172,61	161,15	76,10
	Balance of Trade	+18,93	—6,53	—31,03	+5,59	—2,08	—44,54	—33,37	—11,10
Norway	Imports	3,59	3,11	3,36	2,98	2,39	2,85	2,30	1,16
	Exports	1,60	1,12	47	1,17	1,31	1,02	1,26	45
	Balance of Trade	—1,99	—1,99	—2,89	—1,81	—1,08	—1,83	—1,04	—71
Sweden	Imports	7,50	7,86	11,89	9,76	10,65	11,88	13,93	3,71
	Exports	2,55	1,55	1,51	1,55	1,49	1,54	1,62	88
	Balance of Trade	—4,95	—6,31	—10,38	—8,21	—9,16	—10,34	—12,31	—2,83
Denmark	Imports	2,24	4,18	4,02	3,08	1,57	1,94	1,84	70
	Exports	1,25	2,06	1,88	2,01	2,40	1,64	1,68	1,16
	Balance of Trade	—99	—2,12	—2,14	—1,07	+83	—30	—16	+46
Switzerland	Imports	9,99	12,07	16,31	9,05	8,00	10,38	10,64	5,28
	Exports	2,09	99	1,11	82	79	1,36	1,73	86
	Balance of Trade	—7,90	—11,08	—15,20	—8,23	—7,21	—9,02	—8,91	—4,42
Austria	Imports	2,47	2,59	4,49	1,88	2,19	2,93	4,33	1,56
	Exports	1,00	40	28	20	23	29	39	20
	Balance of Trade	—1,47	—2,19	—4,21	—1,68	—1,96	—2,64	—3,94	—1,36
Portugal	Imports	30	43	43	35*	38*	38	29	20
	Exports	56	20	19	17	29	16	31	19
	Balance of Trade	+26	—23	—24	—18	—9	—22	+2	—1
Total E.F.T.A.	Imports	198,91	202,93	253,42	185,73	207,16	247,51	227,85	99,81
	Exports	198,80	172,48	187,33	170,14	186,41	178,62	168,14	79,84
	Balance of Trade	+1,89	—30,45	—66,09	—15,59	—20,75	—68,89	—59,71	—19,97



Our activities

1. Coal Crushing, Mixing and Handling Plants
2. Coke Oven Plants
3. Low Temperature Carbonization Plants
4. Coke Preparation, Handling and Loading Plants
5. Recovery and Processing of By-Products from Coal-tar
6. Gasification Plants
7. Synthesis Gas Production by continuous gasification of all types of fuels
8. Ethylene and Propylene Plants
9. Distillation Plants of all types
10. Phthalic and Maleic Anhydride Plants
11. Sintering Plants for Iron Ore
12. Automation, Measurement and Control
13. Refractory Materials including pyrometric tubes
14. Industrial Furnaces for metallurgical and ceramic industries
15. Oil & Gas Burners
16. Water Treatment Plants

a sign of Progress

KOPPERS INDIA LTD

CALCUTTA

36, GANESH CHANDRA AVENUE. TELEPHONE 24-4493 (3 LINES)

INDUSTRIAL FINANCE CORPORATION OF INDIA

(Incorporated under the Industrial Finance Corporation Act, 1948 (XV of 1948)

HEAD OFFICE:

Reserve Bank Building, Parliament Street, New Delhi.

BRANCH OFFICES:

Liberty Building, 8, Marine Lines, BOMBAY. | **P-11, Mission Row Extension, CALCUTTA.** | **38, Whites Road, Royapettah, MADRAS.**

AUTHORISED CAPITAL: Rs. 10,00,00,000
ISSUED AND PAID-UP CAPITAL: Rs. 7,00,00,000
TOTAL LOANS OUTSTANDING (As on the 30-6-1962) Rs. 49,61,58,295

AUTHORISED BUSINESS:

(a) (i) Granting of medium and long-term loans and advances in Rupees to or subscribing to the debentures of public limited companies or registered co-operative societies engaged in or proposing to engage in the manufacture, preservation or processing of goods, or the generation or distribution of electricity or any other form of power, or mining, or shipping or hotel industry with an option to convert at its discretion the loans and/or debentures into stock or shares.

(ii) Granting of loans in foreign currency under arrangement with the Development Loan Fund of the U.S.A. to industrial concerns.

(b) Guaranteeing of loans raised by 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 industrial concerns in foreign currency.

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

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

(f) Guaranteeing of deferred payments in respect of import of capital goods from abroad or their purchase in India by 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.

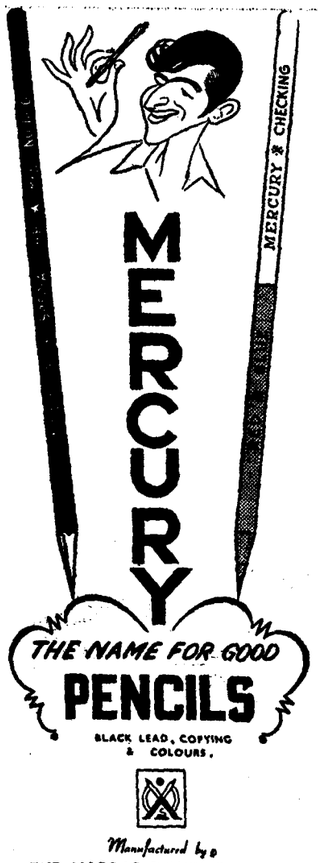
IMPORTANT TERMS AND CONDITIONS OF LOANS:

(i) SECURITY: First charge of all the fixed assets such as land, buildings, plant and machinery and fixtures. Raw materials, stock-in-process and finished goods will not be mortgaged and will, therefore, be available for raising working capital from elsewhere.

(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 7½% 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 8¼ p.a. less a rebate of ½% p.a. 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



CABLE CORPORATION OF INDIA LIMITED

Manufacturers

Of

'TROPODUR' WIRES AND CABLES AND PAPER INSULATED CABLES

Office:

Laxmi Building, 6, Ballard Road, Bombay 1 (BR)

Factory:

DIRECTION OF INDIA'S FOREIGN TRADE: 1951-52 — 1962-63 (CONTD.)

(Rs. lakhs)

Country		1951-52	1955-56	1956-57	1958-59	1959-60	1960-61	1961-62	1962-63 Apr.-Sep'.
East European Countries									
U.S.S.R.	Imports	1,39	6,21	16,91	17,21	16,05	15,87	35,32	24,09
	Exports	6,92	3,26	15,50	25,90	30,62	28,84	32,07	18,92
	Balance of Trade	+5,53	—2,95	—1,41	+8,69	+14,57	+12,97	—3,25	—5,17
Germany, East	Imports	7	37	49	2,00	2,58	3,31	5,58	2,97
	Exports	2	2	46	1,17	2,94	3,27	4,46	4,25
	Balance of Trade	—5	—35	—3	—83	+36	—4	—1,12	+1,28
Poland	Imports	34	43	4,44	2,30	4,12	4,42	8,31	3,25
	Exports	11	33	1,24	88	4,93	3,88	4,57	5,54
	Balance of Trade	—23	—10	—3,20	—1,42	+81	—54	—3,74	+2,29
Hungary	Imports	32	41	66	1,29	1,95	2,02	5,60	1,67
	Exports	Neg.	8	49	76	71	1,37	4,85	3,33
	Balance of Trade	—32	—33	—17	—53	—1,24	—65	—75	+1,66
Rumania	Imports	Neg.	32	19	54	1,40	4,95	3,83	1,27
	Exports	Neg.	1	22	44	2,38	1,38	2,61	1,88
	Balance of Trade	..	—31	+3	—10	+98	—3,57	—1,22	+61
Czechoslovakia	Imports	2,81	2,80	7,27	5,78	4,57	8,76	14,20	9,09
	Exports	1,29	1,33	3,26	4,02	5,12	7,12	8,10	4,46
	Balance of Trade	—1,52	—1,47	—4,01	—1,76	+55	—1,64	—6,10	—4,63
Bulgaria	Imports	Neg.	3	22	8	24	54	96	1,11
	Exports	Neg.	2	5	14	19	19	88	78
	Balance of Trade	..	—1	—17	+6	—5	—35	—8	—33
Total East European Countries	Imports	4,93	10,57	30,18	29,20	30,91	39,87	73,80	43,48
	Exports	8,34	5,05	21,22	33,31	46,89	46,05	57,54	39,18
	Balance of Trade	+3,41	—5,52	—8,96	+4,11	+15,98	+6,18	—16,26	—4,29
Asia									
Iran	Imports	28,94	14,44	31,03	32,24	37,54	29,55	47,35	21,66
	Exports	4,16	5,21	4,55	5,60	4,30	5,41	4,55	2,47
	Balance of Trade	—24,78	—9,23	—26,48	—26,64	—33,24	—24,14	—42,80	—19,19
Japan	Imports	25,46	33,37	47,89	41,89	38,28	60,78	58,61	28,22
	Exports	14,82	30,22	29,38	26,38	35,21	34,88	40,33	15,25
	Balance of Trade	—10,64	—3,15	—18,51	—13,51	—3,07	—25,90	—18,28	—12,97
Saudi Arabia	Imports	10,04	15,16	14,21	17,65	24,29	14,18	18,90	6,28
	Exports	1,85	6,07	5,72	4,02	4,86	3,28	3,33	1,17
	Balance of Trade	—8,19	—9,09	—8,49	—13,63	—19,43	—10,90	—15,57	—5,11
Pakistan	Imports	87,50	27,11	15,76	6,02	8,56	14,02	13,86	7,30
	Exports	45,28	8,41	7,98	6,34	7,23	10,25	9,55	4,54
	Balance of Trade	—42,22	—18,70	—7,78	+32	—1,33	—3,77	—4,31	—2,76

DIRECTION OF INDIA'S FOREIGN TRADE: 1951-52 — 1962-63 (CONTD.)

(Rs. lakhs)

Country		1951-52	1955-56	1956-57	1958-59	1959-60	1960-61	1961-62	1962-63 Apr.-Sept.
Burma	Imports	23,49	9,58	9,41	42,93	15,92	13,65	10,64	6,50
	Exports	19,79	12,53	11,37	7,64	12,64	6,58	5,31	2,61
	Balance of Trade	—3,70	+3,05	+1,96	—35,09	—3,28	—7,07	—5,33	—3,89
Singapore	Imports	17,87	13,84	14,58	8,77	10,44	10,44	9,00	4,60
	Exports	12,03	8,02	7,63	11,18	6,99	7,19	8,30	3,77
	Balance of Trade	—5,84	—5,82	—6,95	+2,41	—3,45	—3,25	—70	—83
Bahrein	Imports	10,92	8,16	6,87	3,15	4,00	5,03	4,35	2,62
	Exports	1,41	2,28	2,38	2,93	2,19	2,35	2,08	87
	Balance of Trade	—9,51	—5,88	—4,49	—22	—1,81	—2,68	—2,27	—1,75
Ceylon	Imports	5,60	9,41	7,91	4,97	5,31	4,13	4,42	3,70
	Exports	16,81	20,54	18,01	20,12	22,40	18,48	17,11	7,81
	Balance of Trade	+11,21	+11,13	+10,10	+15,15	—17,09	+14,35	+12,69	+4,11
China	Imports	15,89	4,38	7,53	6,06	4,27	2,57	1,51	51
	Exports	7,05	6,54	2,88	3,38	8,03	5,27	20	14
	Balance of Trade	—8,84	+2,16	—4,65	—2,68	+3,76	+2,70	—1,31	—37
Aden	Imports	86	2,07	1,16	86	1,16	2,02	2,45	1,08
	Exports	6,30	6,28	6,52	7,49	5,20	5,33	5,35	2,38
	Balance of Trade	+5,44	+4,21	+5,36	+6,63	+4,04	+3,31	+2,90	+1,28
Federation of Malaya	Imports	4,23	4,48	10,30	10,26	10,91	13,50	13,03	5,80
	Exports	3,73	4,38	3,91	5,30	4,52	5,78	6,80	3,34
	Balance of Trade	— 50	— 10	— 6,39	— 4,96	— 6,39	— 7,72	— 6,23	— 2,46
Afghanistan	Imports	1,08	4,38	4,21	4,58	5,91	5,02	1,90	2,48
	Exports	3,15	2,40	1,68	3,79	4,81	6,38	5,00	2,99
	Balance of Trade	+ 2,07	— 1,98	— 2,53	— 79	— 1,10	+ 1,36	+ 3,10	+ 51
Iraq	Imports	2,61	2,27	2,31	2,41	1,87	2,20	2,30	8
	Exports	3,19	2,20	2,82	1,83	3,00	2,98	3,03	1,80
	Balance of Trade	+ 58	— 7	+ 51	— 58	+ 1,13	+ 78	— 70	+ 1,00
Indonesia	Imports	3,21	1,46	2,08	3,65	3,97	3,58	1,77	60
	Exports	4,51	11,66	7,70	2,98	4,84	3,11	7,00	2,93
	Balance of Trade	+ 1,30	+10,20	+ 5,62	— 67	+ 87	— 47	+ 5,23	+ 2,33
Thailand	Imports	11,64	48	63	46	65	66	2,04	65
	Exports	8,76	3,22	2,45	2,37	2,14	3,25	2,71	1,39
	Balance of Trade	— 2,88	+ 2,74	+ 1,82	+ 1,91	+ 1,49	+ 2,59	+ 67	+ 74
Kuwait	Imports	11	4,31	7,00	8,38	3,13	8	43	17
	Exports	3,80	3,49	3,36	4,02	3,68	3,43	3,72	1,75
	Balance of Trade	+ 3,69	— 82	— 3,64	— 4,36	+ 55	+ 3,35	+ 3,29	+ 1,58
Africa									
Mozambique	Imports	3,42	4,50	3,95	6,30	5,68	5,39	5,60	2,72
	Exports	91	75	84	1,04	34	1,20	92	24
	Balance of Trade	— 2,51	— 3,75	— 3,11	— 5,26	— 5,34	— 4,19	— 4,77	— 2,48
Nigeria	Imports	Neg.	48	Neg.	27	26	50	1,78	12
	Exports	7,09	8,18	6,94	5,66	4,19	5,76	7,03	4.12
	Balance of Trade	+ 7,09	+ 7,70	+ 6,94	+ 5,39	+ 3,93	+ 5,26	+ 5,25	+ 4,00
Sudan	Imports	14,30	12,68	9,28	6,21	10,31	9,41	10,57	11,70
	Exports	7,73	5,62	9,47	5,02	15,47	9,53	10,34	3.23
	Balance of Trade	— 6,57	— 7,06	+ 19	— 1,19	+ 5,16	+ 12	— 23	— 8,47

DIRECTION OF INDIA'S FOREIGN TRADE: 1951-52 — 1962-63 (Contd.)

(Rs. Lakhs)

Country		1951-52	1955-56	1956-57	1958-59	1959-60	1960-61	1961-62	1962-63 Apr-Sept
Egypt	Imports	40,53	23,10	8,32	6,70	13,71	16,42	12,04	3,73
	Exports	6,47	9,57	10,97	8,25	10,38	13,44	12,92	5,24
	Balance of Trade	—34,06	—13,53	+ 2,65	+ 1,55	— 3,33	— 2,98	+ 88	+ 1,51
Ethiopia	Imports	3	4	4	..	1	3	5	1
	Exports	1,09	3,76	3,91	2,30	2,22	2,43	2,77	85
	Balance of Trade	+ 1,06	+ 3,72	+ 3,87	+ 2,30	+ 2,21	+ 2,40	+ 2,72	+ 84
Kenya	Imports	18,60	21,85	17,19	12,16	11,74	12,36	11,63	3,65
	Exports	8,84	6,06	7,40	4,62	4,92	4,96	5,49	2,30
	Balance of Trade	— 9,76	—15,79	— 9,79	— 7,54	— 6,82	— 7,40	— 6,14	—1,35
Uganda	Imports	18	28	50	1,54	54	1,55	1,60	95
	Exports	36	1,06	56	73	59	59	74	20
	Balance of Trade	+ 18	+ 78	+ 6	— 81	+ 5	— 96	— 86	— 75
Tanganyika	Imports	2,17	2,27	3,96	2,28	3,34	6,68	2,47	1,19
	Exports	2,63	3,68	3,28	2,37	2,27	2,29	2,84	1,70
	Balance of Trade	+ 46	+ 1,41	— 68	+ 9	— 1,07	— 4,39	+ 37	+ 51
Zanzibar and Pemba	Imports	2,71	2,25	2,32	2,80	2,48	1,90	2,15	1,26
	Exports	23	61	37	37	39	34	33	12
	Balance of Trade	— 2,48	— 1,64	— 1,95	— 2,43	— 2,09	— 1,56	— 1,82	— 1,14
America									
U.S.A.	Imports	2,94,95	89,50	1,05,26	1,69,14	1,87,58	3,27,56	2,33,51	1,56,86
	Exports	1,32,38	87,12	90,74	86,01	96,39	1,02,93	1,16,75	53,21
	Balance of Trade	—1,62,57	— 2,18	—14,52	—83,13	—91,19	—2,24,63	—1,16,76	—1,03,65
Canada	Imports	19,42	6,84	9,71	35,20	20,45	19,86	16,61	5,65
	Exports	16,28	14,02	15,64	14,86	15,14	17,66	17,40	11,99
	Balance of Trade	— 3,14	+ 7,18	+ 5,93	—20,34	— 5,31	— 2,20	+ 79	+ 6,34
Argentina	Imports	79	6	5	1	7	9	17	6
	Exports	17,67	11,09	6,40	9,27	8,70	4,53	5,00	4,84
	Balance of Trade	+16,88	+11,03	+ 6,35	+ 9,26	+ 8,63	+ 4,44	+ 4,83	+ 4,78
Cuba	Imports	Neg.	67	18	Neg.	Neg.	8	Neg.	Neg.
	Exports	11,43	4,49	5,21	4,66	2,61	7,33	5,18	70
	Balance of Trade	+11,43	+ 3,82	+ 5,03	+ 4,66	+ 2,61	+ 7,25	+ 5,18	+ 70
Oceania									
Australia	Imports	17,62	13,47	12,72	14,89	13,51	17,79	22,73	8,84
	Exports	47,63	24,82	23,43	21,13	18,55	22,44	16,03	10,09
	Balance of Trade	+30,01	+11,35	+10,71	+ 6,24	+ 5,04	+ 4,65	— 6,70	+ 1,25
New Zealand	Imports	2,14	2,48	2,44	83	1,12	1,54	1,22	96
	Exports	7,93	4,56	4,89	4,65	5,34	7,42	7,40	3,74
	Balance of Trade	+ 5,79	+ 2,10	+ 2,45	+ 3,82	+ 4,22	+ 5,88	+ 6,18	+ 2,78

Transport

Grappling with Shortages

SHORTAGES with frequent recurrence are writ large on the performance of the nation's transport system, in spite of the fact that its custodians, and of the giant-sized railway system in particular, have some reason to be proud of their achievement in providing transport capacity in a period of a spectacular expansion of freight traffic. The magnitude of the shortages has now started making its impact severely felt on production and critical situations arise when industrial units have to face the prospect of partial or complete temporary closure for want of transport for strategic goods, coal in particular. It is not always possible to overcome these situations by stop-gap arrangements of one industrial plant placing at the disposal of another its stocks of coal as was done this year. The crux of the problem which immediately faces the transport system of the country is to what extent and when will the shortages, whose frequency is now becoming quicker, can be eliminated or at least minimized. This is the task to which the planners and the managers of the transport industry have to address themselves in the immediate context of the remaining part of the Third Plan. Difficulties of finance cannot be allowed to stand in the way of any solutions because it is possible to seek alternatives to the plans of marginal potential, if any, of the expansion of rail capacity.

The root of the recurring shortages of transport is to be found in our approach to planning for this important component of the infra structure of the economy. A survey of the first decade of planning would show that expansion of the capacity of the railways has not been conceived or executed on a restricted scale. But in the case of roads, ports and coastal shipping, however, the verdict would be that parsimonious allocation of funds and policy of restrictions on operation, which was devised to meet the exigencies of coordination in an altogether different situation years ago, have prevented their development, in particular road development, except on a very modest scale. But the railway system has traditionally come to be regarded as the almost exclusive mode of modern transport, whereas road transport and coastal shipping have been assigned a minor role.

During the ten-year period the rates of growth in the volume of freight traffic carried by the railways and the roads show a sizeable increase. But this increase falls considerably short of the volume of traffic offering and, therefore, it cannot but be regarded as much below the requirements of the developing economy. The ton-miles operated by the railways during the decade, 1950-51 and 1960-61, increased from 26,980 million to 54,700 million. On the roads the ton-miles operated shot up from 3,358 million to 10,600 million. The most significant disparity in the growth rates is thus to be seen in the fact that, while the railways increased their effort by 100 per cent, roads raised it by 200 per cent and it ought to be emphasized that road transport continued to be hamstrung by various restrictions imposed by law. These rates of growth have a definite bearing on the planning for transport to meet the full requirements of the traffic which is bound to arise during the Third Plan.

The planners expect the volume of freight traffic to increase on the railways from 154 million originating tons in 1960-61 to 245 million originating tons in 1965-66, representing the emergence of an additional volume of 91 million originating tons. It must be stressed in parenthesis that this additional traffic of 91 million tons does not in any sense represent the actual volume of extra traffic that will be generated as a result of the economic growth in the Third Plan. In the first place, traffic in terms of originating tons gives no idea whatsoever of the demand that will be created for transport capacity. The correct measure is ton-miles which has not been estimated in the plan. In the next place, 91 million originating tons is the estimate related to the railway transport system, rather what it can take additionally. Even so, the programmes prescribed for the allocation of the traffic bring out the significant fact that coal, iron ore and other materials required by the steel plants and some priority traffic like cement will claim 88 per cent share of the total additional traffic envisaged for the railways. It goes without saying that, of the remaining 12 per cent, priority must be assigned to the movement of foodgrains, when required. As a consequence, therefore, the requirements of general industry and other traffic requirements will be compelled to go on short rations.

Then a very serious question is now posed before the organizers of the railway system. The war emergency and the large arrivals of shipments of arms, ammunition, etc., will naturally claim the top priority on wagon capacity. Since these arms are required for defence on the Himalayan border, the rail freight capacity will be put to unusually severe strains on account of the exceptionally long hauls required for the defence traffic. This prospepct at least should now bring about a transformation in the policy and thinking on coordination of the different components of transport and the relative magnitudes of growth which should be assigned to them. In plain terms it means that the other modes of transport than the railways will require a liberal policy of expansion.

Sound planning for an economy requires perspective planning for transport, power and other basic requirements in advance of and on a much larger scale than the projected expansion of the other sectors of the economy would indicate. This is for two reasons—to place transport capacity at the disposal of the other sectors when they would need it and to stimulate their expansion because of the availability of transport facilities. But this type of scientific planning pre-supposes a command over sufficient financial resources which it would entail. Precisely because this is our handicap, our planners were constrained to fall back upon what must be regarded as an improvised technique of planning that takes into account short periods of five years on very conservative estimates of the growth traffic and then again makes for it tentative provisions which mean provisions below the anticipated demands.

So far, in spite of our experience of the last ten years of acute shortages of transport, there is no evidence that the system in general and the railway system in particular is being brought within the purview of perspective planning. How improvised or a short term view of planning is taken by force of habit is very graphically illustrated by an interesting example. The Neogy Committee has been charged with the critical job of drawing up a blue-print for transport policy and coordination. But significantly enough, the Committee's terms of reference prescribe that this policy should be chalked out for the next "five to ten years," as if the two periods of five and ten years do not make any difference at all, apart from the fact that they do not satisfy the requirements of perspective planning. In

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In its interim report the Neogy Committee has placed at the disposal of the Planning Commission copious statistical data of basic value on the strength of which it should be possible to formulate fresh policies in the wake of the war emergency without waiting for the Committee's final report. The war emergency has highlighted many of the serious draw-backs in our transport system in the northern and eastern regions. This applies to the railway system as well as to roads and inland water transport.

In one sense the delay in the Neogy Committee's preparation of the report is a boon, because that Committee can now rehaul its approach and thinking in the context of this emergency whose duration cannot be predicted. How the pre-emergency ideas have become somewhat out-moded may be exemplified with reference to one instance. It was argued that strategic and unremunerative railways and roads continue to be a drag on the exchequer, but now the stage has been arrived when the users who benefit from these transport facilities should be called upon to bear, if not the whole, a substantial burden of subsidising these strategic systems. Actually we are now face to face with a condition in Assam and NEFA where strategic roads, admittedly unremunerative, will have to be built. Moreover, railway lines will have to be laid in Assam which may take decades to pay their way.

At the end of the first decade the railways carried 100 per cent more traffic than at its beginning. This performance was exhibited in the face of the unsatisfactory and somewhat dilapidated condition of the rolling stock which continued to be retained in service. Towards the end of the First Plan, however, the situation in respect of rehabilitation of the rolling stock and additions to it began to record improvement. Between 1951 and 1961 the number of locomotives was raised from 8,461 to 10,554, showing a good increase of 24.8 per cent. Most of the new locomotives possess a higher potential of tractive effort and, therefore, their capacity and efficiency must be rated high. During the same period the number of freight wagons (in terms of four wheelers) increased from 220,441 to 341,041. The additions through the decade in the wagon stock were thus of a poor order of 53.3 per cent as against an increase of 100 per cent in traffic. Many of the wagons still in use are in a bad physical condition which means that loadings are reduced in quantities to suit their declining capacity. Inadequacy of wagons, however, has continued to be one of the major pitfalls in the railway transport system.

The Crisis of Coal

NOTHING ILLUSTRATES more graphically the chronic shortages of transport than the case of that key material—coal. The factual position for the first half of 1962 may be taken as typifying the shortages of wagon capacity for carrying coal, although there have occurred worse crises before. During this period the requirements of the daily average of wagons for coal were estimated by the Coal Controller at 8,127 out of which 6,503 were attributed to the coal-fields in West Bengal and Bihar. The railways had their own considerations on the basis of which they fixed their feasibility target at 6,925 as the daily average supply of wagons. Out of this, 5,496 were allocated to the Bengal-Bihar coal-fields. But on verification after the period was over, the startling fact which came to light was that the railways were unable to adhere to their target and actual loadings were of the order of 6,049 as a daily average, the share of the bulk producing coal-fields of Bengal and Bihar being 4,855. Thus between the Coal Controller's estimate and the actual loadings there was a wide gap of 2,078 wagons or roughly more than 33 per cent of his recommended target. Here it should be noted that the Coal Controller's estimates come somewhere near the real requirements of the collieries. Coming to the target set by the railways, a gap of 876 wagons per day is revealed between their plan and the actual loadings. A marginal allowance may be made in this shortfall for reasons for which responsibility cannot be fixed on the railways. But this margin is much more than cancelled out by the fact that the railway estimate includes 300 wagons for the washeries and not for transport to the destinations of actual consumption. This performance is typical of the conditions which normally prevail, although it is possible to argue that during the slack season after June the shortages are not of that high order.

One of the basic and permanent impediments which have been created for the transport of coal is the concentration of the collieries in one part of the country and the location of the industrial consumers in several directions at very long distances. This fact makes it all the more necessary that the problem of coal transport should be tackled with a bold and imaginative approach. Traditionally the railways are the almost exclusive carriers of coal. The pressure on their capacity generated by the coal traffic can be gathered from the absorbed by coal. As our consumption of coal is bound to increase at a steep rate with the development of industries, particularly in the areas which are remote from the coal-fields and in some of which alternative power like electricity will not be available on any significant scale, the problem of coal transport will certainly compel attention to diverting it to the maximum extent practicable from the railways. During the Third Plan the output of coal is to be raised from 60 million tons to 97 million tons out of which 90 million tons will make a demand on rail transport capacity, after allowing for quantities consumed in the collieries and marginal quantities carried by motor transport. If the revised target of 104 million tons is achieved in fact, it is safe to assume that the draft on the rail capacity will be to the extent of 95 million tons at least.

Are the railways in a position to provide the capacity which will progressively reach this peak in 1965-66? It appears threateningly certain that there will be critical shortages of wagon supply for the movement of coal. If the annual targets of the daily average supplies of wagons fixed by the Coal Transport Advisory Committee are taken as reasonable guides — which they ought to be — the supply in the first year of the present Plan should be 7,183 wagons per day and 8,561 wagons per day in the current year. The current year's estimate is a far cry from the actual daily average loadings of 6,049 wagons during the first half of the calendar year 1962. This is a position which underlines the fact that the strains generated by the fast developing economy are bound to create bottlenecks in rail transport. The adverse effect produced by the bottlenecks in coal movements is translated in terms of depressed levels of coal raisings and the estimate has been ventured that the raisings could be increased by one-fifth if the wagon supplies matched the demand from time to time. At any rate, it may be assumed that railway bottlenecks have held coal production level lower by at least something like 15 per cent. The accumulation of coal at the pit-heads puts immediate restraints on further raisings and this feature creates conditions of lower supplies of coal.

reflected in the utilisation of industrial capacity. Side by side with lack of imported materials, bottlenecks in transport and the resulting short supplies of coal are responsible for keeping a high ratio of installed industrial capacity compulsorily idle. A solution to ease this tight position, if not to wipe it out, must be found. The railways have not shirked their responsibility, but they cannot disown many of the shortcomings of their planning in coal movements. One particular solution they devised had to be dropped on the ground of non-feasibility. Recently they evolved a scheme whereby they undertook to supply rakes of 70 four-wheeler wagons with carrying capacity of 1,500 tons for the transport of coal. The other part of the scheme was that the large-scale consumers should construct their own railway sidings and stock coal instead of making costly and difficult demands for less bulky consignments. Then the small-scale consumers were called upon to pool their demand and ask the stockists to create dumps for supply to them according to their needs. This was to enable the railways to utilise whole train loads over long distances and at the same time arrange loadings on return journeys. But the entire scheme was jejune. The arrangement of pooling for small consumers would have created worse problems of distribution and construction of sidings, etc. would have entailed heavy costs for the large consumers. Then there is also the safety factor in the safeguarding of the dumps. The widespread opposition to the scheme was appreciated in its genuine spirit and the scheme was abandoned. Similarly, the oft-repeated plea of the railways requiring coal consumers to accept whole train loads during the slack season has also proved impracticable for reasons of looking up working capital as well as of huge stocking.

These propositions, therefore, direct attention to alternative solutions. The railways themselves are the major consumers of coal for steam locomotives and it has been urged that diesel locomotives should be used on the distant railway lines in South, West and North India. But the limits to dieselisation are set by our scanty production of this fuel and the foreign exchange involved in imports as well as the serious risk run in reducing our rail transport system to vulnerable dependence on an imported fuel. Electrification is feasible within limits, but it is a matter of time and outlay. The Federation of Indian Chambers of Commerce and Industry recently held a very useful conference to discuss the problems of transport and power. The papers read and discussed at that conference have made a positive contribution to these two problems. One of the suggestions made at this conference was that thermal power stations should be located in the neighbourhood of collieries so that they may save long-distance movements of low-grade and high-ash content coal to areas like South and West India, and the thermal power generated at these stations should be transmitted to the points where coal is now carried to create it. This imaginative suggestion, however, will need implementation in phases for the reason, among others, of foreign exchange outlay and the delays required in laying the transmission channels.

Still another solution is road-cum-river transport for coal which has got a very limited scope on account of the extremely deteriorated state of our inland waterways. Its feasibility is confined possibly to some areas of the north and the south. Carriage of coal by sea has brought in its wake problems of higher freight rates and the difficulties constantly experienced because of the low draft of the Hooghly river. As a partial solution it has been suggested that the scheme of rail-cum-sea transport should be implemented. Coal in whole train loads composed of BOX wagons should be specially arranged up to Visakhapatnam and from that point coastal shipping should take care of the carriage of coal to the consuming destinations. It is possible to pick holes in any alternative scheme suggested. But the stark prospect before the country is either to enter into any such schemes (disregarding nice estimates of cost accounting) or to starve industry of this fuel and face the consequences of stultifying production. The decision ought to proceed on the lines of the lesser evil.

Intensive Use of Rail Capacity

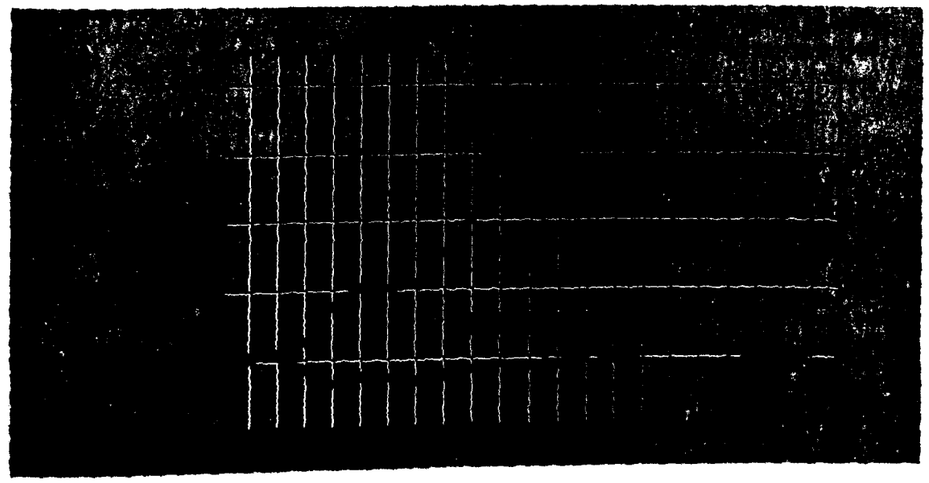
PLANNING FOR transport for the Third Plan proceeds on the recognition of the fact that the financial allocation is inadequate and, considering the role of a premier carrier which the railways have to play, a constant review will need to be made in order to provide more rolling stock and other physical capacity to the railways.

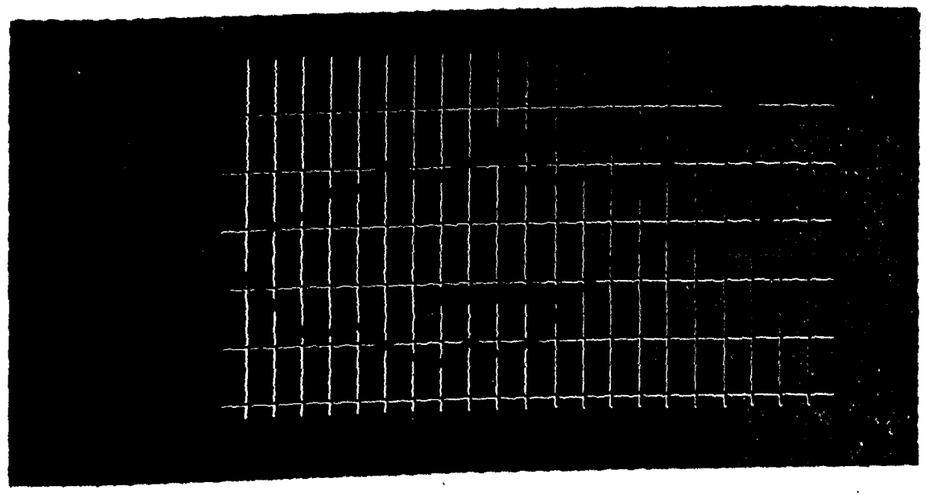
This approach of flexibility in railway planning will have scope within certain limits. The programmes of steel production as now assessed reveal that it would be at the end of the Third Plan and not before when steel plants will be in a position to supply all the steel requirements of the railways. But during the remaining three and a half years the fulfilment of the demand of the railways for steel will have to be met partially by imports. This will depend upon the foreign exchange which can be allotted to the railways from time to time. But it would appear that, since the railways will have to comply with the pressure demands of the Defence Ministry, priority in the allocation of foreign exchange may be taken as practically assured. But here another issue that arises is that the higher capacity so arranged will be absorbed by the military traffic, leaving the problems of the civilian sector as they are at the present time.

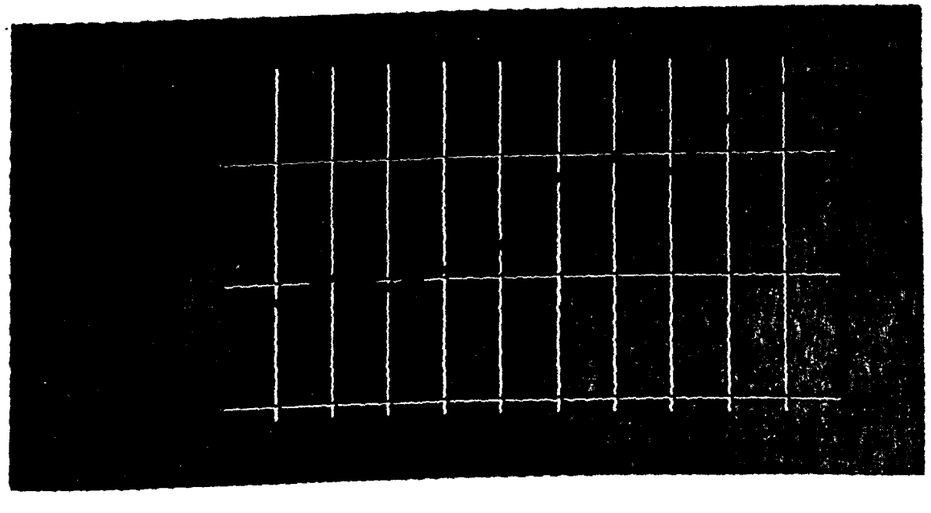
It is, therefore, vitally important that in the new situation created by the war emergency attention should be directed to maximizing railway transport capacity isation. Experience in India, as in most other countries, both economically backward and industrially advanced, establishes the proposition that the rate of increase in freight traffic far out-paces not only the rate of increase in the national income or of agricultural production but even that of industrial production. This is rightly stressed in the text of the Plan where the trends have been put in their relative terms. During the first decade of planning our national income increased by something like 42 per cent and the index of agricultural production recorded an increase of 41 per cent, while industrial production rose by 94 per cent. But freight traffic as measured in ton-miles rose by 100 per cent on the railways and by 200 per cent for road transport. This disparity in the increase of freight traffic, on the one hand, and the other increases, on the other hand, is not at all surprising. A closer examination would show that it is industrial production which makes a heavy demand on transport capacity. The increase in the volume of traffic and the distance over which it is carried (in other words, the ton-mile increase in freight traffic) jumps much higher than the other indices of economic progress because freight traffic involves multiple movements. As industrial expansion proceeds apace this disparity is bound to widen and larger calls are bound to be made on the capacity of the railways as also on the other modes of transport.

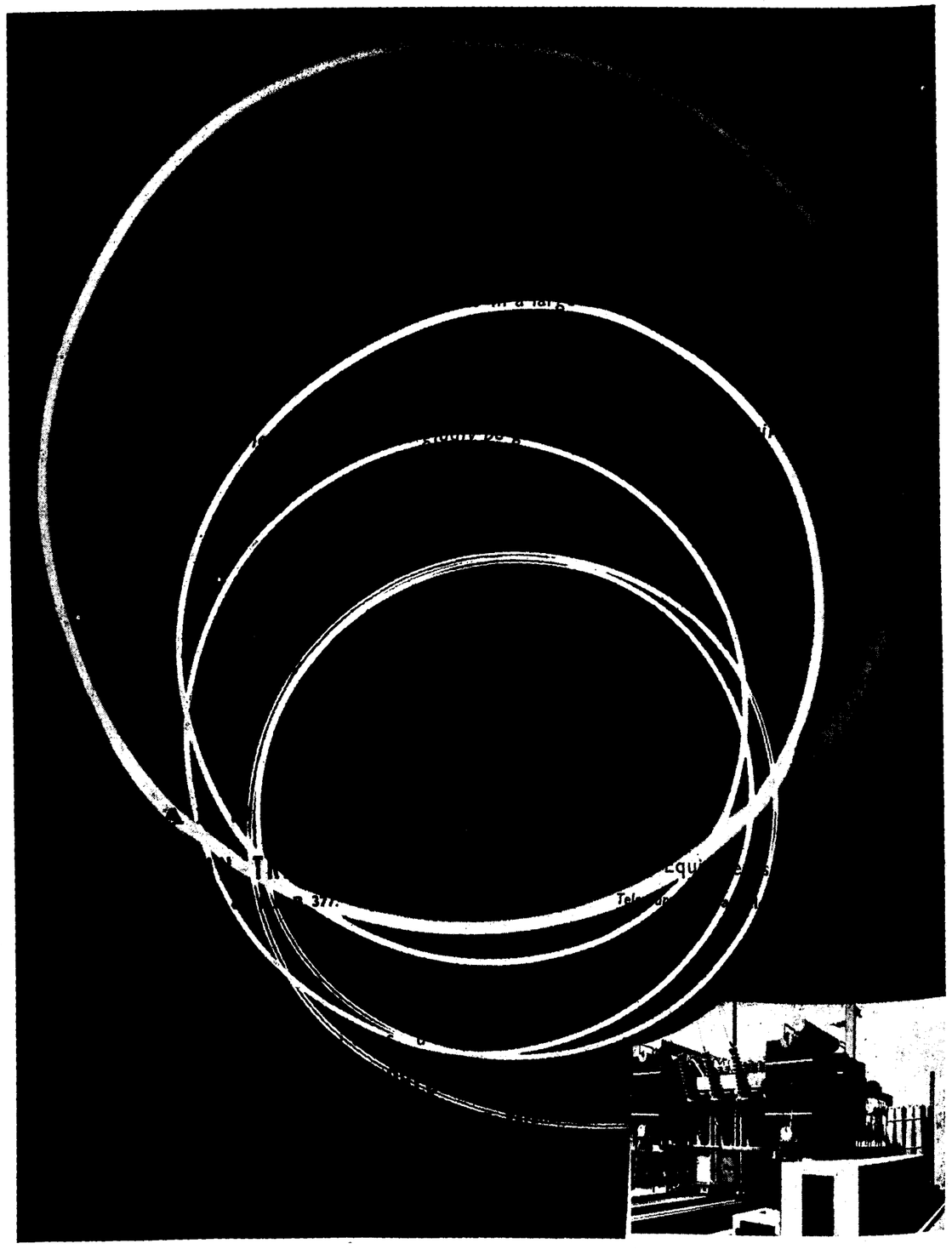
One way in which this capacity can be met is to

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either to serve neglected areas or to set up direct links between points where they do not exist at present. But the Neogy Committee has brought to light one wasteful flaw in the construction of new lines. It has quoted the evidence of traffic statistics to show that in the case of several new lines the traffic carried is very much below the estimates—after the permissible preliminary period of new opening of the lines. This could not be because of misleading data, but it would appear that political pressures from the State Governments and in some cases the ideological pursuit of paying special attention to backward areas have been responsible for outlay on new lines, which could very well have been spared or utilized in areas of potential concentration. The plea for redressing imbalances in regional growths is quite sensible, but when resources are scarce and the emergency has created acute pressures on transport, attention in future ought to be paid to avoiding the waste that is involved in undertaking construction in wrong areas.

Intensive utilisation of rail capacity has now become an urgent need because experience since at least the last year of the Second Plan has demonstrated that transport may hold up the progress of the Plan programmes and even the full working of the industries already set up. There are various directions in which intensive use of the capacity of the railways for carrying freight traffic can be made from time to time. But attention needs to be rivetted where concrete results in terms of higher physical performance can be obtained because the crying need of the hour is lifting as much traffic as possible. First attention by technical planners in railway planning is paid to the improvement of the line capacity. Here various ingredients of capacity may be available for intensive exploitation. It always pays the railways to have broad gauge lines and double-track rather than metre gauge and single track lines. The question of converting metre gauge into broad gauge lines was given thorough consideration about a decade ago and for obvious reasons of outlay and the prospect of availability of sufficient traffic it was thought advisable not to make any wholesale decision on eliminating the metre gauge lines altogether. But the benefits of laying double lines where single line sections are operated are quite clear. On single line sections (and the normal length of a section on the railways is currently fixed at 100 miles) the capacity is 150 per cent more on the double line than on the single line. It would, therefore, be desirable to lay double lines to maximise traffic movements.

Then comes the rolling stock where intensive use is possible with rationalisation that can be taken in hand on our railways. It has always been argued that locomotives should be dieselised for two reasons—to reduce the consumption of coal for the railways and to increase the speed of trains. But, as pointed out in a foregoing paragraph, dieselisation has its obvious and particularly strategic limitations. The railways have wisely decided to maintain a pool of diesel locomotives to be commissioned into service wherever the saturation point is reached in traffic. A diesel engine does not require refuelling until it has done 800 miles of running and furthermore it dispenses with delays involved for watering. Aside from points of congestion of traffic, it could be used in the hot season in areas like Rajasthan where water supply is scanty and cases of whole trains being detained for want of water for locomotive tanks have developed into a notorious feature in the summer season. Electrification is a matter of outlay and time. It has been estimated that if about 10,000 route miles are to be electrified it would take us a quarter of a century to complete this programme.

The choice, by and large, falls upon the rationalisation of the wagon stock .At the present time our longest goods trains consist of 70 four-wheeler wagons. They are now being normalized to this standard. But the preferable course is indicated in a switch-over to the BOX wagons. Their speed of 50 miles an hour, as contrasted with 35 miles operated by the four-wheelers, would go a good way towards improving wagon turn-round. But easily the most outstanding feature of the BOX wagons is their ability to increase carrying capacity by as much as 70 per cent. Thus a switch-over to the BOX wagons would result directly in an increase of 70 per cent of the freight-carrying capacity of the railways. But these wagons require the centre buffer coupling and experience in the past short period has proved that they raise definite technical difficulties for the transport user. It would be highly desirable, therefore, to allocate, as the Federation of Indian Chambers of Commerce and Industry's Transport Conference has strongly urged, to confine their use to large-scale consumers in the public sector as well as in the private sector. At the present time about 2 per cent of our wagon stock consists of the BOX wagons—a ratio which should give an idea of the time and expense that will be involved in bulk conversion of the wagons stock to this type. But one need not wait for this large-scale conversion and it must be the first aim of the railways to expand the manufacturing capacity for the building of the BOX wagons. This alone would result, as pointed out above, in the stepping up of rail capacity by as much as 70 per cent with a relatively small investment.

But any such methods of rationalisation involving longer trains and higher speed would require the precondition of a large-scale programme of the strengthening of the track and pitching the efficiency of the permanent way inspectorate to a high point. Whatever the difficulties, they certainly are in no sense insurmountable. Automatic signalling rationalisation of marshalling yards, improvement of deficiencies of the railway repair workshops to minimize the period of immobilization of locomotives and similar programmes have already been included in the railway development plan. How far they are being intensively pursued it is difficult to judge until the detailed reports about their working are made available.

INVEST IN FREEDOM

BUY DEFENCE BONDS

The Plan rightly recognises the fact that the supply of wagons at the present time and the schemes prepared for their manufacture will not fully satisfy the demands which would be created in the near future. To overcome the inadequacy of wagon supply, at least in a partial degree, it is of the utmost importance to shorten the number of days of wagon turn-round, thereby making it possible to intensify their use on the track. The planners believe that it is quite feasible to improve the wagon turn-round on the broad gauge lines from 11 days at the end of the Second Plan to 9.5 days at the end of the Third Plan and on the metre gauge lines from 8 days to 6.5 days. To aim at a still higher improvement should be possible now that the emergency has introduced an element of war-footing in the economy. The intensive use of physical assets should facilitate this objective. And finally, the efficiency of the railway traffic staff can always be improved either by creating a greater sense of duty during this critical situation or by the award of incentives for meritorious performance. The railways have to reckon with the obvious fact that, if they falter in their determination to break the bottlenecks, they will bear a good deal of responsibilty for giving a set-back to the progress of production.

The Inescapable Accent on Roads

THE CAUTIOUS attitude of maintaining the conventional primacy of the railways in the nation's transport system, adopted by the Government and the Planning Commission under the powerful inspiration of the Railway Ministry, is understandable mainly in the light of high financial stakes which are involved in this gigantic system. So long as the end of planning for transport was to subserve the export-import trade, as in the pre-independence period, railways no doubt acquired a place of over-riding importance to the neglect of roads, inland waterways and, in a lesser degree, coastal shipping. But experience in all the countries similarly situated like India—with a huge land mass and a large scope for expanding the network of roads and available inland waterways—has demonstrated that the plateau is reached in the expansion of the railways not long after industrialization has made a headway. The dispersal of the location of industries and the mounting pressure of freight traffic reveal the inherent weakness of the railways to cope with the demand for transport capacity emanating from various transport users. Railways involve heavy investment outlays and also heavy outlays on maintenance, up-keep and traffic operations.

The flattening out of the dynamism in railways is best exemplified in the financial deterioration of the working of the railway systems of the United States and the United Kingdom. In India this point of financial stagnation has not been reached, but it is not at all reasonable to presume that indiscriminate expansion of railways must proceed until this cruicial point cries a halt to it. In an economically backward country, where financial resources are limited, while the pressures of the rapid development of the economy put heavy strains on them, expansion of the transport system must be planned, among other considerations, by the test of economic operation. Before economic planning was undertaken, the railway system was quite equal to the task of satisfying the port oriented or port-originating traffic of the country. But with the exploitation of the economic growth potentialities in all the interior of the country, the inadequacy of the railway system to cope with the traffic became quite apparent.

When after World War I motor transport and in particular truck transport began to grow rapidly and assumed unwieldy proportions, the unplanned and unregulated manner in which it was allowed to develop inflicted considerable injury on the operating and financial interests of the railways. Co-ordination between rail and road transport was essential in that situation, partly to harmonize the growth of both, but essentially to put restraints on the wayward development of motor transport. The restrictions on road transport were thus intended more to safeguard the interests and financial stability of the railways than to promote the object of transport co-ordination as such. But one outstanding result of this policy was that the railways became accustomed to an overall transport policy in which they enjoyed something of a sheltered position of a monopoly by reason of protective regulations which operated adversely against the roads. This sense of security was in a great measure highly detrimental to the efficiency of the railways which lost much of their capacity for competition and over the years developed an unconcealed fear of loss of traffic even due to fair competition from road transport. A number of enquiry committees in the post-independence period have proved chapter and verse that the operating restrictions and the burden of taxation on road transport are measures of discrimination against this dynamic system and they ought to be removed. The Age of Roads has actually dawned long since, but the fear on the part of the railways of encroachment by road transport on a good deal of traffic which flows to them for want of fair scope for consumer choice has been hampering the expansion of the road system which possesses all the ingredients of an efficient mode of transport.

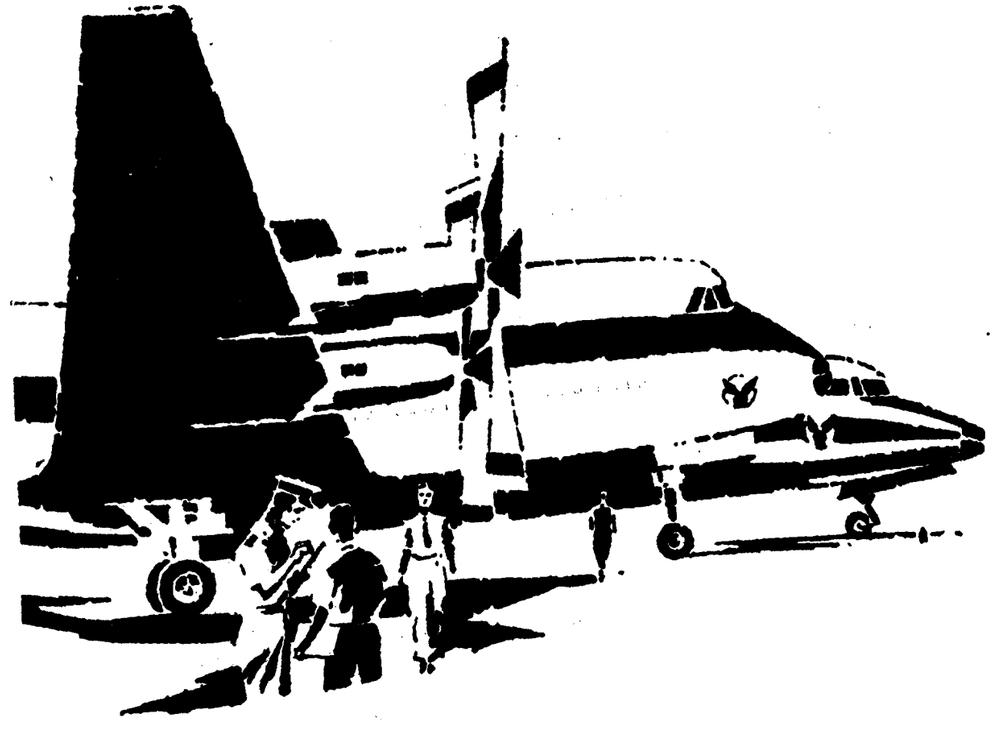
Let it be conceded at the outset that the railways are not functioning exclusively on the basis of commercial operations. They are operating also as a public utility and, besides their position as the principal system of transport in the country ought to be preserved. Bulk traffic over long hauls can be carried essentially by the railways, although road transport too has demonstrably developed this potential. But this type of traffic is low-rated in the scheme of railway freight charges and some of the bulk traffic like coal is carried at rates which are below the cost of their carriage. The railways have to adopt this policy of charging low rates for certain vital commodities in the interest of the national economy. It, therefore, stands to reason that they must have the assurance that they are also enabled to carry high-rated traffic in lesser bulk and over short distances. Such a combination alone will enable the railways to function as a public utility-cum-commercial enterprise. If the role of the railways as a public utility is basic for their justification to be maintained on a gigantic scale, their role as a commercial enterprise is perhaps more important now in order to raise for the exchequer sufficient revenue. It would, therefore, be unreasonable to maintain the position that open and indiscriminating competition between the railways and the roads should be let loose in the emerging importance of the Age of Roads. The strategic function which the railways perform by carrying military passenger and freight traffic cannot be discharged by any other mode of transport. This is another reason why the relative position of the railways must remain what it is for several decades to come.

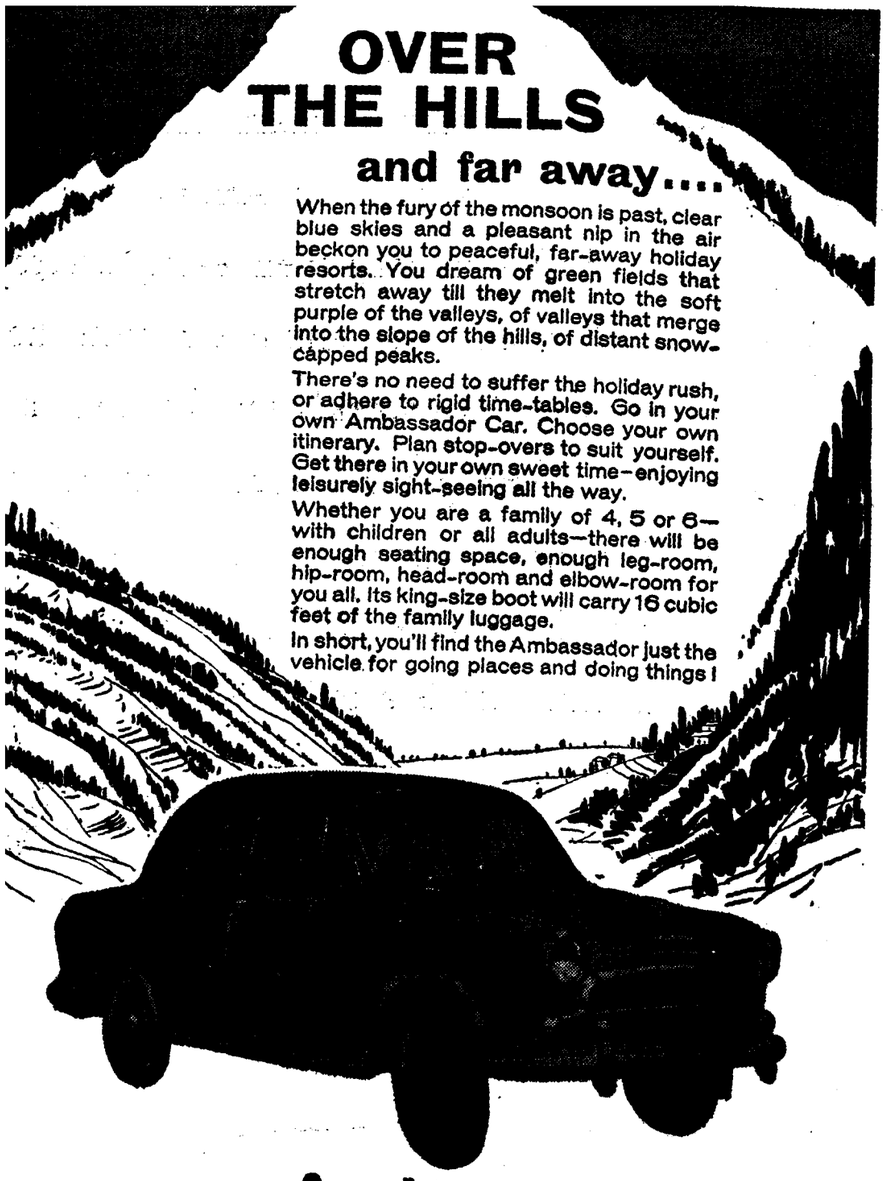
A definite scheme must be evolved in order to make sure that the railways are not left, as a result of competition from motor transport, to carrying unremunerative or less remunerative bulk traffic. High-rated commodities should always be made available for the railways in a reasonable proportion in order to maintain their financial stability. To that extent a certain amount of regulation of traffic is indispensable and there can be no such thing as open competition without regulation whatsoever. When this basic principle is fully recognised, all the current opposition of the railways to the dismantaling of the present restrictions on roads can be explained on no other hypothesis than that of a fear complex which creates apprehensions for them that they would be unable to withstand the competition from truck transport in particular. What is now actually happening is that the railways are physically incapable of carrying all the traffic that is offering. This is a statement of fact which cannot be controverted and, if any doubts are raised about it at all, the sceptics have only to recall the oft-emerging and acute rail transport bottlenecks in the country, creating not only shortages of transport but critical situations to the point of deadlocks in production.

This stage, when the railways have reached the maximum point of capacity within the allocable resources to carry the traffic that is offered, must compel loud thinking in real earnest whether the time is not long overdue to allow road transport to rise to its legitimate stature. There have been some periods even in the midst of the high tempo of economic development since 1951, when railway finances have touched the low point of profitability and the position of their reserve funds has shown their inability to provide even fractional amounts to finance their development. The recur-

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rence of these downward fluctuations in their financial fortunes are responsible for producing high pressures from the railways to restrict the expansion of road transport. But certainly it would be absolutely wrong on the part of the Planning Commission and the Government to formulate a policy for perspective planning on the basis of what happens to the railways occasionably to the detriment of their financial interests.' A long-term policy must be determined by overall long-term considerations and not by the difficulties emerging in railway operations owing to seasonal influences. The fact that the railways have exerted their influence under these situations to continue the restrictive conditions on the operation of road transport is not at all a figment of imagination, but as will be shown subsequently it is a hard reality.

What precisely are the lines on which policy for road transport should be re-oriented, so that this system of potential growth and ever-growing capacity to carry traffic can provide the much-needed balance in the transport system and help to avert the recurrence of bottlenecks? The answer to this fundamental question can be given from two specific and important angles. First, in the order of actual operation of road services, come the manifold restrictions which have been imposed on motor transport services. When one ponders over the difficulties in procuring transport capacity, one wonders how these restrictions are still allowed to be clamped in spite of legislative provisions and other agreements for following an enlightened policy to the contrary. The limit of distance—normally 300 miles—which is imposed on the operating permits granted to road transport operators is certainly an anachronism in the present-day situation. It has been agreed in principle by all the State Governments that a permit should be available for the operation of the vehicle throughout the State. But while this agreement has been obtained in principle, in actual policy a number of States are continuing to impose restrictions of route mileage on the public carriers operating intra-State services. This agreement was obtained in pursuance of the recommendation contained in the Masani Committee's report. But its operation has been deferred indefinitely because of the objection raised by the Railway Ministry that it should not be put into force and should await the result of the Neogy Committee's report on this specific point.

To obtain a permit which is obligatory for every single vehicle owned by an operator is a time-consuming, vexatious and harrassing process. Something like half a year is required before a permit can be obtained and exceptional cases of States like Orissa and Bengal have been cited, where, in the absence of full-time Regional Transport Officers, the delays in the issue of permits extend as long as upto one year. Since the validity of the permit is restricted to only one transport region comprising different numbers of districts, counter-signatures of the Regional Transport Officers are essential for their operation outside the region in the same State. Curiously enough, the process of counter-signature also entails considerable delays. The obligation to obtain an operating permit in the case of each single vehicle puts a brake on the expansion of the fleets of the existing enterprises. Any motor transport enterprise which wants to enlarge its fleet either to serve the growing traffic needs in the same area or to undertake the operation of new routes has to pass through the same dilatory process of permit procurement. This is contrary to the practice of most other countries where such a narrow and irksome interpretation is not put on the validity of permits.

It is true that over large route lengths railway lines and roads have developed parallel to each other. The mistake originally committed in not avoiding this sort of duplication can be attributed to the road planners, but it is hardly correct to say that traffic for both the systems is not available in sufficient volumes in a majority of such parallel rail and road routes. The practical difficulties in bookings on the railways and the quantities of traffic available make it necessary for the transport user to opt for motor transport. It stands to reason that the consumer's choice to use the mode of transport which he considers economical or convenient should not generally be interfered with. When the Motor Vehicles (Amendment) Bill was being debated in Parliament, the clause seeking to impose length restrictions on trucks in such areas of parallel routes was thrown out because of the overwhelming opposition from the House. In the result, there is no statutory restriction now in the Act preventing truck operators to operate services in such regions. But it is noteworthy that the principle of fair competition which Parliament wrote into the legislation by throwing out this clause appears to have been flouted by the Railway Ministry. Under its inspiration the Ministry of Transport and Communications has officially intimated the State Governments to refer to the Railway Ministry all applications for permits for distances in excess of 300 miles to ascertain whether the railways have any objections to raise to the issue of such permits. Wherever the railways raise objections, the issue is referred to the Inter-State Transport Commission and the delays of several months involved in this irritating and dilatory process serve the purpose of defeating the applicant's project of strating the service. This is how legislation is circumvented in practice, if only because competition is to be evaded.

There has been so much talk of encouraging through truck transport services crossing the frontiers of different states in the interest of long distance speedy and economical transport. But arrangements between different States have not developed so as to encourage this through inter-State traffic. Even between two contiguous States agreements to allow operations of permits in both are based on the principle of reciprocity. But in practice the utility of these agreements has been nullified by the emphasis on the policy that the number of vehicles allowed to operate inter-State services should be equal from both the sides. On the face of it, this principle of parity may appear sound, but in practice, when there is a gross disparity between the levels of the development of motor transport in the two States, involving a substantially large vehicle strength in one State and a small vehicle stock in another, the principle of parity practically makes nonsense of the agreements. The development of inter-State motor transport continues to be hampered even now after the establishment of the Inter-State Transport Commission for no other reason than that the Commission does not yet possess powers to issue permits for inter-State operations.

But easily the more important angle from which the limitations on the growth of motor transport ought to be considered with a view to liberalising their operations is the current polcy of taxation which impinges sharply on them. This subject has been discussed threadbare by the Motor Vehicles Taxation Enquiry Committee, but action on its plain recommendations has not been taken in earnest so far. In brief, the position is that about 30 per cent of the inflated cost of a new vehicle is attributable to the import duties on components, excise duty on tyres and again an excise duties on vehicles, tyres, batteries, the sales-tax on vehicles, tax on passengers and that irksome levy at several points of octroi on vehicles plying the routes. Coming to the motor transport industry, over 30 per cent of its operating revenue is eaten away by various taxes. This order of taxation is pitched at a prohibitive level as would be apparent from the fact that it is two to three

times as high as that imposed in other countries. Then taxation of petroleum and diesel oil is also prohibitive. It is estimated that the tax on petrol is almost equal to the rail freight on the basis of per ton-mile unit, while the tax on diesel comes to 75 per cent of the railway freight. The result of this heavy incidence of taxation on motor transport has been to discourage investment in this industry.

In the industrialized countries large-scale enterprises often find it convenient and economical to maintain their own fleets of private carriers. Such fleets dispense with the delays and the higher costs involved in requisitioning the services of rail transport or public road operators. In India transport costs for manufacturing industries would be reduced in no small measure, if it were possible for the enterprises to maintain their own private carriers. But the burden of taxation and the permit restrictions have been responsible for the almost total absence of such fleets.

The extent to which the State Governments in particular have come to acquire a stake in motor taxation to finance their general needs in the budget is easy to find. In 1960-61 the combined revenue of the Central and State Governments from vehicle and motor transport taxation was Rs. 170 crores, as against which expenditure on roads was Rs. 95 crores, leaving a surplus of Rs. 75 crores that could be appropriated to general expenditure. It is undoubtedly true that the principle of applying revenue precisely to meet the expenditure requirements of the same source cannot be accepted in budgeting for the simple reason that a large number of items of expenditure would be starved in that case. But in a stage of rapid economic development, when transport capacity is in ever-growing demand and under high pressure the correct policy should be to divert a high proportion of the revenue from motor vehicle transport taxation to road development. Government cannot in one breath plead lack of funds for undertaking a restricted programme of road expansion and in another divert motor taxation revenue to financing other projects. This position is certainly incongruous and the incongruity is highlighted by the fact that transport shortages are assuming grave proportions now.

In tables TRNS-1 & 2 in this Section will be found the details of the expansion of motor vehicles according to their different categories for the whole of India as well for the individual States separately. One point bears mention here. During 1950-51 to 1960-61 the number of trucks doubled from 81,900 to 165,700. Considering the enormous expansion of freight-traffic and the inability of the railways to carry all that was offered to them, the number of trucks ought to have increased still higher. But because of the route and taxation restraints it remained at this level. Even so, the high potential of motor transport to lift traffic is clearly demonsrated by the fact that between 1950-51 and 1960-61, the traffic carried by it in terms of ton-miles was trebled in spite of only a doubling of truck capacity. If the restrictions on truck transport which have now become unreasonable are removed, the bottlenecks in transport can be eliminated or at least reduced to the minimum extent. The argument for allowing motor transport to take its ligitimate place in the transport system of the country, unhampered by rail-biased restrictions, rests on sound grounds.

At the present moment 84 per cent of the freight traffic is carried by the railways while a mere 16 per cent is lifted by truck transport. This is the reason why a considerable volume of industrial freight traffic stagnates for want of transport capacity. The speed of a truck is estimated to be three times as fast as that of a railway train which would thus help a much more rapid turnover of traffic when carried by trucks than when it is transported by railways. It is estimated by the Neogy Committee that during the Third Plan period the increase in road freight traffic would be of the order of 120 per cent from 10,600 million ton-miles in 1960-61 to 23,350 million ton-miles in 1965-66. There is no reason why a larger volume of traffic should not be carried by motor transport, if only the automobile manufacturing capacity could be raised to the adequate level. Considerations of foreign exchange, however, may set the limits to the enlargement of truck fleets. But these considerations also apply to the expansion of some of the railway rolling stock. If the common limitation is taken into consideration, the correct policy would be to release motor transport from its present shackles and to allow it to find higher levels of which it is demonstrably capable. If the accent on motor-transport is not excepted as a compelling necessity in the present situation, the question of acute transport shortages will continue to remain intractable.

Coastal Shipping

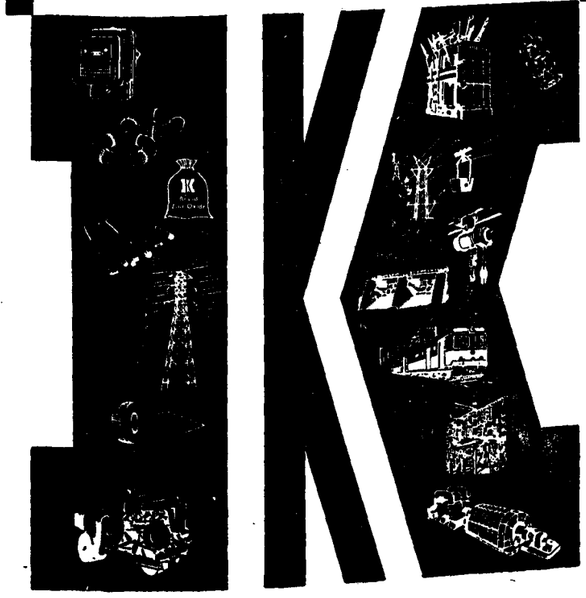
THE SCOPE of the disussion on transport in this Annual Number is deliberately confined to such aspects of this system of communications as have a direct bearing on the existing shortages as manifested in the recurring bottlenecks. The conventional policy of treating the nation's transport system virtually co-extensive with the railway system may have had some justification about two decades ago. But the experience of the war and particularly the experience of the post-planning era have forced much agonising reappraisal of this tough problem of inadequate transport. Even so, the slow-moving, inward-looking, but not altogether inexplicable, attitude of the Railway Ministry has been responsible for the grudging manner in which policy for transport is being liberalised so as to make room for expansion on a large scale for the other modes of domestic surface transport. In the foregoing Section it has been pointed out how in the new Age of Roads a much freer scope ought to be given to the motor transport system which actually possesses a high potential of growth. Inland waterways possess, as will be pointed out at the end of this discussion, only a limited scope at the present time, although it is significant to remember that that scope relates to the strategic area of Assam.

The question now remains to be examined to what extent coastal shipping can be enabled to develop with the object of relieving the inadequacy of transport. He would be an adventurous optimist who would assert that coastal shipping can step forward to relieve in a considerable degree the pressure now being exerted on the capacity of the railways. The unpalatable truth of the situation is that coastal shipping is the anaemic child of the Indian transport system. At the present time it is being nourished on artificial food or tonics provided in the form of aids by the State. The real sustenance for the growth of coastal shipping must come from its natural blood, which is the expansion of cargo that can flow in progressively increasing volumes only with the development of agriculture and industry in the hinterland. In many of the maritime States the sea board offers facilities for good harbours and navigation, but the level of the economic development of the hinterland is low on account of the influence of natural resources. The development of this hinterland will be a steady and not rapid process.

The heroic struggle which Indian-owned shipping companies had to wage to find at least some foothold in

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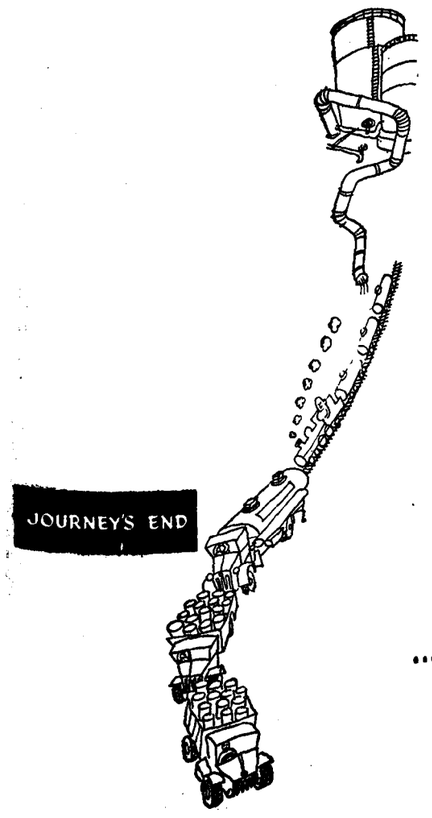


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the coastal operations is now a matter of history. Nevertheless, the fact must be recorded that the Government of India's action in reserving coastal shipping for the national bottoms by the declaration of its policy to this effect in 1950 is in no sense chauvinistic. It is an accepted policy of all the maritime countries, including the advanced and the industrialized ones, to reserve coast-wise shipping to national-owned enterprises. What is reserved on the Indian coast is the dry cargo trade and, although a tiny beginning has been made in setting up the nucleus of the national tanker tonnage, the wet cargo, which is now becoming available in large quantities with the progressive output of the oil refineries installed in this country, is taken care of by the refineries with the help of foreign-owned tankers which alone are available to them.

But even in the sphere of the dry cargo trade, from which theoretically foreign ships—even tramps—can be excluded, is not 100 per cent operated by Indian ships. There were some intermittant seasons when foreign tramp ships were pressed into service to cope with the increasing volume of the cargo trade on the coasts, in spite of some diversion of deep-sea going ships to the coast by the Indian companies. Outwardly it would appear paradoxical that despite coastal reservation foreign ships were invited to participate in the trade during periods of peak cargo offerings. But the paradox is not difficult to explain. It is one of the chronic handicaps of the coastal ports that the flow of cargo is not large and it is not expanding at a sufficiently fast rate to warrant the kind of targets that were fixed for the expansion of the coastal tonnage in the five-year plans.

One has only to compare the Indian tonnage employed on the coast with the target of tonnage fixed in the Plan. The target for the end of the First Plan for coastal tonnage was 3.12 lakh GRT. As against this, at the beginning of the Second Plan the tonnage actually in operation was 2.40 lakhs, showing a shortfall of 0.72 lakh tons. Between the beginning of the First Plan and the beginning of the Second Plan, the tonnage on the coast increased nominally from 2.17 lakh gross tons to 2.40 lakh gross tons. The target fixed at the end of the Second Plan (or the anticipated tonnage at the beginning of the Third Plan) was 4.12 lakh gross tons. As against this, the tonnage in actual employment at the start of the Third Plan was only 2.68 lakhs. Thus there was a wide gap of 1.44 lakh tons between what was actually employed and what was targeted.

The necessary lesson from this wide disparity was drawn in fixing the target for the Third Plan and it is significant to note that the target for the end of the Third Plan is 3.0 lakh tons, which is to be compared with the Second Plan target of 4.1 lakh tons. In terms of theoretical target-fixing, this is planning in the reverse. But it is realistic planning. The National Shipping Board has suggested that the Third Plan target should be revised upward to 3.4 lakh tons and the suggestion has been accepted by the Government. But, even so, it is to be compared with the higher Second Plan target of 4.12 lakh tons.

The tonnage statistics have been dealt with in the foregoing paragraph in somewhat great detail in order to draw attention to the basic reason which has kept it at low levels. That reason is that there is a chronic inadequacy of dry cargo on the coasts, which does not justify the coastal operators to incur heavy investment outlays on expansion, because unutilized tonnage entails a serious drain on their finances. Until 1960-61 the dry cargo volume offering for the coastal services was somewhat static around 25 lakh tons per annum. From time to time the coastal operators made demands, and quite reasonably, for the Government to make active intervention in this matter and to divert bulk cargoes, like coal and salt, to them from the railways. Salt has not received Government's approval as a matter of policy for diversion, but the recent acute transport shortages for the movements of coal brought the windfall availability of fresh cargo on a more or less permanent basis for the coastal shipping services. It is now envisaged that for the next three Plan periods at least the railways will not be in a position to lift all the coal that will be produced by the collieries in progressively increasing quantities, and therefore, the coastal services stand assured of the diversion of the coal traffic.

To what extent the diversion of coal from rail to sea has eased the problem of the normal shortage of cargo for the coastal operators is remarkable. In May 1961 the Government made a decision that 20 lakh tons of coal should be carried by sea, thereby doubling the quantity of 10 lakh tons which was already diverted to it earlier. If it is again recalled that in 1961 the cargo carried ranged in the neighbourhood of 25 lakh tons, the movement of the additional 10 lakh tons must make a significant impact on them. But the fleets under the coastal operators were certainly not adequate to the task of moving this additional coal cargo. It is here that foreign tramp ships were requisitioned. At the present time there are seven time-chartered foreign ships and six trip-chartered ships commissioned in the coastal trade.

If diversion of coal by the sea route is now assured and will be normalised after 15 years, the question that is posed is to increase the fleets owned by the Indian operators. This, however, is a difficult problem because the coastal operators have always had to face grossvicissitudes of short periods of prosperity and long spells of recession in the trade. The strains have left their scars on their financies. The question of acquisition of new ships is ultimately sought to be solved by buying second-hand foreign ships which, in spite of their shorter life, will prove economic propositions. Buying foreign ships requires inevitably an outlay of foreign exchange. Shipping is the one industry in which investment of foreign exchange for the acquisition of additional tonnage ought not be grudged inasmuch as operators can earn foreign exchange and pay back the purchase price in about eight years or so. But this special feature strictly applies to ships which operate the distant deep or ocean-going services on the international routes where the freight charges are paid in foreign currency. It does not apply at all to the coastal operators. They earn rupee revenue.

The question, therefore, is to raise foreign exchange for coastal tonnage on the same basis as it is to be raised for so many plants set up inside the country by importing capital goods. The first problem is to dispense with the thirteen chartered foreign ships. A solution has been found by allowing a private shipping company to acquire seven Liberty ships from America—of course, second-hand—at an economical price. Since the volume of coal cargo which will be diverted to the coastal services is bound to expand in the future, more ships will be required. It has been rightly pressed by the shipping industry that the possibility of acquiring a loan from the International Development Association should be fully explored as its terms of payment, maturity and interest are most convenient.

The carriage of coal draws attention to the question of the state of the freight rates prevailing in the coastal trade. The rates charged for coal by the coastal operators are certainly not unreasonable in relation to the cost of operation. But in comparison with what is charged by the railways they are high. Here the argument

of the coastal operators is logical and convincing. They point out that coal is carried as a special case at freight rates below the actual cost of carriage incurred by the railways. But the railways, on their part, have adopted this particular policy as a public utility and also because coal is an important fuel on which Indian industry is leaning heavily. The various ingredients of cost which enter into the operating cost structure of coastal shipping have gone on increasing partly because of the increases in the world prices of imported materials, the costs of ships, labour charges and additional taxation imposed by the Government. This makes their financial equilibrium precariously poised because of the low level of the cargo offering and its sluggish tendency to increase. But the coastal trade cannot be expected to operate continuously at uneconomic rates. There is, therefore, every sense and justification in its demand for an increase in freight rates.

The first increase that was allowed by the Government was of the order of 15 per cent overall and introduced in 1957. As costs began to mount up, another dose of increase was again permitted by the Government effective from June 1962 and this also was of the order of 15 per cent. In a poorly developed hinterland, higher rates for cargo carriage are likely to add to the pressure of regional inflation. But there is little reason to suppose that the higher freight rates would prove regressive because the hinterland does not have any mentionable alternative to shipping for its transport requirements. However, progressive increases in the rating structure are not in the least a distinctive feature of coastal shipping alone. On the road services, but more specifically in the recent years on the railways, freight rates have been significantly enhanced. Furthermore, it ought to be noted that, while enquiry committees were busy with their investigations into the railway freight rate structure, the Government surmounted the immediate difficult problems of revenue by levying what was called as an interim surcharge on freight, but subsequently merged in the regular rates after the committees reported.

Inland Waterways

INLAND NAVIGATION fell into such a serious neglect, particularly in the second half of the last century after the advent of the railways, that in most parts of the country, except in Assam, Bengal and Kerala and to a small extent, Madras, a start has to be made with the resuscitation of the waterways, which were in constant use as a normal mode of internal surface transport in the country. The Inland Water Transport Committee was the only organisation which was officially appointed since independence to make an all-India survey of the potential of this mode of transport, to make recommendations on the regeneration of such of the traditional waterways which have completely gone out of use and to consider their problems in relation to their impact on the railways in particular. This Committee has produced, after a commendable and exhaustive enquiry, a very useful report. Its approach has been objective and it has made recommendations by setting out a long enumeration of priorities which the Government can phase over a convenient period of time. If the necessary attention, resources and particularly finances are devoted to implement the objective recommendations of this Committee, inland waterways will be revived on a scale warranted by the availability of navigable sections of the bigger and medium rivers. To this may be added the navigation component of the multipurpose river projects which have been executed or are under the process of execution since the era of planning. So far little action has been taken on the report of the Inland Water Transport Committee. Now that domestic surface transport is posing a continuous and serious problem, in the Fourth Plan at least a sufficient allotment should be made to the initial phase of the revival or new construction of navigable ways.

At the present time, inland water transport has been developed to a high degree in North-East India alone. The existence of inland water transport services in Kerala covers the two systems of freight and passenger services with an emphasis on the latter. But the isolated position of Assam, its topography and the high external-trade-intensity of that State have made the use of inland navigation routes a matter of urgent necessity. At the present time two major routes are operated between Calcutta and points of Assam by water transport. They are the Calcutta-Assam and Calcutta-Cachar water routes. The Calcutta-Assam route is the biggest of all including the minor service operated by the State-owned Ganga Brahmaputra Water Transport Board and another minor service run by a Pakistani company primarily for the jute traffic between East Pakistan and Calcutta. This premier route between Calcutta and Assam is served by a fleet of vessels, mostly powered vessels, whose total carrying capacity is 156,000 tons. Between both the destinations the volume of cargo carried on this route per year is of the order of 914,000 tons. Over 66 per cent of this cargo is carried by the Joint Steamer Companies. The Calcutta-Cachar route has a fleet of vessels with a combined capacity of 7,400 tons and its annual average of cargo carried is 125,000 tons. In the downward direction there is still a surplus capacity on the waterways from Assam which is estimated at somewhere in the neighbourhood of 2,000 tons a year. This capacity will remain unutilized until demands of additional cargo are created by a higher productive activity in Assam which means particularly the growth of its plantations and the export of their output.

The development scheme of inland waterways in this region aims at the integration of the principal river and canal navigable routes. That scheme is known as the Farraka Barrage scheme which will integrate also the navigable sections of the Bhagirathi over a distance of about 180 miles. One of its most outstanding benefits will be to help the problem of the highly accumulating silt in the Hooghly at its mouth. The other schemes of inland waterways in the eastern region possess a modest scope and among them mention may be made of the Durgapur Barrage, taking the link to Tribeni on the Hooghly. The Durgapur Barrage is to be developed mainly for the transport of coal.

Considering the intensity of the pressure of the seaborne traffic after the partition of the country, due appreciation must be given to the imaginative manner in which the problem of the major ports has been tackled by the Government of India. It has every reason to be proud for setting up the major port of Kandla as a substitute for Karachi which has been lost to Pakistan. It is true that the condition of berths, handling facilities and the lack of mechanization at the major ports like Calcutta and Bombay resulted in critical situations of congestion, resulting on some occasions in the penal imposition of a special surcharge for detention time. But here it must be pertinently stressed that this problem of port congestion has plagued even that intensely developed maritime country of the United Kingdom and the liner services imposed penal surcharges on the British ports also for detention due to congestion. The five-year plans have made, within the limits of finance, a good provision for the improvement of ports. But this development and outlay are undertaken positively with

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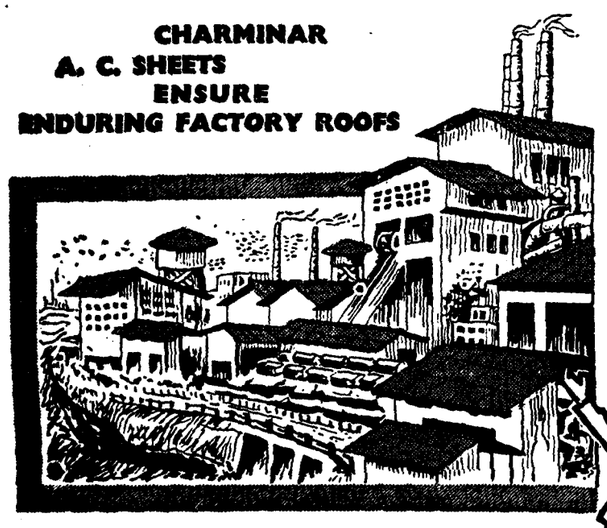
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TABLE: TRANS NO. 1

MOTOR VEHICLES IN USE: 1950-51 — 1960-61

Year	Motor cycles and auto-rickshaws	Passenger cars and Jeeps	Taxis	Buses	Trucks	Others	Total
1950-51	26,860	147,712	11,551	34,411	81,888	3,891	306,313
1951-52	26,841	149,340	12,264	34,637	84,013	2,651	309,746
1952-53	29,211	155,234	13,213	38,728	91,425	6,430	334,241
1953-54	30,242	159,630	14,279	40,276	98,902	9,724	353,053
1954-55	33,324	170,682	15,354	40,987	104,389	11,741	376,477
1955-56	40,961	187,866	15,318	46,461	119,097	15,857	425,560
1956-57	45,868	203,512	16,027	38,415	123,386	20,091	447,299
1957-58	59,200	227,824	15,325	35,595	133,111	31,427	502,482
1958-59	65,862	250,496	16,823	47,121	148,252	30,978	559,532
1959-60	72,282	256,233	17,729	49,623	149,594	33,563	579,024
1960-61	93,889	297,179	16,328	54,593	165,742	36,804	664.535

TABLE: TRANS NO-2

MOTOR VEHICLES IN USE BY TYPES

(As on 31st March 1961)

State	Motor cycles	Auto-rickshaws	Jeeps	Private motor cars	Taxis	Buses	Goods vehicles	Miscellaneous vehicles	Total
Andhra Pradesh ..	6,899	64	2,480	19,656	436	5,294	10,863	2,579	48,271
Assam	983	16	1,633	7,554	446	1,281	7,606	4,197	23,716
Bihar	3,386	..	..	10,395§§	708	1,881	7,766	984	25,120
Gujarat	6,579	1,034	2,060	12,155	605	2,447	9,371	2,887	37,138
Maharashtra	13,458	383	2,016	49,286	6,416	5,347	27,142	3,018	107,066
Kerala	1,656	92	936	8,310	1,525	3,133	4,574	671	20,897
Madhya Pradesh†	3,106	104	2,715	10,359	187	3,088	11,016	2,535	33,110
Madras	8,393	591	1,513	25,465	1,963	5,179	10,265	1,987	55,356
Mysore	5,568	583	1,769	14,400	994	4,015	10,600	1,425	39,354
Orissa§	1,262	..	2,078	2,786	62	355	4,919	532	12,494
Punjab‡	3,511	258	1,223	3,943	194	2,930	5,895	4,204	22,158
Rajasthan	3,028*	..	..	11,412@	339	4,869	8,674	4,700	33,022
Uttar Pradesh	9,906	26	3,003	15,237	313	7,512	15,092	1,582	49,671
West Bengal (as on 31-12-61)	11,875	129	..	68,736**	..	4,450	24,496	5,095+	1,14,781
Jammu and Kashmir†† ..	126	..	198	696	109	640	1,974	15	3,758
Delhi	11,234	2,480	..	14,285@	1,937	1,242	3,929	125	35,232
Tripura	38	..	410	29	38	180	529	121	1,345
Himachal Pradesh ‡‡ ..	34	..	95	88	36	208	431	21	913
Manipur	41	..	148	40	3	32	488	88	840
Andaman and Nicobar Islands as on 30-9-1961) ..	46	..	46	24	17	10	112	38	293
TOTAL	**88,129**	**5,760**	**22,323**	**2,74,856**	**16,328**	**54,593**	**1,65,742**	**36,804**	**6,64,535**

* Includes auto-rickshaws.
† Figures as on 31st March, 1959.
‡‡ Figures as on 30th June, 1960.
§§ Includes auto-rickshaws and jeeps.
†† Figures as in 1957.
@ Includes jeeps.
\+ Includes 737 tractors.
** Includes jeeps and taxis.
§ Figures as on 30th June, 1961.
‡ Figures as on 31st March, 1960.

TABLE TRNS. NO. 3.

RAILWAY TRAFFIC — WAGONS LOADED(1)

(i) Broad Gauge

(Number in thousands)

		Total Wagons Loading	Revenue Earning Traffic						
			Total	Coal & Coke	Grains & Pulses	Oil seeds	Cotton Raw	Cotton Manufactures	Jute Raw
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1951	Monthly Average ..	352.5	..	95.4(2)	29.8	4.2	2.9	2.0	3.6
1955	„ „ ..	409.3	347.0	79.9	28.8	5.7	3.3	2.1	4.5
1956	„ „ ..	434.2	370.1	85.1	29.8	5.7	3.4	1.9	6.1
1957	„ „ ..	455.3	385.7	89.1	34.6	5.5	3.1	1.7	6.1
1958	„ „ ..	460.8	390.8	90.0	37.1	5.2	2.8	1.3	6.2
1959	„ „ ..	491.8	418.1	99.6	39.0	5.2	2.6	1.3	5.8
1960	„ „ ..	514.3	438.4	111.4	37.9	4.9	2.5	1.1	4.7
1961	„ „ ..	527.2	452.5	120.2	35.8	4.6	1.9	0.9	5.0
1962 (4)	„ „ ..	552.5	471.1	127.2	35.3	4.7	2.2	0.9	5.2
1961	August	522.1	446.1	128.5	33.8	3.5	1.2	1.0	3.2
	September	504.4	431.3	121.0	33.5	3.0	1.1	0.9	5.4
	October	510.7	441.6	119.4	35.3	3.2	1.4	1.0	5.8
	November	520.2	447.5	124.4	35.5	5.7	2.3	1.2	5.8
	December	535.2	461.9	129.9	32.8	5.1	0.6	0.5	8.2
1962	January	551.2	470.3	116.1	37.6	4.8	1.9	1.0	8.3
	February	535.7	460.9	109.0	37.1	4.5	2.4	1.0	6.6
	March	580.0	498.5	126.2	34.5	4.9	2.9	0.9	7.6
	April	555.0	475.3	121.0	36.6	5.1	3.3	0.9	6.2
	May	546.9	466.1	119.0	38.3	4.9	2.4	0.8	5.2
	June	528.9	452.4	125.5	32.1	4.3	2.5	0.9	4.2
	July	562.3	477.3	134.2	34.1	4.7	0.9	0.8	4.7
	August	569.4	484.4	136.2	35.2	4.5	1.0	1.0	5.5

		Revenue Earning Traffic — (Contd.)						Non-Revenue Traffic	
		Sugar	Cement	Iron & Steel	Tea	Manganese & Iron Ores	Total	Coal & Coke	Other Stores
	(1)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
1951	Monthly Average ..	3.2	8.5	10.9	0.8	16.3	..	18.3(3)	8.1
1955	„ „ ..	4.3	12.5	14.1	1.2	20.4	62.3	46.8	15.5
1956	„ „ ..	5.0	13.4	15.6	1.2	22.8	64.1	49.7	14.4
1957	„ „ ..	5.4	15.7	19.3	1.0	24.9	69.6	33.2	16.4
1958	„ „ ..	4.5	14.7	20.7	1.0	23.9	70.0	53.0	16.9
1959	„ „ ..	4.5	17.4	23.0	1.2	34.8	73.7	56.4	17.3
1960	„ „ ..	4.6	17.8	25.9	1.1	42.0	75.9	60.9	15.0
1961	„ „ ..	4.9	17.2	28.8	1.1	48.1	74.7	61.0	13.7
1962(4)	„ „ ..	6.1	15.7	31.3	0.7	53.0	81.4	66.9	16.5
1961	August	5.8	16.0	29.3	1.5	48.3	76.0	61.3	14.7
	September	6.2	17.6	27.5	2.1	46.5	73.1	57.9	15.2
	October	7.4	17.2	28.7	1.4	50.6	69.1	56.6	12.5
	November	4.0	19.0	28.2	1.5	45.9	72.7	60.6	12.1
	December	5.1	18.7	28.4	1.8	46.0	73.3	61.1	12.2
1962	January	3.2	17.4	29.9	1.2	49.8	80.9	67.2	13.7
	February	5.2	16.0	28.3	0.3	48.4	74.9	60.1	14.8
	March	4.6	18.4	34.3	0.2	52.9	81.5	67.4	14.1
	April	6.1	17.5	29.6	0.3	48.8	79.7	64.1	15.6
	May	5.7	16.2	31.9	0.4	50.7	80.8	65.7	15.1
	June	5.5	13.7	30.7	0.9	51.2	76.5	61.2	15.3
	July	6.9	14.8	30.5	1.3	56.7	85.0	67.1	17.9
	August	6.3	16.2	33.7	1.4	57.6	85.0	76.3	18.7

(1) In terms of four-wheelers. Annual figures relate the year commencing from April. Figures relate to all Government Railways.
(2) Includes also figures for non-revenue traffic.
(3) Relates to wagon loadings for home lines consumption only.
(4) Average of the monthly available figures from April 1962.

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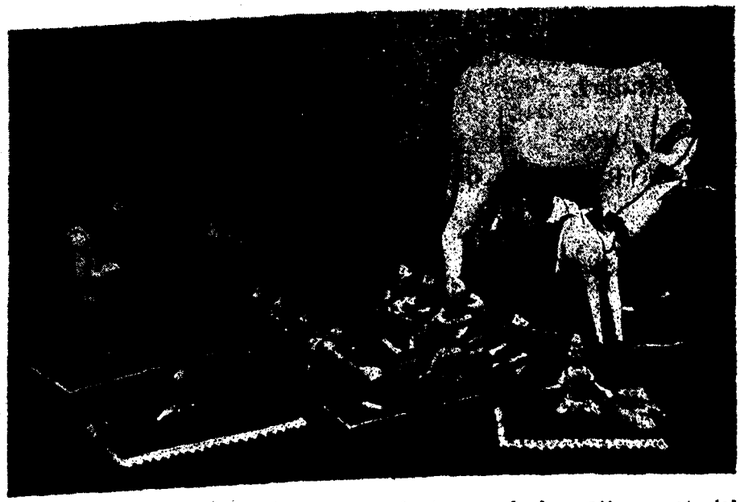
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TABLE TRD.-3.

RAILWAY TRAFFIC — WAGONS LOADED (1) — (Contd.)

(ii) Metre Gauge

(Number in thousand)

	Total Wagons Loading	Revenue Earning Traffic						
		Total	Coal & Coke	Grains & Pulses	Oil seeds	Cotton Raw	Cotton Manufactures	Jute Raw
(1)	(2)	(3)	.. (4)	(5)	(6)	(7)	(8)	(9)
1951 Monthly Average	217.3	..	17.3(2)	22.3	4.3	2.2	1.1	5.5
1955 „ „	244.8	221.6	17.4	23.4	6.3	2.4	1.3	3.4
1956 „ „	263.7	237.8	18.5	25.6	6.9	2.2	1.0	5.1
1957 „ „	283.8	254.0	20.8	32.8	6.8	2.3	0.9	5.9
1958 „ „	275.4	234.9	23.3	33.8	6.8	2.1	0.5	6.0
1959 „ „	290.4	256.0	19.8	33.8	6.2	1.9	0.4	6.3
1960 „ „	299.7	264.0	21.2	31.8	6.1	1.7	2.1	5.0
1961 „ „	293.6	258.0	21.9	31.1	4.9	1.4	0.2	5.5
1962(4) „ „	291.7	254.2	22.2	31.8	5.0	1.5	0.2	5.4
1961 August	279.0	237.6	24.2	32.7	2.7	1.1	0.2	5.9
September	275.0	235.6	23.5	29.5	3.1	0.8	0.3	7.4
October	253.9	223.9	22.1	29.5	3.9	1.2	0.2	6.6
November	266.7	234.9	23.2	28.0	6.0	1.0	0.3	6.0
December	297.6	264.4	23.2	25.5	6.4	1.0	0.2	7.5
1962 January	321.5	286.7	22.3	30.6	5.5	1.5	0.1	7.4
February	312.2	276.8	18.8	31.4	5.1	1.6	0.2	6.7
March	333.9	294.8	19.2	30.4	5.9	1.9	0.2	7.8
April	314.7	275.1	21.3	27.8	5.6	2.5	0.2	6.3
May	305.6	267.0	20.6	34.0	5.5	1.8	0.2	4.7
June	279.8	244.0	21.7	31.8	5.0	1.5	0.2	5.0
July	279.4	241.8	23.3	31.7	4.9	1.5	0.2	5.3
August	279.1	243.0	24.2	33.6	4.0	1.2	0.3	5.8

	Revenue Earning Traffic — Concld.)						Non-Revenue Traffic	
	Sugar	Cement	Iron & Steel	Tea	Manganese & Iron Ores	Total	Coal & Coke	Other Stores
(1)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
1951 Monthly Average	4.9	5.8	2.3	2.3	1.6	17.4(3)	..	..
1955 „ „	4.9	9.4	2.8	1.6	3.7	23.3	15.7	7.6
1956 „ „	6.3	8.9	3.5	1.9	4.9	25.9	16.8	9.1
1957 „ „	7.0	10.7	4.4	1.9	5.7	39.7	20.6	9.1
1958 „ „	6.2	10.8	4.3	1.6	6.1	30.5	20.5	10.0
1959 „ „	5.8	14.4	4.4	1.9	7.5	34.4	22.3	12.1
1960 „ „	6.1	15.7	5.3	1.6	8.0	35.7	23.0	12.7
1961 „ „	5.9	16.1	6.0	1.8	8.1	35.3	24.0	11.6
1962(4) „ „	6.8	14.7	6.6	1.4	6.9	37.5	25.0	12.6
1961 August	8.2	16.0	5.5	3.4	7.5	41.4	27.5	13.9
September	7.7	16.7	5.8	4.0	6.9	39.4	25.2	14.2
October	7.2	15.0	5.8	3.0	8.0	30.0	20.2	9.8
November	5.0	16.3	6.4	3.0	8.4	31.8	21.8	10.0
December	4.6	16.9	5.1	2.2	5.8	33.2	24.3	8.9
1962 January	4.2	16.7	6.0	0.8	6.4	34.8	24.3	10.5
February	5.4	15.6	6.5	0.3	7.3	35.4	25.0	10.4
March	6.4	16.9	6.8	0.1	7.9	39.1	25.3	13.8
April	7.2	15.0	6.5	0.2	6.8	39.6	25.7	13.9
May	6.2	15.2	6.5	0.4	5.8	38.6	24.5	14.1
June	6.0	14.3	6.1	1.6	5.9	35.8	24.0	11.8
July	7.2	14.0	6.9	2.6	7.3	37.6	25.9	11.7
August	7.6	15.0	7.1	2.6	8.9	36.1	24.7	11.4

Source: Railway Board, Ministry of Railways.

(1) (2), & (4) See foot-notes on page 1394.
(3)Details not available.

TABLE TRNS NO. 4.

CARGO HANDLED AT MAJOR PORTS

IMPORTS

('000 metric tons)

Year	Calcutta	Bombay	Madras	Vizagapatnam	Cochin	Kandla	Total
1950-51 ..	3,090	5,268	1,956	68	1,115	..	11,497
1951-52 ..	4,158	5,900	1,885	296	1,283	68	13,590
1952-53 ..	3,372	4,770	1,899	155	1,245	49	11,490
1953-54 ..	2,767	4,851	1,667	189	1,254	36	10,764
1954-55 ..	3,292	5,720	1,743	244	1,217	63	12,279
1955-56 ..	3,464	6,814	1,862	232	1,241	208	13,821
1956-57 ..	4,423	8,371	2,065	502	1,329	333	17,023
1957-58 ..	5,604	9,451	1,915	1,164	1,427	619	20,180
1958-59 ..	5,146	8,553	1,765	1,355	1,355	896	19,069
1959-60 ..	5,033	9,564	1,841	1,222	1,550	841	20,051
1960-61 ..	5,580	10,858	2.162	1,386	1,647	1,251	22,884
EXPORTS							
1950-51 ..	4,533	1,729	253	892	248	..	7,655
1951-52 ..	5,578	1,700	305	952	323	66	8,924
1952-53 ..	6,456	1,974	341	1,065	331	114	10,281
1953-54 ..	5,422	1,982	503	1,224	329	85	9,545
1954-55 ..	4,646	1,985	493	809	360	151	8,444
1955-56 ..	4,696	3,657	638	1,112	394	105	10,602
1956-57 ..	4,588	3,800	642	1,012	426	148	10,616
1957-58 ..	4,715	3,869	629	1,312	402	239	11,166
1958-59 ..	4,199	3,387	714	1,131	453	191	10,075
1959-60 ..	4,750	3,793	921	1,169	429*	300	11,362
1960-61 ..	4,073	3,962	926	1,463	393**	347	11,164

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

TABLE: TRNS NO 5

CIVIL AVIATION

Year	Hours flown	Kilometres flown	Passengers carried	Freight carried (Kgs.)	Mails carried (Kgs.)	Capacity tonne/ kilometres offered	Revenue tonne/ kilometres
1946	29,539	7,274,110	105,251	855,205	465,489	13,958,814	10,450,977
1947	59,312	15,065,740	254,960	2,561,253	637,221	30,409,451	23,473,564
1948	78,961	20,355,658	341,186	5,430,719	717,753	43,038,559	31,552,054
1949	93,944	24,297,781	357,415	10,203,936	2,282,067	59,747,490	38,016,850
1950	117,422	30,409,556	452,869	36,284,243	3,789,634	85,442,250	56,274,308
1951	118,684	31,377,335	449,462	39,757,473	3,256,966	93,865,492	63,797,572
1952	119,490	31,481,556	434,480	39,019,322	3,799,008	92,770,622	61,249,024
1953	114,796	30,902,403	403,992	38,467,157	4,011,873	92,471,392	60,894,560
1954	117,402	31,861,366	431,595	39,190,433	4,840,238	102,435,076	67,341,702
1955	125,655	34,224,201	468,894	44,534,986	5,205,483	122,425,007	80,458,355
1956	136,813	37,788,194	558,625	43,642,216	5,753,389	151,741,766	99,085,104
1957	134,453	37,812,238	615,321	38,862,147	5,932,251	163,358,727	107,986,155
1958	135,046	39,553,498	696,175	42,467,081	6,171,545	182,958,669	117,610,852
1959	131,397	39,817,000	736,160	33,504,096	6,825,047	197,754,024	125,277,067
1960	133,648	41,423,973	855,203	38,205,812	6,816,897	242,868,574	146,066,573
1961	139,276	44,178,790	948,387	40,079,461	7,360,506	308,560,195	184,878,808

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Education

EDUCATION has its fundamental role to play in the context of the emergency facing the country today. The situation that has now been created is bound to affect in various ways the progress of educational programmes contained in the Third Five-Year Plan. In fact, it is quite clear that under the pressure of this crisis several vital aspects of the system of education have to be reoriented and previous failures corrected without any delay. To understand the new role of education and the extent to which readjustment is necessary, we have to assess the pattern of education that has emerged during the previous decade.

It must be recognised that during the years of planning, the level of education has definitely improved. It may be added that the limited meaning that is attached to education is essentially due to the reason that we retained by and large the system that we inherited from the British regime. Adjustments to an economically and technologically activated state were slow. It is the present crisis that has made us sorely conscious of this fact. The stress in education has been primarily on the expansion of literacy as well as the creation of graduates in arts and in the classics. In this sense, therefore, the level of education has improved. But in terms of diversification and the quality of education which can be assessed only from the out-turn of the trainees, we have to apply various other norms of judgement.

Nevertheless, it is not a mean achievement that more than 62 per cent of the children in the age-group 6-11 are already going to school. It appears really magnificent when we see that in actual terms it means that of the total population in that age-group, quite over 80 per cent of the boys are already being provided with school education, which in most cases is free. Girls, on the other hand, are not attending schools to the same extent. But that is due to the grip of conservative traditions. As many as 40 per cent of them are going to school in the age-group 6 to 11. There are certain States where the number of girls going to school is very low. For instance, in Rajasthan, it is just 15 per cent, in Madhya Pradesh also it is 19 per cent, in Uttar Pradesh 20 per cent, in Orissa 24 per cent and in Punjab 36 per cent. In other States, however, in terms of elementary education of girls, the performance has been good, though not very flattering. If the Third Plan in the present form is allowed to proceed (which perhaps is not certain), it will mean that by 1966 as many as 90 per cent of the boys and over 60 per cent of the girls in this age group will be going to schools.

Similar is the state in the case of education at slightly higher levels. In the middle school category, the improvement has been quite marked. During the decade against 12 per cent at its beginning, at present more than 23 per cent of the children in the age-group 11-14 attend the schools. Children between the age group 14-17 who go to school are nearly 12 per cent of the total age-group population. The Third Plan target for this group is 16 per cent.

It is true that the problems that face the educationists at this level are substantial because in the rural areas there is a double disadvantage. It is very difficult to convince the parents or guardians to let the children stay in the schools because in this age-group many children are helpful in eking out a living. At the same time, it is difficult to equip the schools with teachers who would be prepared to live in the villages. Teachers with a background in the rural areas are not sufficient in numbers at the moment. The performance has, however, not been altogether discouraging. The number of teachers' training colleges was increased from 53 in 1950-51 to 236 in 1960-61. During the Tnird Plan period, the training colleges were expected to increase to 313. In addition to this the present training colleges were expected to be strengthened and expanded to increase the capacity so that a sufficient number of trained teachers was available. Then, in the case of female teachers, who even in urban areas were in short supply, arrangements had to be made to encourage women students to study teaching courses which were of special interest to girl students, such as, home science, music, drawing, painting, nursing etc. For these schemes scholarships were provided and the University Grants Commission also advanced liberal assistance for womens' colleges and womens' hostels.

What is of major significance is the training of students in technology, engineering and other professions, like, medicine, law, business administration, etc. It may be observed here that in certain States, professional colleges were very small as compared to the number of arts and science colleges. In some States, on the other hand, the progress had been quite marked. For instance, in Madras, Maharashtra, and Mysore, the number of professional colleges was nearly double the number of arts and science colleges. This, however, does not mean that the number of students that were being trained at these colleges was, in any way, double the number of the arts and science tudents. A professional training college always has a small number of students. It shows nevertheless that the institutions were there and special efforts had been made during the previous decades to establish them. But in sharp contrast, it can be seen that in Punjab, Rajasthan, Uttar Pradesh and West Bengal, the number of professional colleges was everywhere less than half that of arts and science colleges. Effort, however, was being made by the planners to correct this tardy growth. In fact, during the formation of the Third Plan, when this problem came to the fore, it was believed that expenditure on technical education should be increased, so that the bias was sufficiently shifted in favour of such education. As against 13 and 19 per cent expenditure on technical education during the First and Second Plans, the Third Plan provided for something like 25 per cent out of the total outlay on education. Consequently the number of engineering colleges to be newly established in Punjab, Rajasthan, and Bengal, has to be quite substantial, especially the industrial training institutes. Against 15 in 1960-61, there are likely to be 48 industrial institutes in Uttar Pradesh alone by the end of the Third Plan. Similarly, in Punjab, the industrial training insitutes will increase from 17 to 32. The bias is visible in polytechnics too. In 1960-61, for instance. Madras and Mysore were the States with the largest number of polytechnics — i.e. 24 each. In 1965-66, it would be Uttar Pradesh, which at the beginning of the plan had only 18, that would have 31 polytechnics. Thus it is the Third Plan which is likely to correct this regional imbalance to some extent.

It appears that the overall growth has been satisfactory and the long delayed shift in emphasies on technical education is under way. But keeping in view the short-term purpose of education, we have to assess the real pressure of emergency in this sector. Broadly, education is required to perform three basic functions

during this period. First of all, it has to create a sufficiently large number of technically qualified students. These students will be required to operate the technical jobs to be created in the defence production establishments, heavy industries and war-oriented other industries. The pace of their expansion is sure to produce strains on the supply of technicians. It is for this type of know-how, the supply of which cannot be expanded at short notice, that imaginative planning as well as improvised arrangements will be necessary so that a large increase is realised in terms of engineers, technicians, medical students, nurses, administrators etc. As a consequence, it is necessary that immediately all the technical institutes should operate, as far as possible, to their maximum capacity. This can be achieved, among others, by the following means:

(a) Wherever possible, the technical institutes should run two shifts. It should be obligatory for teachers to put up with longer teaching hours because the burden they bear cannot, after all, be shifted on to other shoulders. There is really no strict limit to human capacity in the face of a challenge to survive as a free nation. If they are not able to stand the strain in this hour of crisis, there is something radically lacking in them. Their services will never be required more urgently than now.

(b) In the second place, in certain institutions, the courses should be reduced in duration so that the outturn of the technical personnel can be rapid. A representative instance can be cited of medical graduates. It is true that under normal conditions, it is good for the students to go through long courses of anatomy, physiology, materia medica and specialisation of advanced courses in pathology, surgery, etc. But under the present conditions of emergency, it should be possible to reduce the five-year medical course to three and a half years or so, so that physicians, surgeons and gynochologists can be trained in larger numbers to work in the remote areas of the country. It is more desirable to have one hundred medical men who would go to the villages with three years training than to have thirty medical men who cannot move out of the city and are apt to attach first consideration to the remuneration they earn in the towns after a heavy investment of over five years. This is applicable even more vividly in the sphere of engineering. The students who get their short-training diplomas can be multiplied fast s that they can close the gap between the demand fo their services and their supply. Even, otherwise, thi policy is dictated by pragmatic considerations in a fas expanding economy. After all, in this country, whic has such remote areas, which at the moment are no reached by the trained personnel, stress ought to be lai on numbers.

(c) In the third place, the institutions which a the moment do not come under the purview of training centres should be brought into that sphere. For instance there are several factories, where technicians can b trained after a short course of theory. These factories accepted the principle of offering their services for the practical training of technicians. Now is the time when they should really honour their pledge and invite the maximum number of technicians that can be trained in their units.

The second most important purpose in this reorientation of education in the face of the emergency

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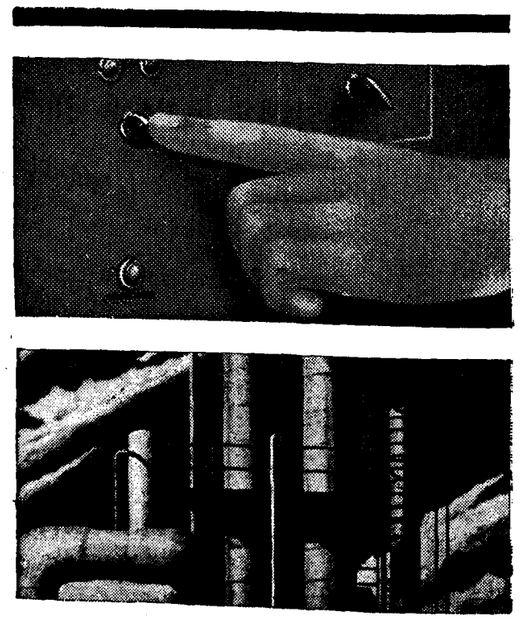
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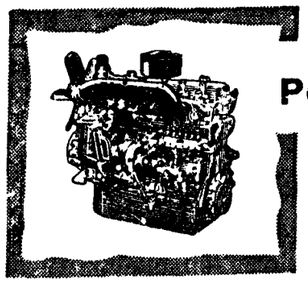
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is the inculcation of the spirit of discipline and loyalty in the minds of the students. The history of the previous decade is sufficient to convince us that, after all, respect for discipline in our schools and colleges is scanty. One does not have to meet every student to understand the working of his mind or to know the amount of respect he has for his teachers and the ideals of knowledge and service that is expected of him. The day-to-day behaviour of students, as it is visible at various centres in India, provides us with distressing evidence that in this sphere, the students are lacking miserably. It is not without reason that in one of the colleges in Delhi, 50 per cent of the students wanted to remain away from rifle training on the plausible plea that their eye-sight was not good. It is not a reflection on that one group alone. It is the whole generation, the mind of which has to be reoriented qualitatively. For this, a multi-focal transition has to be brought about. The problem of discipline involves in the first instance, a proper education in social and national ideals. In this, the effort is already being made through the National Discipline Scheme. It is to be trusted that this Scheme is comprehensive enough in practice, so that it teaches the students the fundamental needs of orderly conduct as well as respect for those who teach them. It is very strange that even increasing serious misbehaviour of the students in various universities did not shock the people in higher responsible quarters. One only wonders if sufficient results can be achieved through larger expenditure alone. We definitely need leaders infusing inspiration to come into the field and train a cadre which can handle this problem in a reasonably short period. It may be added that schemes like physical education and N.C.C. which improve the level of discipline should be made compulsory in all schools and colleges and at all levels. These schemes should be executed in earnestness so that the students do not take them lightly.

The third important puprpose to which education can be put is in increasing the level of understanding that can be spread through the educational institutions. It has to be remembered that people connected with the educational institutions and, in fact, all educated individuals are important opinion media. It is they through whom information, knowledge and understanding permeates into the various strata of the population where it does not touch directly. Unless they understand themselves the problem of emergency, they definitely cannot be expected to transmit it competently. Therefore, special literature should be prepared for the guidance of the teachers. To this end the Ministry of Education has already planned that it will try to equip teachers and their students with intelligent understanding of the course of the national emergency, so that they can help in the building up of a sense of confidence and faith in the general public.

The most important manner in which the educational institutions can help the nation in this hour of emergency is by providing a sufficiently large number of trained volunteers, who should be able to face any exigency both on the front as well as in the civil defence schemes. For this, precise schemes are already being finalised so that N.C.C. and rifle training is extended to cover all eligible students in colleges. A combined programme of physical education is being introduced to cover all students in the middle, high and higher



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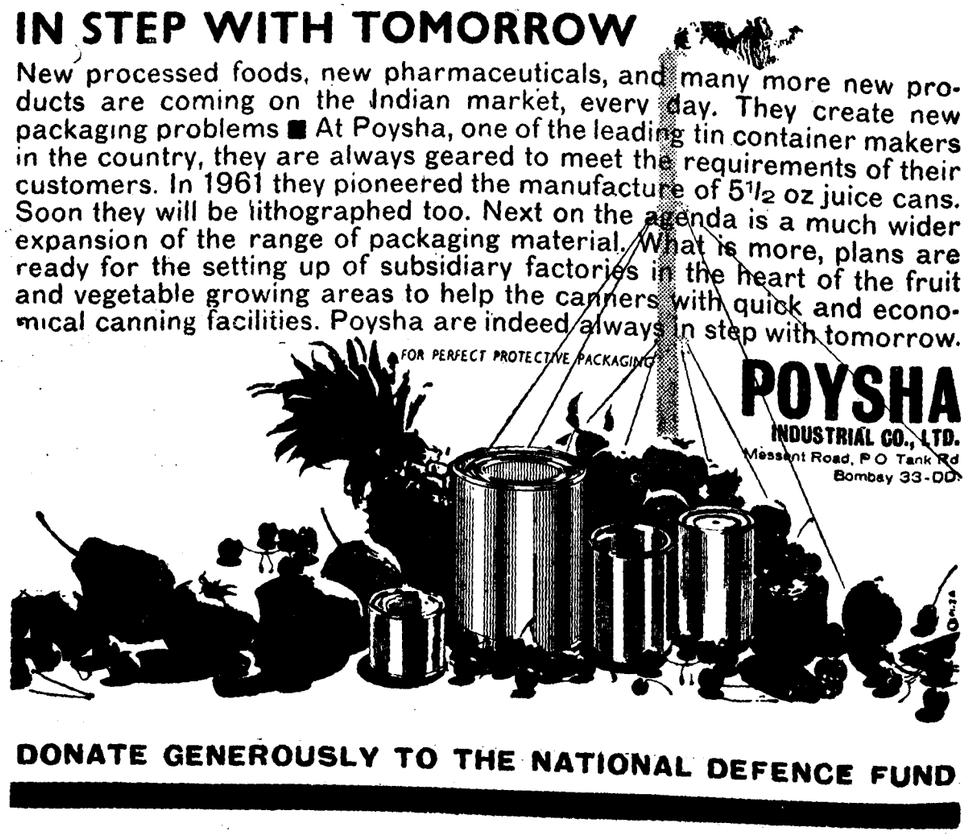
Madras-2

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secondary schools. To meet the demand for instructors, new training centres for the National Discipline Scheme are being set up. It is also planned that five regular hours every week will be set apart in the middle and secondary schools for physical education and national discipline activities. It may be added, however, that this may not be sufficient at all. Something like a three-fold increase in such programmes will be necessary to inspire the minds of the students. Unless they are absorbed fully in such programmes, we cannot expect to bring out a change in their fibre and thinking. Once their minds are geared to such physical programmes, they will automatically spend their remaining time in useful educational pursuits. Five hours a week is not going to hinder their normal studies. It must be at least 2 hours daily which should include just the army drill extending to an hour every day. At the moment, National Cadet Corps has a strength of the order of nearly 3 lakh students. This is very low for the present requirements. It is time that ex-armymen and disabled armymen who can train the students are rapidly drafted and the number of N.C.C. is increased several-fold immediately.

In terms of plan expenditure, it is imperative that the reorganisation will require an out-right reduction of expenditure to the extent of Rs 50 crores. As against an outlay in the Third Plan of Rs 560 cores, the actual outlay should be nearly Rs 500 crores to Rs 510 crores. The extent of expenditure on elementary education, which is expected to involve about Rs. 209 crores should be reduced to at the most Rs. 125 crores. This reduction of nearly 85 crores can be diverted to technical education. This does not mean that elementary education can, at the moment, be scrapped. But certain priorities must prevail. The Social Welfare Board is supposed to have sufficiently large contacts with the people and should be able to inspire social workers who should come forward to teach the children in the remotest corners of the country. At the moment, there are many voluntary organisations that have established a number of 'balwadies'. This experiment should be multiplied and extended so that the children from the age-group of 6-11 are taught by as many social workers as possible. In the present hour of emergency, it is only the avenues which appear to be lacking. There are sufficiently large number of people who would be willing to perform the jobs. In this connection, it will be added that the students who pass their intermediate or degree examinations should be asked to teach in various schools without any remuneration or with a nominal remunerations for at least two months. The period of holidays for college students should also be reduced as well as staggered so that the students can function as teachers for short intervals. This scheme, if properly organised, can provide a sufficiently large number of teachers for the students of lower classes.

The expenditure on secondary education and university education level, which is expected to be around Rs. 88 crores and Rs. 82 crores respectively, also has to be pruned and readjusted in a manner that a greater stress in laid on the teaching of science. Programmes, like, cultural and youth welfare, which entail an expenditure of Rs 30 crores can straight away be eliminated. Thus technical education which has to involve immediately higher expenditure will have something like Rs. 100 crores additional and there will be a saving of something like 50 crores which can be diverted to other sectors of the plan.



PROGRESS OF LITERACY

(Between 1951 and 1961)

States/Union Territories	Literates (including educated) in 1961			1961 Literacy Rates			1951 Literacy Rates		
	Persons	Males	Females	No. of persons to 1,000 persons	No. of males to 1,000 males	No. of females to 1,000 females	No. of persons to 1,000 persons	No. of males to 1,000 males	No. of females to 1,000 females
States									
Andhra Pradesh	7,626,527	5,482,333	2,144,194	212	302	120	131	197	65
Assam	3,248,055	2,361,724	886,331	274	373	160	183	274	79
Bihar	8,547,845	6,950,967	1,596,878	184	298	69	122	205	38
Gujarat	6,283,256	4,373,373	1,909,883	305	411	191	231	323	135
Jammu and Kashmir	392,761	321,827	70,934	110	170	43	N.A.	N.A.	N.A.
Kerala	7,919,220	4,596,265	3,322,955	468	550	389	407	502	315
Madhya Pradesh	5,544,862	4,481,454	1,063,408	171	270	67	98	162	32
Madras	10,580,616	7,532,323	3,048,293	314	445	182	208	317	100
Maharashtra	11,793,070	8,588,657	3,204,413	298	420	168	209	314	97
Mysore	5,990,585	4,352,428	1,638,157	254	361	142	193	291	92
Orissa	3,801,245	3,042,004	759,241	217	347	86	158	273	45
Punjab	4,917,396	3,591,177	1,326,219	242	330	141	152	210	85
Rajasthan	3,065,568	2,504,983	560,585	152	237	58	89	144	30
Uttar Pradesh	13,013,183	10,546,795	2,466,388	176	273	70	108	174	36
West Bengal	10,225,664	7,454,006	2,771,658	293	401	170	240	342	122
Union Territories and other Areas									
Andaman and Nicobar Islands	21,372	16,675	4,697	336	424	194	258	342	123
Delhi	1,402,298	904,801	497,497	527	608	425	384	430	323
Himachal Pradesh	231,664	191,139	40,525	171	272	62	77	126	24
Laccadive, Minicoy and Amindivi Islands	5,610	4,273	1,337	233	358	110	152	256	53
Manipur	237,276	174,656	62,620	304	451	159	114	208	24
Tripura	231,188	175,060	56,128	202	296	102	155	223	80
Dadra and Nagar Haveli	5,495	4,342	1,153	95	147	41	N.A.	N.A.	N.A.
Goa, Daman and Diu	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
N.E.F.A.	24,260	21,879	2,381	72	123	15	N.A.	N.A.	N.A.
Nagaland	66,117	45,917	20,200	179	240	113	104	150	57
Pondicherry	138,149	92,384	45,765	374	504	246	N.A.	N.A.	N.A.
Sikkim	19,999	16,721	3,278	123	196	43	73	128	13
India	**105,333,281***	**77,828,163***	**27,505,118***	**240***	**344***	**129***	**166@**	**249@**	**79**

N.A. — Not available.

* Excluding Goa, Daman and Diu.

@ Excluding Jammu and Kashmir, Dadra and Nagar Haveli, Goa, Daman and Diu, N.E.F.A. and Pondicherry.

Source : Registrar General of India, Ministry of Home Affairs.

Health

THOSE who are prone to see good out of every evil would seek for some benefit that has been done to the country by the Chinese aggression. It is, indeed, the sudden widespread awareness of our deficiencies on which the national mind now, under compulsion, tends to concentrate. The entire economic landscape of the country has assumed a new sense of realism and the eternal struggle between scarce means and alternative uses is more keen than ever before. A new order of priorities in the context of the national emergency has to be drawn up, without, however, upsetting or impairing substantially the major Plan programmes which are already afoot. The question posed before the country is precisely the question of maintaining the Plan and yet financing the war without taking recourse in any large measure to deficit financing. This is a difficult question and as there is no other alternative to get over this difficulty, extreme caution and economy in the distribution of scarce means to the more immediate uses must need be exercised, the guiding objective in this task all along being to meet the defence requirements first and to exercise utmost austerity in meeting the civilian needs.

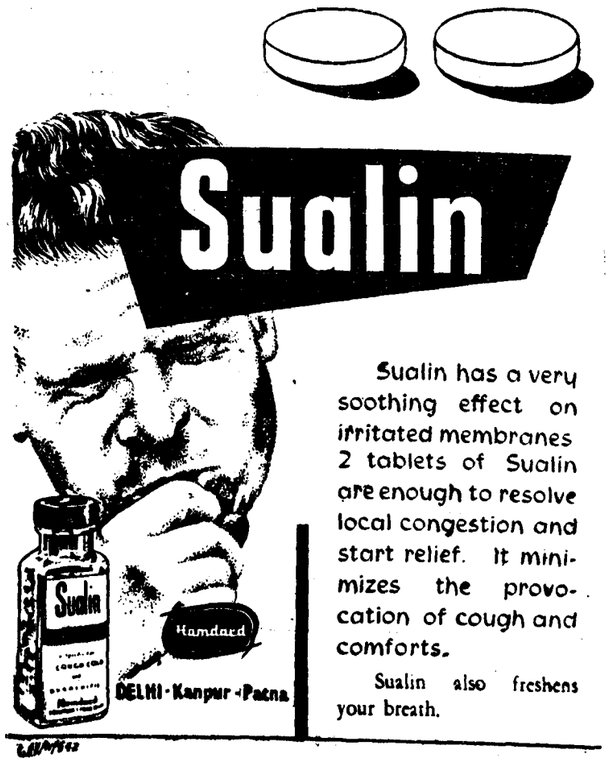
Those who have been awakened by the recent pictures in newspapers depicting the sad faces of numerous men fervently willing to be enlisted in the army but rejected on account of their poor health must have considered the present allocation of 4.25 per cent of the total Third Plan outlay on health as inadequate. But what was considered decidedly inadequate in peace time planning, must have been rendered more than adequate in wartime when additional resources have to be found to finance the brisk war efforts.

One of the visible signs of prosperity, it is said, of a country is demonstrated by the general level of health and the extent of medical care facilities enjoyed by its population. Since the extent of health services offered by any Government is dependent, apart from resources, on the magnitude of the population covered, it becomes necessary that while attempts should be made to expand health services and increase per capita expenditure on health, a vigilant eye should be kept on the rise of population. It can be argued the other way that expansion of health services will automatically act as a deterrent to the rise in population. In its report, the Health Survey and Planning Committee (1961) observes that the estimated death rate in India has come down to 21.6 per 1,000 for the period 1956-61 as against the corresponding figures of 31.2 for 1930-41, 27.4 for 1940-51 and 25.9 for 1951-56. The rate of infant mortality for the quinquennium 1956-61 was on an average 135. The expectation of life at birth has gone up to 42 years approximately and deaths due to cholera and small-pox have reduced considerably.

In 1950, the total number of hospitals and dispensaries in India was 8,600 and of beds 1,15,000. In 1960, their number increased to 12,600 and 1,85,600, respectively. This increase is certainly appreciable and with the increased arrangements for the medical care made in the hospitals, they should at present be sufficient to cope with the immediate demand. The allocation under this head in the health programme may in part be utilised towards meeting the requirements of the army.

Health programmes in Third Plan involve a total outlay of about Rs. 342 crores, of which Rs. 297 crores are to be spent by the States and the rest by the Centre.

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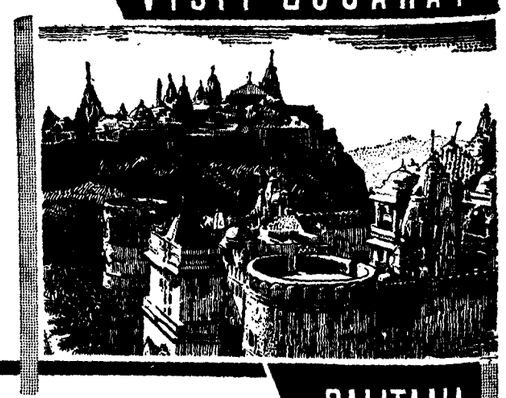
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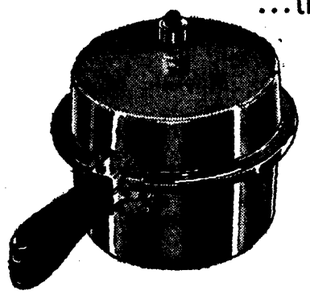


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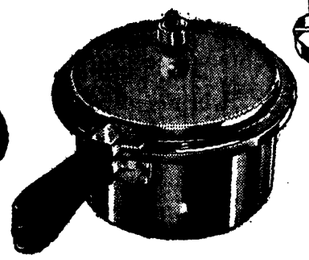
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The amounts distributed under different heads are as follows:—

DISTRIBUTION OF OUTLAY

	Rs.
Water supply and sanitation (rural and urban)	105.3 crores
Primary health units, hospitals and dispensaries	61.7 ,,
Control of communicable diseases	70.5 ,,
Education, training and research	56.3 ,,
Indegenous systems of medicine, homeopathy and nature cure	9.8 ,,
Other schemes	11.2 ,,
Family Planning	27.0 ,,
Total	341.8 ,,

It should appear from the above distribution of outlay that both the positive and preventive aspects of health have been suitably emphasized and since the pace of various programmes in both these aspects can either be delayed or slowed down, the question of choosing the particular items for this purpose will have to be tackled in their particular relation to war efforts and not on any extraneous consideration.

Against this perspective, the total outlay on health could be brought down to around Rs 260 crores, thus making a cut of 25 per cent in the total outlay on health. At present, there exists a wide variation in the scale of efforts made by different States to tackle health problems and to control diseases.

In the Third Plan a provision of about Rs 67 crores has been made for rural water supply—Rs 35 crores for the village water supply programme, about Rs 16 crores under the State Plans for health, about Rs 12 to 13 crores under community development and about Rs 3 to 4 crores under the programme for the welfare of backward classes. If experience during the First and Second Plans is any guide, it is necessary to take great care in making surveys to ascertain the present state of rural water supply in different States and also in preparing technical designs and estimates of rural water supply schemes and in keeping down their cost. Since the village water supply programme is under long-term planning, it can be staggered in between the Third and Fourth Plans.

Similarly, urban water supply and sanitation schemes which have been partly carried over to the Third Plan due to shortages of trained personnel, inadequate organisation and planning and lack of materials, particularly galvanised iron pipes, pump sets and related accessories, can possibly be spread over to the Fourth Plan. This may apply particularly to those larger schemes which need to be carefully phased, so that different parts of a project are in correct sequence with one another and at each stage certain returns on the outlays incurred are realised.

The outlay of Rs 70 crores earmarked in the Third Plan for the control of communicable diseases, including malaria, filariasis, tuberculosis, small-pox, venereal diseases, leprosy and cholera, may also be cut down to a little below 50 per cent, since all these programmes are necessarily of long-term nature and after the expenditure of Rs 64 crores during the Second Plan a good deal of resistence has been developed to these diseases. The existing programmes, however, have to be continued. New programmes may be staggered.

The idea of offering medical care on a co-operative basis needs to be given a further fillip. The economic aspects of the question were taken up by Dr. Ralph G. Victor at the instance of the All-India Cooperative Union about three years ago. He made some valuable observations. The factors that appeared to him to be strongly in favour of the setting up of medical cooperatives are as follows:

(1) The Government cannot provide the level of medical care that most people want;

(2) At the same time most people cannot afford the fees charged by private practitioners;

(3) Medical care cooperatives may help in weaning many a doctor away from the urban areas and may also solve other problems of medical care. The medical care cooperatives need not try to include hospitalisation within the services offered at the initial stages.

On the positive side of health, which, inter alia, includes protective foods like eggs, milk, vegetables etc., there is a marked insufficiency. The result of surveys carried in different institutions shows that diet served to growing children and adolescents in hostels is inadequate and ill-balanced. A scrutiny of the diet survey reports available for the last 15 years indicates that there were no appreciable changes in the general food habits of the people or in their dietaries. This suggests that there is yet to be effected considerable increase in the production of protective foods so as to bring down their prices within the reach of the ordinary men. Nutritional research has shown that vegetable protein is as good as animal protein, and this being so, the dietary habits of the people could possibly be directed to that end. It would not, however, be inappropriate to mention in this context adulteration which frequently occurs in such articles of common consumption as ghee, milk, oils and fats, spices and condiments, flour, pulses etc. The arms of the Prevention of Food Adulteration Act, 1954, should be tightened further and the machinery for inspection of foodstuffs strengthened. It should be constantly hammered on the public mind that such food offences would be strictly dealt with.

Various studies suggest that there is already considerable awareness of the need for family limitation and desire for practical help and guidance. In the context of present national emergency, this awareness, which is already widespread, should assume a new sense of realism. Obviously, the limitations of a programme of the nature of the family planning arise not from finance, but essentially from considerations of organisation and personnel which affect the scale and intensity at which the programme can be implemented. The Third Plan accords a high priority to family planning programmes and accordingly the number of family planning clinics is to increase from 1649 to about 8200. It may be suggested that without increasing the number of clinics, greater use should be made of private medical practitioners in providing advice, distributing supplies and, to the extent possible, undertaking sterilisation. The Government of India's reported decision to manufacture certain types of contraceptives in the public sector with a view to bringing down their present prohibitive prices is welcomed. The project has to be implemented vigorously.

A substantial increase in the production of drugs in the country and replacement of imported drugs and new materials by indigenous manufacture are envisaged in the Third Plan. Four units of drugs and pharmaceuticals in the public sector proposed to be set up with Soviet collaboration are expected to go into production before the end of the next financial year.

The quality of drugs, both imported and manufactured, is controlled under the Drugs Act, 1940, since amended. This law is in force in all the States, but generally is not being adequately implemented due to inadequacy of staff and want of proper facilities for analysing samples of drugs taken from manufacturers and traders. A well-implemented Drugs Act will go a long way in ensuring standard quality drugs. The recent inter-State racket in spurious drugs could not have been hatched without the knowledge and cooperation of some in the medical and pharmacists profession. There have recently been reports from Maharashtra and Gujarat of sub-standard drugs. The announcement by the Government of India that a Drugs and Equipment Standards Committee has been set up to look into the question of spurious and sub-standard drugs is most welcome.

Industrial Relations

IN discussing the economics of emergency, the problem of Industrial Relations assumes great urgency, because labour has a vital part to play in the war effort. One of the latest and the most crucial developments in the sphere of industrial relations has been the adoption of the Industrial Truce Resolution at a joint meeting of the Central Organisations of Employers and Workers held in New Delhi on November 3, 1962. It was resolved by the employers and the workers that no effort would be spared to achieve maximum production. In respect of their economic interests, both the workers and the employers offered to exercise voluntary restraint and accept the utmost sacrifices in an equitable manner in the broader interest of the nation. A provision under the Truce Resolution specifies that all complaints pertaining to dismissal, discharge, victimisation and retrenchment of individual workemen, not settled mutually, would be settled through arbitration. For this purpose, the officers of the conciliation machinery may, if the parties agree, serve as arbitrators. Also, there is to be the maximum recourse to voluntary arbitration, and adequate arrangements are to be made for that purpose. According to the old saying, "where there is a will, there is a way," it should not be difficult to find arbitrators acceptable to both the parties. It cannot be denied that the Industrial Truce Resolution is a step in the right direction.

One of the necessary conditions for a peaceful observance of the terms of the industrial relations relates to the trend in prices of essential commodities. If under the impact of mounting defence expenditure the prices of foodgrains and other essential consumer goods also take an upward course, the workers are likely to ask for higher wages in those industries particularly where the dearness allowance is not linked to the cost of living index. It is the duty of every worker to discharge his obligations faithfully and assist in raising productivity all round, but he is to be assured at least the minimum necessities so as to keep himself fit. The responsibility lies on the Government as much as on the industry to see that labour is not forced to undergo unnecessary hardships due to rising prices. Wages should be revised if the price line gets out of control. If the price level remains unaltered, even then labour should be allowed to participapte in the increased prosperity of industry through rising productivity. Therein lies the key to smooth industrial relations and accelerated production in all sectors of industry.

Another element which must be borne in mind while discussing the question of wages is the continued failure of the Indian Union to raise its sales abroad. By and large, the Indian industrial products are not able to compete in the international markets because of the high price structure which prevails in this country. It is only by reducing costs that we can increase our exports further and thereby earn extra foreign exchange the need for which is greatest at the moment. A restraint on wages is necessary in order to keep the prices of our industrial goods competitive. It is sometimes forgotten that the fringe benefits made available to the workers in this country are steadily mounting and are in some industries as high as 20 to 25 per cent of the wage bill. While the welfare of the working classes is a national responsibility, the burden should not be raised to such an extent as to inflate costs disproportionately. Under the emergency particularly, considerable self-imposed restraint is required. 'The Eastern Economist' is not suggesting a wage freeze of any manner. As stated above, the cost of living index should be a guide in this direction. A look at the all-India consumer price index for working class would reveal that during the last decade, it has almost risen by 100 per cent. It is true that wages have also gone up during the same period and in some industries even ahead of the cost of living index, yet the all-round effect has been to put an unbearable restraint on the cost of industrial products with the result that the Indian Union has failed in its objective of earning more foreign exchange by pushing up exports. Under the present circumstances, it is imperative that the cost of our defence industries as well as the consumer industries should not be allowed to rise in such a manner as to affect unfavourably the export industries as well. The Indian Union can ignore this fact at its own peril. Another danger in granting increase in wages to industrial labour only will be that it will accentuate further the already existing disparities between the rural labour and the industrial labour. Here it is to be noted that industrial labour force constitutes only 5% of the total labour force

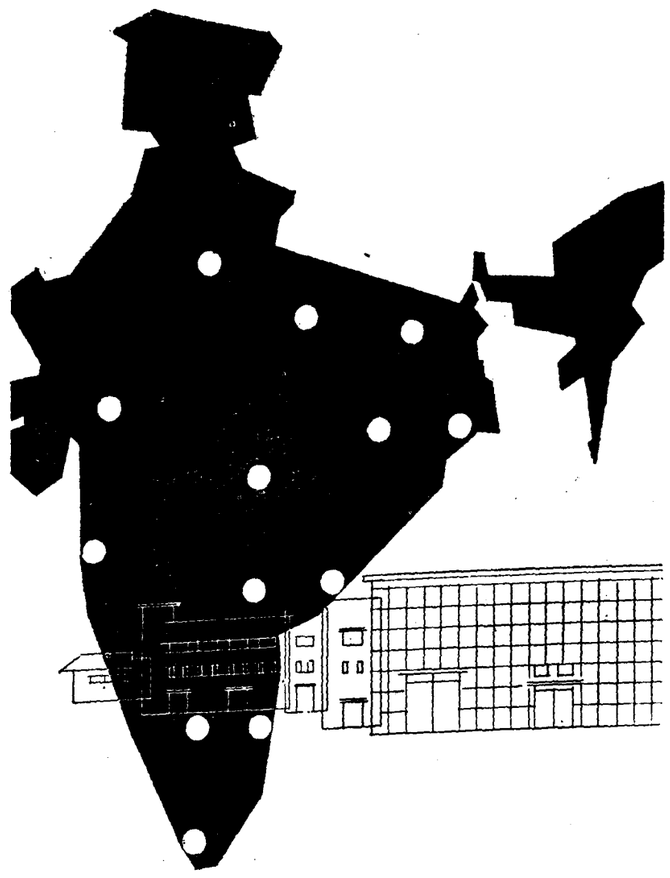
It might be argued that the worker will be prepared to make sacrifices upto a certain extent. He will certainly take into consideration the sacrifices being made by other elements of society around him. He may, under the first impulse, be inspired to make "any sacrifices" but in the long run, he is likely to insist on "equality of sacrifice". This aspect of the problem was the subject of a seminar on industrial relations organised in December 1962 by the Congress for Cultural Freedom. The paper on industrial relations prepared by Prof. W. Ellison Chalmers of Illinois University narrated the American war experience in labour relations. The learned professor stated that the United States avoided a wage freeze of any kind and was guided by a set of regulations for doing justice both to industry and labour. A similar set of rules and regulations would become necessary for the Indian Union as well.

To face the emergency created by World War II during 1939-45 and to secure uninterrupted production of war material, certain stringent measures were introduced under Rule 81-A of the Defence of India Rules. The rule was intended to provide speedy remedies for industrial disputes by compulsory conciliation or adjudication of all disputes by making the awards of adjudicators legally binding on the parties, by prohibiting strikes and lock-outs during the pendency of conciliation or arbitration proceedings and for two months thereafter, and by banning all strikes which did not arise out of genuine trade disputes. These measures were in line with those adopted in the United Kingdom and in the United States of America during the war. Some of the provisions of the Defence of India Rules were incorporated in the Industrial Disputes Amendment Act, 1947. Although the Defence of India Rules are fully in force now, in the present emergency it seems, in view of the Industrial Truce Resolution, much use may not be made of it.

To settle disputes, we have at present three tier machinery, i.e. Labour Courts, Industrial Tribunals and National Tribunals. The function of the Labour Courts is mainly to adjudicate upon certain minor matters. The jurisdiction of the Industrial Tribunals is wider and extends to more important matters like wages and allowances, hours of work, leave and holidays and bonus. The National Tribunals can be appointed by the Central Government to decide disputes which involve questions of national importance and those which affect establishments situated in more than one State. A provision has been made in the Industrial Disputes Act for voluntary reference of disputes to arbitration by parties themselves by written agreement and for the enforcement of voluntary agreement reached between the parties. There is a provision in the Code of Discipline that

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managements and unions will avoid litigation, and the observance of it has fortunately helped in the decline of disputes. But whether it will be observed fully in the emergency, it is difficult to say as a good deal will depend on the attitude of the AITUC which can never be taken for granted.

The Second Plan recommended the setting up of Wage Boards as the most suitable method for settling wage disputes. In the industries, where these Boards have been set up are: textiles, cement, sugar, jute, coffee, tea, rubber plantations, and coal. More of these will have to be set up during the war period. These Boards, of course, will not have to concern themselves with minimum of wages but the whole structure of wages. The question is not only of fixing minimum wages but the whole grade of wages as such for each class of labour. The existing joint consultative machinery, namely, the Joint Consultative Board, would also have to be more effectively utilised. Though its specific achievements have not been spectacular, it has produced a climate in support of the system of mutual consultation and negotiations.

For implementing the programmes quickly during the emergency, increased association of labour with management will have to be brought about. Such a measure could help in promoting increased productivity for the general benefit of the enterprise, the employers and the employees and the community, giving employees a better understanding of their role in the working of industry and of the process of production and satisfying the workers' urge of self-expression, thus, leading to industrial peace, better relations and increased co-operation. Although 29 Joint Management Councils are functioning at present 11 in the public and 18 in the private sector they are by no means adequate. The progressive expansion of the scheme of joint management councils to new units and industries is the need of the hour and early steps, therefore, must be taken in that direction. It is only through this method that industrial democracy can be brought about. In view of the fact that the public sector will grow in the emergency, the manner of administration of industrial relations in public enterprises is of great importance for the success of the undertaking, and for the fulfilment of the aspirations of labour. Special measures, therefore, will have to be adopted to extend the scheme widely in the public sector.

There is no doubt that great need would arise for providing incentives to workers so that they may help in raising production at this juncture. But it seems that schemes like building of houses for the industrial workers will have to be put in cold storage because of cement and shortage of other materials. There ex...s at present a plethora of labour legislation providing all sorts of welfare facilities to the labour force. So now there is not much of question of providing welfare facilities but of training facilities so that our industries may not fall short of technicians. The need for vocational training and apprenticeship schemes would become all the more greater during the war period. During the World War II, training facilities were provided on extensive scale. Bottlenecks are likely to arise in the training programme, because of shortages of competent instructors. So efforts will also have to be directed for setting up additional institutions and expanding the ones which already exist. Until or unless, these institutions are expanded and more are set up, it will be difficult to cater to the needs. For the training of craft instructors in vocational trades and programmes for training craftsmen in industrial training institutes and elsewhere, three central training institutes had been set up by the end of the Second Plan at Calcutta, Bombay and Kanpur. These bring the total admission capacity to over 500. In addition, for the training of women instructors, there is a Central Training Institute at Delhi. In the Third Plan, these institutes will be extended to an admission capacity of over 1,000 seats. In addition to this, 3 new institutes are to be established at Madras, Hyderabad and Ludhiana so that at the end the Third Plan, there would be about 1,800 seats for training instructors in different trades. The out-turn from these institutes during the Third Plan is estimated at about 7,800. In the Third Plan, it is also envisaged to bring about an increase in the training centres to 380 and additional training facilities for about 57,850. Under the National Apprenticeship Scheme, arrangements for trainig of about 12,000 persons are also expected to be made. This is good in as far as it goes. Now it is only to be hoped that quick action would be taken in this regard.

The greatest problem that would arise during the emergency period will be the training of unskilled and untrained workers which would migrate from the rural areas to the industrial areas to work in the industries. With a view to fit them into the industrial structure, it would be proper to place greater emphasis on workers' education. It is a problem of no small magnitude to educate the existing adult population of workers in the three R's and in their civic responsibilities, Their rights and responsibilities in relation to their employers and the community at large must be brought home to them. The trade union membership would be rising because of the migration of these workers from the rural areas. So now is the time to educate them on the line that they might realise their responsibilities and play an effective part in furthering the war effort. The Central Board for Workers' Education has so far set up 14 regional Workers' education centres, three of which are residential. This programme will need further intensification because labour must be kept well-informed about the political developments and the vital role that it plays in fighting back the enemy.

The record of Indian Labour during the last decade has been praiseworthy in the sense that the curve of productivity has continued to rise. Labour has learnt the new skills readily and efficiently. Under the emergency, labour will have to learn further new skills and face new challenges. The country has faith in its workers who would not be found wanting in this hour of national need.



ANNOUNCEMENT REGARDING THE ISSUE OF 1,00,000 EQUITY SHARES OF RS. 10 EACH at par and 5,000 Cumulative Redeemable Preference Shares of Rs. 100 each (Free of Company's Income-tax but subject to deduction of Tax at the prescribed rates.

BY

HINDUSTAN DOWIDAT TOOLS LIMITED

(Incorporated under the Companies Act, 1956)

Registered Office: NEW ASIATIC BUILDING, 'H' Block, Connaught Circus, New Delhi-1.

PROPOSED ACTIVITIES

The Company was incorporated on the 25th January, 1962. The formation of the Company is the result of collaboration between Messrs. Dowidat-Werke of West Germany who are one of the largest and most reputed manufacturers of Hand Tools in Germany, and the Indian Promoters.

The object of the Company, with reference to the proposed issue, is to carry on the business of manufacturing and dealing in different types of Hand Tools — namely, Spanners, Pliers, Adjustable Wrenches etc. Industrial licence, for setting up new undertaking of an installed capacity (on single shift) of 360 tons per annum of Hand Tools, earlier granted to the Indian Promoters, has also been endorsed in favour of the Company.

The aforesaid industrial activity is being undertaken in technical collaboration with Messrs Dowidat-Werke of West Germany in terms of the Technical Aid Agreement entered between the Company is given the right to manufacture, in India, different types of Hand Tools under the brand "DOWIDAT". The technical collaborators will make available to the Company all technical advice, from time to time, with regard to purchase of plant and machinery, erection and construction of the Factory and progress manufacture of all the Tools.

The Company has received Import licences for an aggregate value of Rs. 18.94 lakhs covering the cost of plant and machinery to be imported against the loan in foreign currency from Industrial Credit and Investment Corporation of India, and capital participation of foreign collaborators.

The Company has also a right to export these Tools to Iraq, Viet Nam, Iran, Afghanistan, Burma, Cambodia and Nepal, and such other country as may be mutually agreed upon between Company and the foreign collaborators.

LOCATION OF THE INDUSTRY

The location of the Factory is about 5 Furlongs off the 20th mile-stone on Grand Trunk Road (Delhi-Ambala), aod the construction is in progress.

BOARD OF DIRECTORS:

1. **Shri Durga Prasad Mandelia** (Chairman), Birlanagar, Gwalior, Business Management. **Chairman of:** 1. Madhya Pradesh Financial Corporation. 2. Madhya Pradesh Chamber of Commerce and Industry. **Director of:** 1. Bharat Trading Co., Ltd. 2. Sutlej Cotton Mills Supply Agency Ltd. 3. Dholpur Industrial and Mercantile Corporation Ltd. 4. Krishnaram Baldeo Bank Pvt.. Ltd. 5o Pilani Investment Corporation Ltd.

2. **Mr. Willi Dowidat,** c|o Dowidat-Werke, Remscheid — Luettringhausen, West Germany, Industrialist, **Director of:** 1. Dowidat G.M.B.H., West Germany. **Partner of:** 1. Dowidat-Werke, West Germany.

   Alternate Director:

   Shri B. C. Desgupta, c|o Anand, Dasgupta and Sagar, 5, Scindia House, New Delhi, **Solicitor. Partner of:** 1. Anand Dasgupta and Sagar, Solicitors. **Director of:** 1. Mangal Trading Co. Pvt. Ltd.

3. **Shri Tara Chand Saboo,** 46, Ballygunj, Circular Road, Calcutta, Business Management. **Director of:** 1. Soorah Jute Mills Ltd. 2. Gwalior Webbing Co. Ltd. 3. Punjab Produce & Trading Co. Ltd. 4. Assam Jute Supply Co. Ltd. 5. Groz-Beckert Saboo Ltd.

4. **Mr. Hubertus Geissel,** c|o Dowidat-Werke, Remscheid — Luettringhausen, West Germany, Business Executive. **Business Executive** in: Dowidat-Werke, West Germany. **Director of:** Dowidat G.M.B.H., West Germany.

   Alternate Director:

   Shri Vidya Sagar, c|o Anand, Dasgupta and Sagar, 5, Scindia House, New Delhi, Barrister-at-Law. **Director of:** J.M.A. Industries Ltd. **Partner of:** Anand, Dasgupta & Sagar, Solicitors.

5. **Shri Harbans Singh Mehta,** 33, Regal Building, Parliament Street, New Delhi. Business. **Director of:** 1. Escorts Ltd. (2. Industrial Cables (India) Ltd. 3. Leiner-Knit Gelatine Co. Ltd. 4. The Northern India Paper Mills Ltd. 5. Goetze India Ltd. 6. Bharat Carbon & Ribbon Mfg. Co. Ltd. 7. Usha Spinning & Weaving Mills Ltd. 8. Ajudhia Textile Mills Ltd. 9. Oriental Spun Pipe Co. Ltd. **Proprietor of:** 1. Harbans Singh Mehta & Co.

6. **Shri Rasiklal Maneklal Dalal,** Vasant Vilas, Babulnath Road, Bombay-7. Business. **Director of:** 1. Arvind Mills Ltd. 2. Rajpur Mfg. Co. Ltd. 3. Nutan Mills Ltd. 4. Century Spg. & Mfg. Co. Ltd. 5. Indian Swelting & Refg. Co., Ltd. 6. Oudh Sugar Mills Ltd. 7. Indian Tool Mfrs. Ltd. **Partner of:** 1. Rasiklal Maneklal & Co.

7. **Shri Ram Kumar Kejriwal,** 12|1, Alipore Park Road, Calcutta-7. Business. Director of: 1. Hindustan National Glass Mfg. Co. Ltd. 2. Express Dairy Co. Ltd. 3. Kusum Products Ltd. 4. Jaipur Development Co. Ltd.

SHARE CAPITAL

Authorised

8,00,000	Equity Shares of Rs. 10 each	Rs. 80,00,000
20,000	9.5 per cent cumulatice Redeemable Preference shares of Rs. 100 each, free of Company's Income-tax but subject to deduction of tax at source at the prescribed rates	Rs. 20,00,000
		Rs. 1,00,00,000

Issued & Subscribed :

7	Equity Shares of Rs. 10 each taken by the subscribers to the Memorandum	Rs. 70
65,000	Equity Shares of Rs. 10 each have been allotted to Indian Promoters, their associates, friends and nominees as fully paid-up, payment having been received in cash	Rs. 6,50,000
		Rs. 6,50,070

Present Issue:

1,84,993	Equity Shares of Rs. 10 each	Rs. 18,49,930
5,000	9.5 per cent Cumulative Redeemable Preference Shares of Rs. 100 each, free of Company's Income-tax but subject to deduction of tax at source at the prescribed rates	Rs. 5,00,000
		Rs. 23,49,930
65,000	Equity Shares of Rs. 10 each will be allotted to and are agreed to be subscribed by M/s. Dowidat-Werke of West Germany, the foreign collarators	Rs. 6,50,000
19,993	Equity Shares of Rs. 10 each will be allowed to and are agreed to be subscribed by the Directors, their friends, associates and nominees	Rs. 1,99,930
		Rs. 8,49,930

Now Offered at Par for Public Subscription :

1,00,000	Equity Shares of Rs. 10 each	Rs. 10,00,000
5,000	9.5 per cent Cumulative Redeemable Preference Shares of Rs. 100 each free of Company's Income tax but subject to deduction of tax at source at the prescribed rates	Rs. 5,00,000
		Rs. 15,00,000

TERMS OF PAYMENT:

Terms of Payment	Equity Shares	Preference Shares
On Application	Rs. 2.50 per share	Rs. 25 per share
On Allotment	Rs. 2.50 per share	Rs. 25 per share

The balance of Rs. 5 per equity Share, and Rs. 50 per Preference Share, in such calls as may be determined by the Directors, provided that no call shall exceed Rs. 2.50 in the case of Equity Shares, and Rs. 25 in the case of Preference Shares, and that there shall be as interval of at least one month between two calls and between allotment and the first call, in both cases.

DATES OF OPENING AND CLOSING OF THE SUBSCRIPTION LIST :

The subscription list will open at the commencement of banking hours on 9th January, 1963 and will close at the close of banking hours on 16th January, 1963 or earlier at the discretion of the Directors, but in no case earlier than the close of banking hours on 11th January, 1963.

APPLICATION FOR SHARE AND ALLOTMENT:

Copies of Prospectus, on the basis of which alone the shares will be issued, and the application forms may be obtained from the Registered Office of the Company or from the Bankers and Brokers whose names

UNDERWRITERS :

The entire Capital now issued for Public Subscription is underwritten as follows :

	Equity Shares (In Rupees)	Preference Shares (In Rupees)
1. Life Insurance Corporation of Bombay	2,00,000	2,50,000
2. Government of Punjab	—	2,50,000
3. Place, Siddons & Gough (Pvt.) Ltd., Calcutta	3,00,000	—
4. Harbans Singh Mehta & Co., New Delhi	3,00,000	—
5. Nawalchand T. Shah & Co., Bombay	2,00,000	—
	10,00,000	5,00,000

BANKERS:

1. The United Commercial Bank Ltd.
2. The Punjab National Bank Ltd.
3. The Central Bank of India Ltd.

At all their branches in the following cities :

Ahmedabad, Ambala Cannt, and City, Amritsar, Ajmer, Agra, Allahabad, Baroda, Bhopal, Bombay, Bangalore, Bareilly, Cochin, Coimbatore, Cuttack, Chandigarh, Calcutta, Delhi, New Delhi, Dehra Dun, Ferozepur, Gwalior, Hyderabad, Indore, Jabalpur, Jullunder, Jaipur, Kanpur, Ludhiana, Lucknow, Madras, Mysore, Meerut, Nagpur, Patna, Patiala, Poona, Rajkot, Ranchi, Srinagar, Surat, and Varanasi (Benaras).

BROKERS :

Bombay :

1. Navalchand T. Shah & Co., 15, Union Bank Building, Dalal Street, Bombay-1.
2. Batlivala & Karani, Union Bank Building, Dalal Street, Bombay-1.
3. Lewis & Jones, Bank of Baroda Building, Apollo Street, Bombay-1.
4. Rasiklal Maneklal & Co., Stock Exchange Old Building, Dalal Street, Bombay-1.
5. Marwanjee Bomanjee Dalal, Allahabad Bank Building, Apollo Street, Bombay-1.
6. Chimanlal J. Dalal & Co., 107, Stock Exchange, New Building, Dalal Street, Bombay-1.

Calcutta :

1. Place, Siddons & Gough (Pvt.) Ltd., Lyons Range, Calcutta-1.
2. G. M. Pyne, 14, India Exchange Place, Calcutta-1.
3. Murarka Brothers, 7, Lyons Range, Calcutta.

Delhi :

1. Harbans Singh Mehta & Co., 33, Regal Building, Parliament Street, New Delhi-1.
2. P. Roy & Co., 3/8, M.M. Road, Jn. Panchkuin Road, New Delhi-1.
3. K. B. Malik & Co., 7, Prem House, Opposite Odeon, New Delhi-1.
4. Rameshwar Dass Jagdish Pershad, 2, Delhi Stock Exchange Building, Asaf Ali Road, New Delhi.
5. Bharat Bhusan & Co., H-45, Connaught Place, New Delhi-1.

Madras :

1. Paterson & Co., 22, Errabalu Chetty Street, Madras -1.

Ahmedabad :

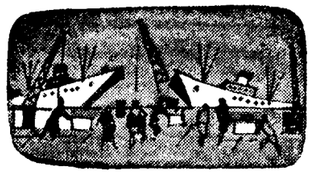
1. Chinubhai Chimanlal Dalal, Fatehbhai's Haveli, Ahmedabad.

AUDITORS :

Singhi & Company, Chartered Accountants,
1-B, Old Post Office Street, Calcutta-1.
New Asiatic Building, H-Block, Connaught Circus, New Delhi.

SOLICITORS :

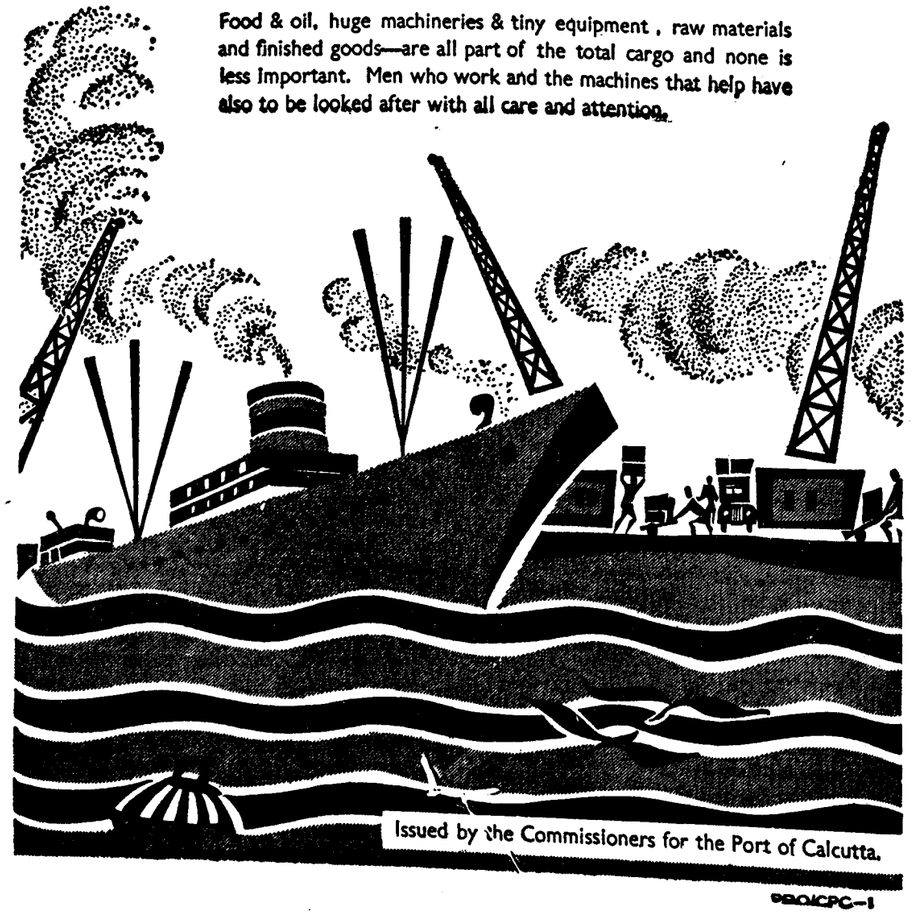
Anand, Dasgupta & Sagar, 5, Scindia House, New



in tune with the progress of trade and industry

Serving a hinterland of 5,00,000 square miles with 180 million people, The Calcutta Port has to live up to the increasing demands of our national plans and progress. With the aid of over 42,000 workers and the best possible equipment, the Port helps the country to earn 50% of the foreign exchange from export. The task and target of the vital cause that this Port serves are as complex as they are extensive. By 1971, the traffic capacity has to be geared up to about 14 million tons from nearly 10 million tons in 1960. To be an active participant in the gigantic national programme of progress is the proud privilege of

CALCUTTA PORT COMMISSIONERS



Company Meeting

THE SCINDIA STEAM NAVIGATION CO. LTD.

Summary of the Statement of Shri Dharmsey M. Khatau, Chairman, The Scindia Steam Navigation Co. Ltd. made at the 43rd Annual General Meeting of the Shareholders on Wednesday, the 26th December, 1962, at Scindia House, Ballard Estate, Bombay.

In his opening remarks the Chairman observed :

"This statement comes to you at a time of national emergency created by the Chinese invasion of India. The shipping industry as a whole has pledged its wholehearted support to the Government of India in their present stupendous task of successfully facing this emergent situation. Our Company has donated a sum of Rs. 5 lakhs to the National Defence Fund. I deem it my duty to assure the Government, on behalf of you all and of myself, of all the assistance and co-operation that we can give in this hour of crisis."

He referred to the drop in the quantum of cargo carried and corresponding drop in freight income, despite which the Company made a profit of nearly Rs. 48¾ lakhs as against approximately Rs. 4½ lakhs in the previous year. The Company declared a dividend of 60 nP. per share after transferring Rs. 48 lakhs from General Reserve and providing for a further proportion of the Statutory Development Rebate of 1960-61.

Regarding Overseas trades, the Chairman attributed good results to rationalisation of services and partial effect of 10 per cent increase in the rates of freight in the eastbound services from U.K./Continent. He expressed the hope that the Company would secure the co-operation of the shippers in maintaining rates of freight at a reasonable level. The Chairman referred to the increase in the share of the Indian Lines from 30.25 per cent to 39.475 per cent in the India/U.K. trade as from 1-9-1962 and a provision for an annual increase of 1 per cent ensuring ultimate parity between the three Indian Lines and the U.K. Lines. He also referred to the equal sharing by the three Indian Lines of the trades, on a pool basis, between India and Poland, India and East Germany, India and Soviet and Rumanian ports, India and Egypt and Adriatic ports.

Regarding Coastal shipping, the Chairman endorsed the request of the industry for examination of its case by the Tariff Commission to enable Coastal steamer tonnage to remain at the level of current and future national need. He pressed for restoration of the cut of 5 per cent in freight rate on coal from Calcutta to ports upto Cochin.

The Chairman specially urged the extreme urgency of introduction of a war risks Insurance Scheme by the Government of India so as to ensure adequate insurance protection to Indian vessels against war risks.

Regarding tonnage position, the Chairman observed that the Company was facing difficulty in its replacement and new construction programme because of acute foreign exchange position and other factors.

The Chairman referred to the increase in operating expenses as a result of changes in conditions of service of crew members of the floating staff, and of a fresh Agreement concluded between the Company and the Maritime Union of India representing the Officers of the Floating Staff.

Regarding future prospects, the Chairman said that it was difficult to visualise any improvement in the freights sufficient to cover the costs and to provide a reasonable return on capital. The Company is, however, continuing its efforts at rationalisation and economy in operations and is taking steps to improve the level of freight rates.

The Chairman referred to the Konkan services of B.S.N. (1953) Ltd. in the following terms:

"Subsequent to our negotiations with the Government of India, they agreed to pay for the years 1961-62 and 1962-63 a subsidy in lieu of 8 per cent increase in fares as also a subsidy of about Rs. 6 lakhs being the excess of repair cost over Rao Committee's estimates; they further agreed to reimburse the excess repair cost for the year 1961-62, subject to a maximum of Rs. 14.50 lakhs, all these payments being subject to scrutiny of the Government Department. The Government had also agreed in October 1961 to grant an interest-free loan to cover the entire cost of the three new ships and an annual subsidy in this behalf. While the Company has been writing to the Government from time to time regarding new tonnage, it was not until October 1962, when the Government advised the Company, that in view of certain offers received by them for the operation of the Konkan services with new ships without increase in fares and without payment of loan or subsidy, the Government saw that no useful purpose will be served by permitting the Bombay Steam (1953) to build new ships. It may be noted here that the Rao Committee had recommended an additional subsidy as also an interest-free loan to acquire new ships to maintain the services on th same pattern as before on the basis of Rs. 40 lakhs as the cost of each ship. It is, therefore, not understood how these very same services could be operated without any increase in fares or other assistance when the cost of these new ships has gone up to Rs. 60 lakhs each and when there have been further increases in cost of operations. The Company has replied to the Government that it would continue to run the Konkan services with the existing ships till 31st May, 1966 if the present terms of the Government assistance are continued till, then whereafter the position will be reviewed in the light of the Government giving permission for new tonnage."

Shri Khatau thanked Shri Jagjivan Ram, Minister of Transport and Communications, Shri Raj Bahadur, the Minister of State for Shipping and other officials of the Transport Ministry for the interest shown by them in promoting the cause of Indian Shipping. He also appreciated the services rendered by the Officers and staff and the Company's Agents abroad and in India and thanked the shippers and consignees for their continued support.

PANYAM CEMENTS & MINERAL INDUSTRIES LTD.

CEMENT NAGAR

SUMMARY OF CHAIRMAN'S ADDRESS

The following is a summary of the Address to Shareholders by Shri T. S. Sundaram, Chairman of the Company, dealing with the Company's working for the year ended 31st August, 1962. The Annual General Meeting of the Company was held on 24th December, 1962 at 3-30 p.m. at Cement Nagar.

I have great pleasure in welcoming you all to this Seventh Annual General Meeting of the Company.

The Directors' report and Statement of Accounts for the year ended 31st August 1962 are already in your hands, and they would have given you all particulars for a proper understanding of the working of the Company during the year.

Before offering my remarks further to the Directors' Report submitted to you all, I must recall to you the fact that we are meeting at a time of National Emergency created by the Chinese Invasion of our Himalayan Borders, when our own problems and the difficulties of our Industry must be viewed against this background of war and peril to our Country. Let us all firmly resolve to protect our Country to the last of our blood and money, and help our Government to preserve our freedoms. Let us pledge ourselves to support and enable our Army to drive out the Invaders from our borders. Inevitably, therefore, our Industry should place itself on a war footing, with due priority and importance given to the needs of the War.

The capacity target for Cement Industry fixed for the Third Plan at 15 million tons was, during the year, reviewed: and was revised upwards at 18 million tons; that is, double the present capacity. Licences have been granted for this additional capacity. What with the absense of incentives in the price policy adopted by the Central Government on the basis atleast of the last Report of the Tariff Commission, the difficulties for obtaining machinery except with a delay of 3 to 4 years and other operational difficulties which the entrepreneurs undertaking New and Expansion programmes encounter, it is left to be seen whether all the additional capacity licensed for will get actually installed. If not by the end of the Third Plan period, at least 2 or 3 years later, we are sure to reach the target of 15 million tons production, to meet the increasing needs of our Country as a result of the allied programmes of the Plans in the Irrigational and Industrial fields.

Apart from the discouraging attitude of the Ministry for Heavy industries to the recommendations of the Tariff Commission in general, the Quarterly fixation of Packing charges continues to be disappointing as ever, without any agreement whatsoever, with the prevailing trends of the Jute Market.

In the Directors' Report, reference has been made to our Scheme of Expansion by another One Lakh tonnes. I am glad to inform you that all orders for the Main and Ancillary items of machinery have been placed and the Central Government has granted Import Licences for all importable items. Barring anything unforeseen, it should be possible to complete the expansion programme by about the end of next year, although it is too early to make any definite assessment, due to various uncertain factors caused by the Indo-Chinese War.

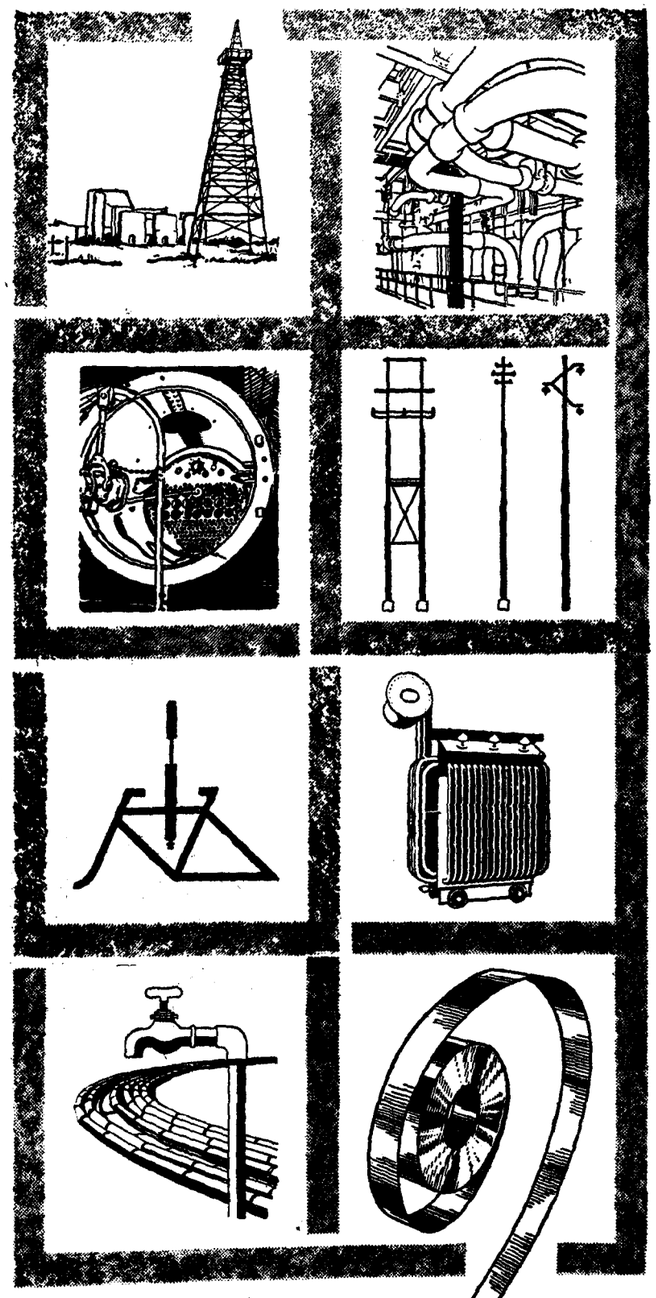
To finance the Expansion programme, the Company issued Additional Capital of 11,360 Redeemable Preference Shares and 35,000 Equity Shares. Of this, 975 Preference and 10,000 Equity Shares were taken by the Existing Holders as their Right Shares. The balance of 10,385 Preference and 25,000 Equity Shares were issued to the Public by a Prospectus on 14-6-1962. The entire balance was taken by the Public, besides the Life Insurance Corporation of India and the Andhra Pradesh Industrial Development Corporation Ltd., Hyderabad I am glad to announce to you that all the Additional Capital has thus been subscribed and collected. Calls have not yet been made on the Shares covered by the Prospectus.

Despite the retention price granted being lower than that recommended by the Tariff Commission, and higher working expenses, coupled with the fact that, producing at rated capacity, we could not increase our production further, we have been able to declare a maiden dividend this year on Ordinary Shares after paying off arrears of Dividend on Preference Shares and current Dividend on Redeemable and Non-Redeemable Preference Shares. The results could have been better, but for the illegal strike resorted to by the Workers, lasting for ten days. We feel confident that we will be able to keep up this dividend in the coming years, as the demand position is quite encouraging and our Machinery is responding in a due measure, for production at rated capacity.

I would like to thank, on your behalf, our Workers, Staff and Officers of the Company for their sincere services and would appeal to them to improve the Factory's production to the maximum. Thanks are also due to the Managing Agents for the careful way in which they have been looking after the affairs and growth of the Company, all these years, despite difficulties encountered from time to time.

Cement Nagar,
24th December, 1962.

The above is not a document purporting to be a report of the proceedings of the Annual General Meeting.



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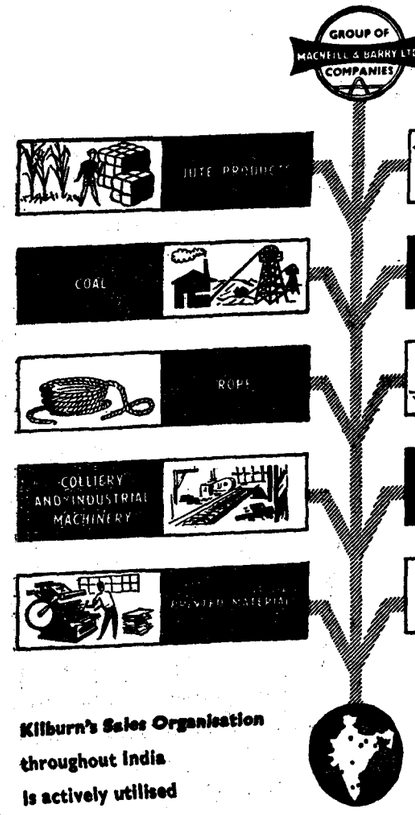
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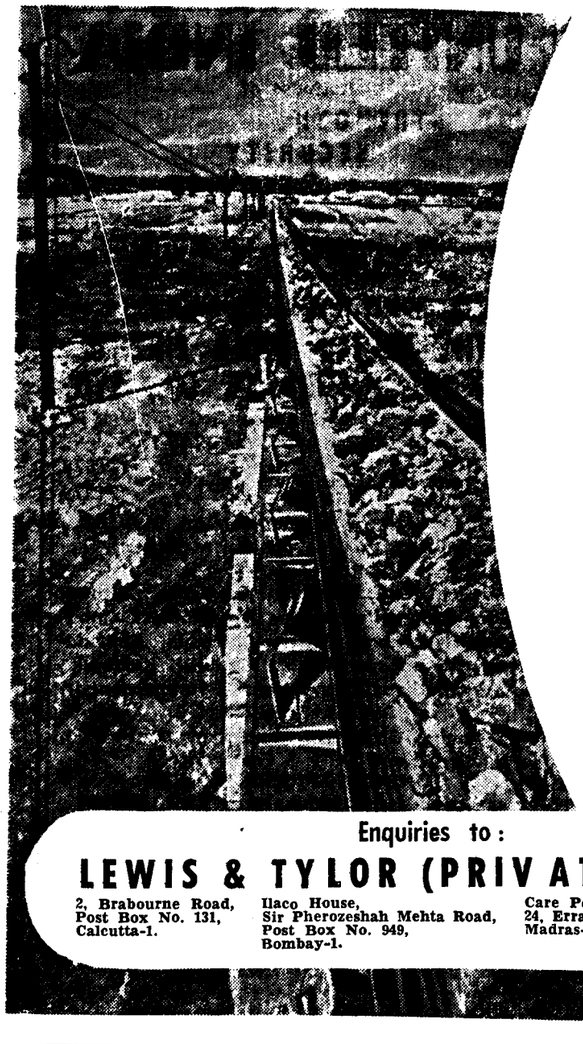
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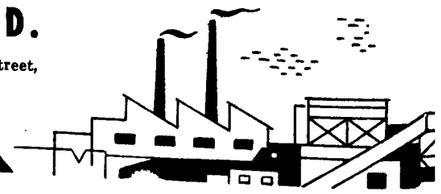
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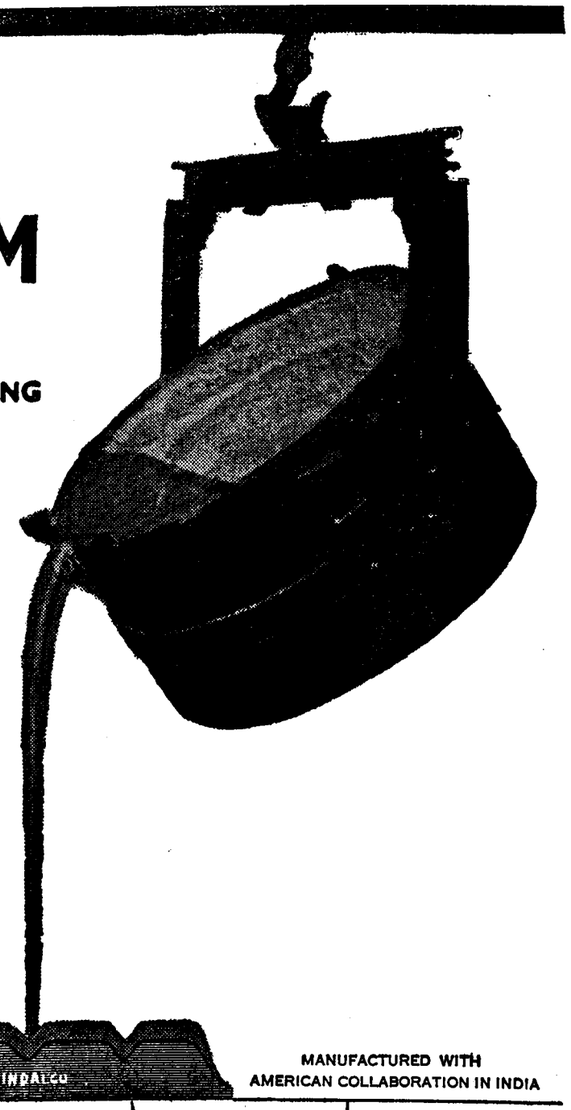
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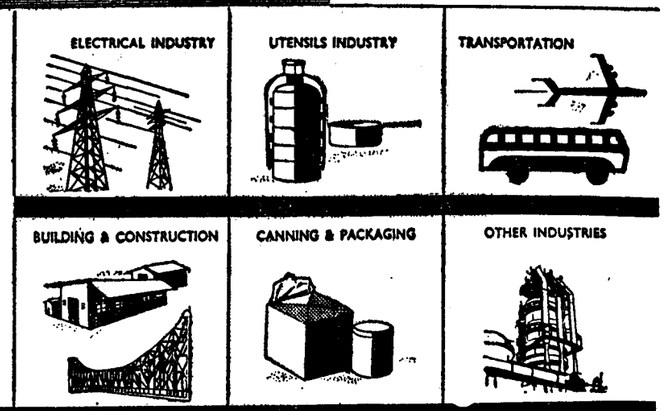


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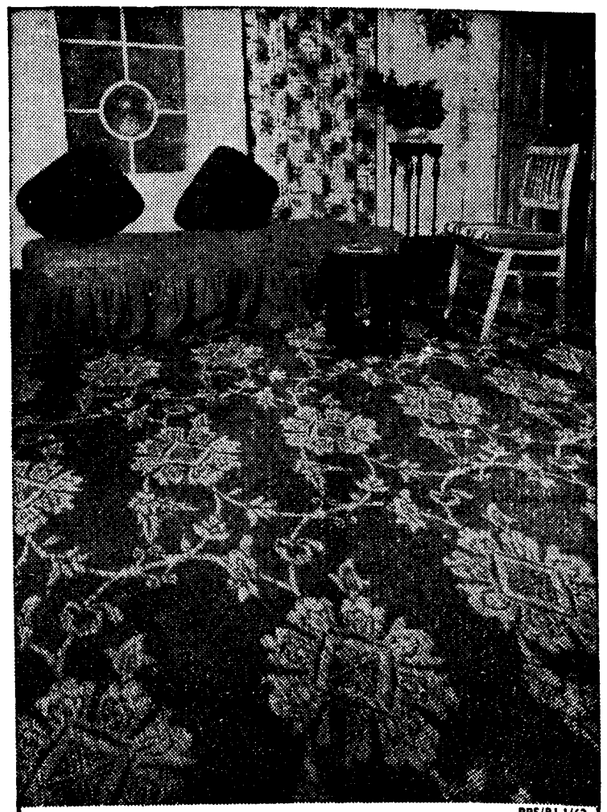
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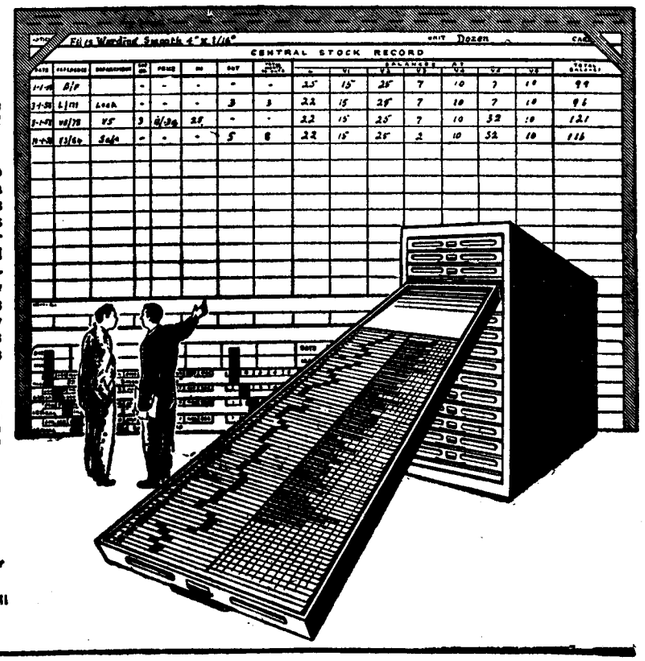
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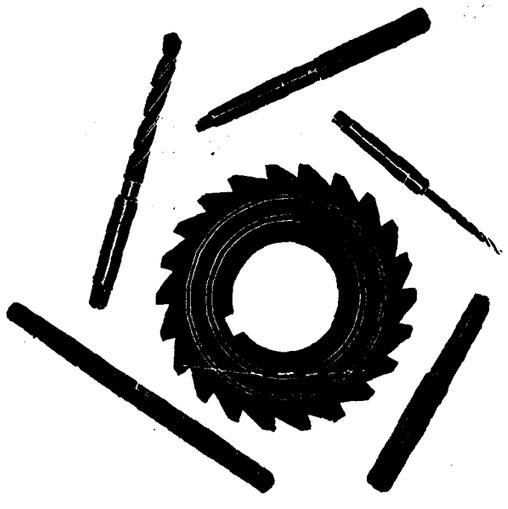
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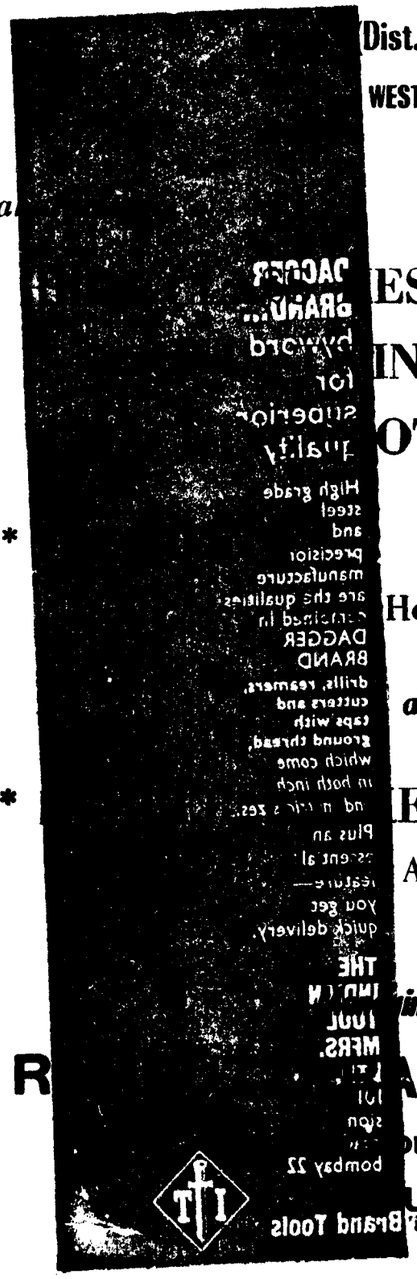
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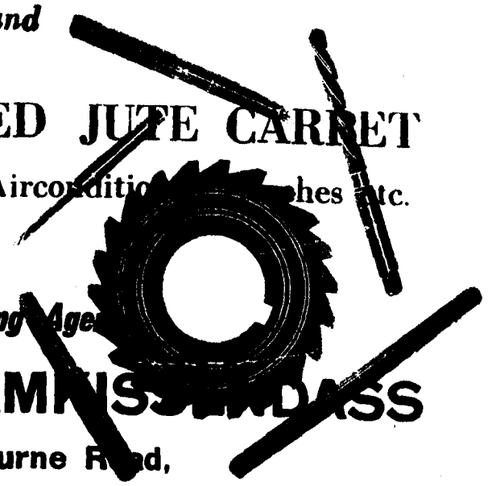
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R. K. Birla

Chairman, Board of Directors

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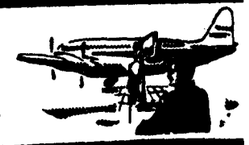
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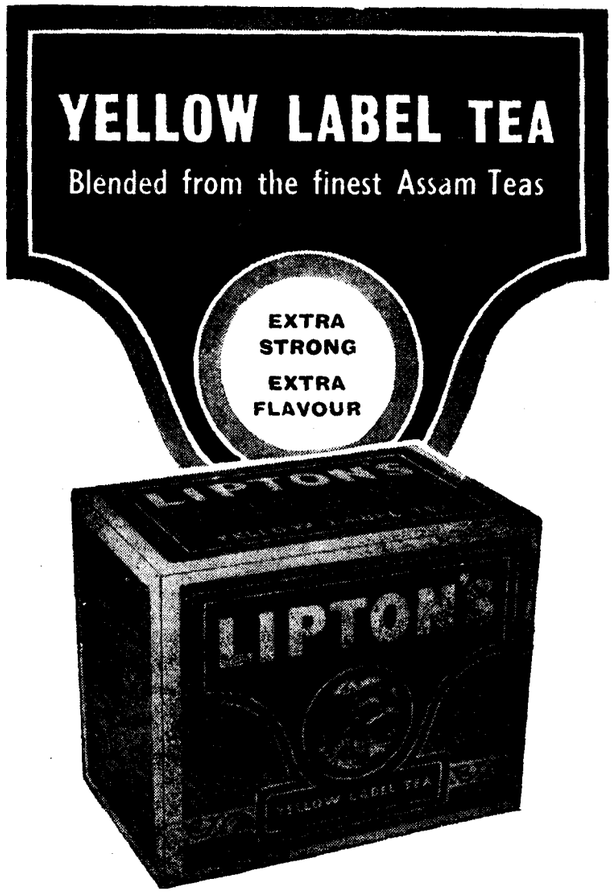
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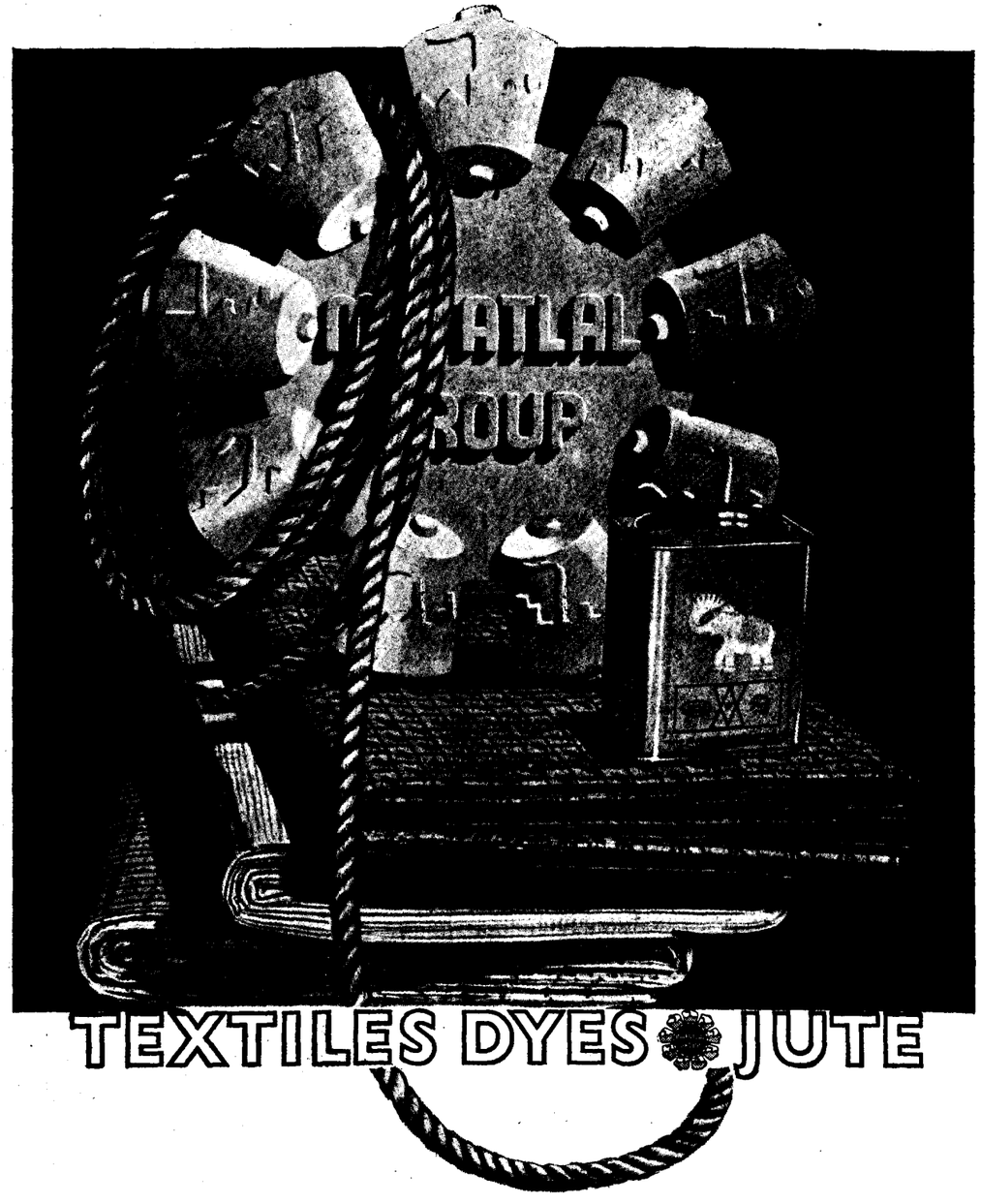
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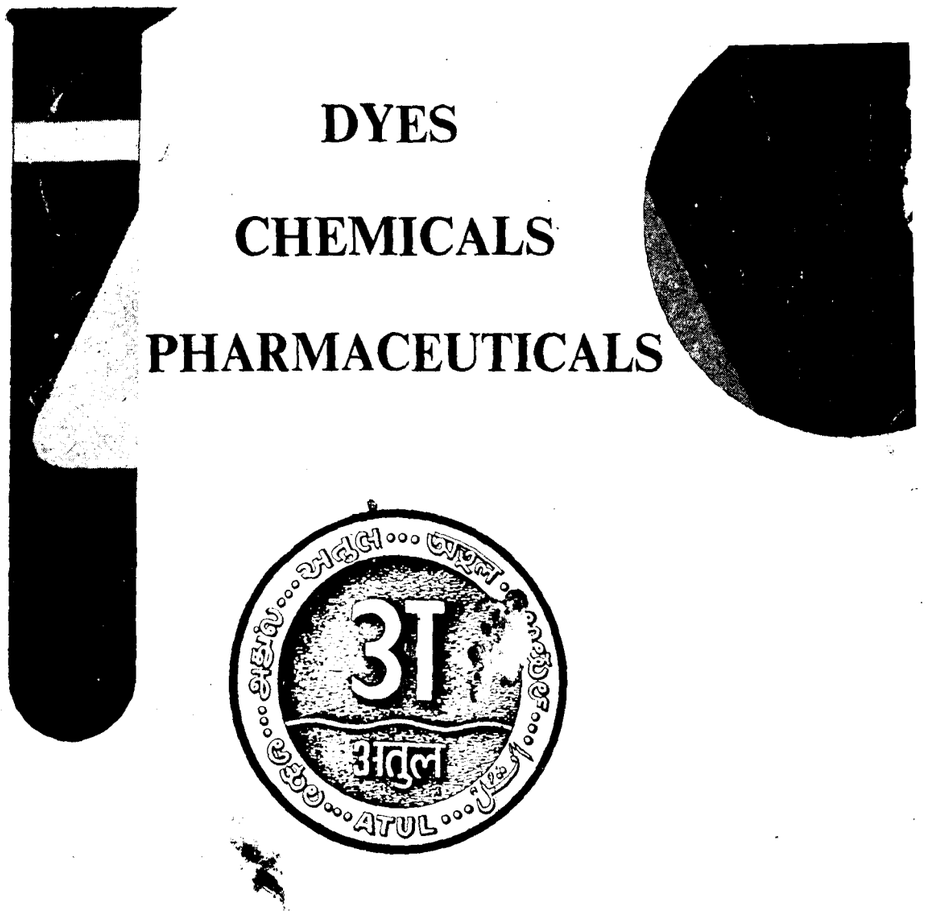
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Development Through Food

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Surplus Foods and Economic Development

FOR well over a decade, the world has seen a spacious prototype largely sponsored by the US Wheat loan to India in 1951 and by successive P.L. 480 agreements between the United States and many receiving countries of surplus foods and fibres, particularly wheat, corn and cotton. In one sense, this spacious programme culminating in the great agreement of May 1960 under which the United States sold to India 17 million metric tons of foodgrains represents a new massive and strikingly original pattern of financing economic development. Not, indeed, that they were so conceived when they were originally contemplated. Much of the original problem was the sale of true surpluses which, if cast upon the free market, would have wrecked internal prices in the United States and even international markets, disorganising the trade of leading exporting countries, particularly Canada and Australia. There was a tendency then to concentrate on the use of this wheat to combat famine or malnutrition largely as a humanitarian project and not as basic economic instrument in promoting development. Even when P.L. 480 came of age with the passing of the Act which brought it formally into being in 1954, the possibility that the surpluses would rise to billions of tons for export was not fully envisaged. But American technology, always prolific, continued to develop to offset the restrictions provided by Government grants for restriction of acreage and price supports for grain. Paradoxically, restriction of acreage almost defeated itself by the capacity of the acreage almost as much and, indeed, in some cases many times more, than he did previously. The surpluses have continued to become embarrassing to the United States, but have proved a tremendous boon to countries needing additional supplies, and also financial resources in their own currencies for their own economic development.

India has been the main testing ground of the remarkable new pattern of economic development, based upon the great advances of technology and of organisation in the United States. P.L. 480 first demonstrated how an agricultural revolution in one country could become the means to provide both vast additional consumption and massive additional investment resources in another. This prototype, well proved in the fifties, is gathering strength in the sixties. Nothing has been more flattering to its success than the framing of "Development Through Food" programme of the Food and Agricultural Organisation of the United Nations fully described in Basic Study No. 2 recently published by the FAO and now available in the country. The campaign of the Food and Agricultural Organisation for the Development Decade is described in outline in the following article which the Director-General of the Food and Agricultural Organisation, Dr. B. R. Sen, has very kindly permitted to be published in the Blue Supplement. It represents the substance of his address delivered this month to the Economic and Social Council

Nations Development Decade proposals for action. It is hoped that this inspiring programme which an Indian has done so much to frame and sponsor will awaken its due share of interest in a country, which has hitherto been notoriously ignorant of its own opportunities in the field of agriculture and its relation to development as a whole.

The Food and Agricultural Organisation of the United Nations many years ago prepared what might be called the theoretical framework of the thinking on the subject of Development Through Food. A series of articles based upon the consumption patterns in this country, notably in Faridabad, and elsewhere, showed how the use of additional food thrown into an expanding system can reduce inflationary consequences of development expenditure not immediately productive, that is, not immediately capable of cushioning new money thrown into circulation to secure this development. Surplus foods coming in from outside the country could provide the cushion wherewith the tide of inflation could be stemmed. More technically, and in the jargon of text-book economics it was shown in these FAO studies that the multiplier—the famous villain of Keynesian economics, the accelerator of consumer expenditure following on any given unit of investment—could be "damped" almost to any level consistent with the maintenance of prices if the processes of development and the volume of surplus foods could be kept in balance. This is, in fact, also the largest service which great P. L. 480 reserves of wheat in this country have performed over the last two years. It is now certain that the Wheat Loan of 1951 played a central part in stabilising prices of foodgrains in the period from 1952 to 1955. A reserve even of the order of a million tons can be almost decisive in the field of wheat. A reserve of two to three million tons, composed partly of wheat and partly of rice and coarse grains, is probably sufficient to even out fluctuations so disturbing to producer and consumer alike. In other words, the use of surpluses can develop a policy of withdrawals and issues which can remove one of the most disturbing factors in agricultural prices, namely, the capacity at times of harvests for incentives to be reduced so greatly that the agriculturist is left at the mercy of buyers with no power of holding against their superior monetary capacity. Similarly in the off-season consumers can be protected against middlemen.

The whole programme of P.L. 480 which was the inspiration of the FAO programme,—just as in a sense FAO theory was a justification for P.L. 480—has been little understood in most of the countries of Asia which have already benefited, and stand most to gain from these programmes. It is because the manysided operations included in P.L. 480 are so misunderstood that there is sometimes resistance to the idea that India should import these large reserves of foreign grain strengthening her financial resources by their sale and cushion development expenditure by the 'damped' multiplier which follows on the use of surplus food. But there are other aspects of P.L. 480 which have a much more direct and human appeal. One of these, for example, is the fact that a substantial quantity of foods—perhaps 50,000 tons in all, in the Indian Union alone—is being distributed under the auspices of CARE, the Co-operative for American Relief Everywhere, to school children for mid-day meals and for the protection of communities badly supplied with essential food such as milk and butter. Gradually, in many schools so assisted, absenteeism is being kept down and wastage due to ill-health and malnutrition reduced. Slowly, but nonetheless, surely, the largest investment of all—investment in India's children and their education—is finding its powerful place in the programme of the use of surplus foods. In the long haul, this may prove the most productive use of all.

In the Indian Union the programme of reception and distribution has now acquired a massive character; one of the articles in this issue attempts to estimate the volume of employment which is generated over the whole country counting in all the activities to which P.L. 480 directly or indirectly contributes. The figure now appears to be of the order of 4,00,000 which in itself is a substantial addition to Indian employment greater than that given by any single business in the country, including all the steel plants together.

The purpose of this Blue Supplement has been to set out in as comprehensive a manner as possible the subject of development through food in the particular light of India's recent experience and of the operations which lie behind the programme which is working now with a substantial measure of success. 'The Eastern Economist' has been given facilities for study in the United States and can thus present both the transmitting and the receiving ends of this picture. It is hoped that this Blue Supplement will contribute in some small measure to a major understanding of the large contribution that the programme is making to Indian economic development and, happily, at the same time to Indo-American partnership in an absorbing enterprise, in which the purpose is human welfare above everything else.

FAO and the Development Decade*

By Dr. B. R. SEN, Director-General of the Food & Agricultural Organisation.

THE PROPOSAL TO designate the 1960s as the United Nations Development Decade has received the unanimous support of the General Assembly. We must, therefore, assume general concensus among the member-nations regarding the basic ideas of the Development Decade and also acceptance of its implications. The resolution calls the Development Decade a programme for international economic co-operation. While it asks the developing countries to intensify their own efforts towards self-sustaining economic growth, with each country setting its own target, taking as the objective a minimum annual rate of growth of aggregate national income of 5 per cent at the end of the Decade, it also urges the developed countries to provide sustained support for accelerated growth in the under-developed countries, specifying the broad measures which they should follow for this purpose. At the same time, it calls upon the United Nations and its Specialized Agencies to aid the member-countries in achieving the goals of the Development Decade, and to develop proposals towards that end.

Since F.A.O. collaborated actively in formulating the basic approaches and proposals of this report, I wish to confine myself here mainly to the implementation of the proposals. Indeed, if the Development Decade is to be more than a mere slogan, it must call for a greatly increased effort, both by governments and by international organizations, along the lines suggested in these proposals. The essence of the development process in under-developed countries is putting more people to productive work, through capital investment, organization and incentive. Progress to be real, therefore, implies that the governments and peoples of the developing countries must themselves be thoroughly involved in the process of growth. In fact, without such involvement external aid cannot be of much avail.

*This article incorporates the substance of Dr. B. R. Sen's address to the 34th session of the Economic and Social Council at Geneva on July 9, 1962.

The contrast in the levels of human welfare between the developed countries of the world and those where the development process has barely begun is strikingly reflected in the annual income levels per head of these countries. These international inequalities are not being reduced. In fact, the gap is widening. Gross income in the under-developed regions of the world grew at the average rate of 3 per cent per year between 1950 and 1959. Because of the growth of population, the increase in income per person was only about 1 per cent per year—that is, about $1 per year. In the United States and in the six countries of the European Economic Community, average incomes during the same period rose by over $20 per head per year.

The net capital flow and assistance from developed to developing countries over the last decade remained less than 1 per cent of the combined national income of the wealthier countries, in spite of considerable increases in the latter part of the decade. This current flow of capital and assistance is simply too low. It is below what the developed countries can and should afford in their own best interest and it is far below the needs of the less developed countries. The unanimous re-affirmation by Members of the United Nations of the idea of international economic co-operation and their determination to intensify action during the Development Decade will, it is hoped, lead to a substantial increase in this flow of capital and technical assistance.

The Freedom from Hunger Campaign, launched by FAO in 1960, had all these needs broadly in view. Entrusted by its constitution with the task of promoting common welfare by raising levels of nutrition and standards of living of the people and bettering the conditions of rural populations, FAO, more than any other international agency, stands face to face with the greatest human problem of all—the problem of ensuring food for the growing world population.

A study recently made shows that nearly one-sixth of the world's population, or roughly 500 million people, suffer today from active hunger, that is, lack of sufficient calories, while another one billion suffer from malnutrition or diet deficiencies. Add to this the relatively high rates of population growth in the developing regions over the last decade (between 2 and 2.5 per cent per annum), which are expected to go even higher (2.5 to 3 per cent) during the current decade, and there can be no mistake about the seriousness of the problem. There could well be a doubling of the population in Africa, a trebling in Latin America, and an increase in the Far East and Near East by two and a half times by the end of this century. **On such a rate of population growth, world food supplies would have to be doubled by 2000 A.D. just to maintain the current level of nutrition which is very inadequate, and in many of the under-developed regions, it would have to be trebled to provide only a moderate improvement.**

The magnitude and gravity of the situation, therefore, calls for urgent world attention. By its very nature, this problem cannot remain stationary. Either we face up to it with all the material and technical resources that man has at his disposal, as has been done in the relatively few advanced countries, or it becomes worse and reaches the "explosion" stage. There can be no question which alternative is to be preferred.

The target of an overall growth of national income of 5 per cent per annum proposed by the Development Decade is certainly the minimum that the developing countries should aim at during the current decade. It should be realized that this would represent an increase of little over $2 per head per year for most of the under-developed countries—a very small increase indeed. As I have already indicated, even such a modest increase would require substantial additional financial resources, and many supporting measures at both national and international levels if it were to be attained. Assuming that such resources will be forthcoming, one immediate question which arises is how the investment funds are to be allocated between different sectors of the economy. Granted that the investment allocations to the several main economic sectors must be based on well-integrated development plans, my own answer is that these plans must assign a major role to agriculture in the attainment of the target rates of growth. We should realise that successful economic development requires, as the distinguished delegate of the United States, Mr. Adlai Stevenson, has stated succinctly, "a **breakthrough** in agriculture". In the developing countries, agricultural progress must supply the food for better nutrition of an increasing population; agricultural progress must release the labour for industrial development; agricultural progress must supply in terms of export returns and internal revenues, much of the foreign exchange and capital to finance needed imports and capital investment. This, we know, was the role which agriculture played in the economic development of the most advanced industrial country in the world today, viz. USA, in the 19th century. This is the role which agriculture must play in most of the developing countries in this decade and in the decades immediately ahead. Our estimate is that to achieve an overall national growth rate of 5 per cent per annum, agriculture should be developed at a rate of approximately 4 to 4.5 per cent.

It is essential to set specific targets both for improvements in nutrition and for agricultural production, which will be consistent with the overall target of 5 per cent per annum growth proposed by the Development Decade. In sections of the Secretary-General's Report dealing with "Food and Agriculture in the Development Decade" there are indications of certain broad targets of nutritional requirements and food supplies to be attained over the current and the subsequent decades, to which I would like to draw the attention of this Council. Broadly speaking, the rate of improvement in per capita food supplies in the developing countries need to be doubled, that is, to be increased by 2 per cent or more per annum over the decade as against the past increase of 1 per cent per annum.

Since FAO is concerned primarily with the problem of hunger and malnutrition and with its solution through increasing the supply of basic food and agricultural products, its role during the Development Decade will be vital. The UN General Assembly, by its resolution of October 27, 1960, has endorsed FAO's Freedom from Hunger Campaign and urged all States, members of the United Nations and members of the Specialized Agencies, to support the Campaign in every appropriate way. Further, the UN/FAO experimental World Food Programme for the use of food aid as a means of promoting economic and social development is, it is hoped, only a beginning of a much bigger effort in the years to come.

FAO will, of course, continue to work on many fronts with the UN and the other specialized agencies; but its main contribution to the Development Decade will be through the Freedom form Hunger Campaign. I may add that in pursuing the Campaign, FAO is reorientating its whole range of activities so as to be able to render the greatest possible service to the developing countries. This includes greater emphasis on education and training, assistance in establishing effective admin-

istrative services, emphasis on basic institutional changes such as land reform. FAO is also giving greater attention to planning agricultural development in its overall context, both for the medium and for the longer term, in order to devise policies which will make it possible for the developing countries to attain higher standards of living.

A specially important field of FAO's endeavour over the decade will be research and analysis directed towards finding the optimum patterns of utilization of the limited resources of land and water. This is necessary in order to lay a sound foundation for meeting the much greater needs for food and raw materials of the decades still further ahead. Our Ganges - Brahmaputra Resource Survey (for India and Pakistan), for example, indicates that potential four-fold increase in production is dependent on directing development away from concentration on rice during the monsoon season towards a system of mixed farming and triple-cropping based upon perennial irrigation wherever possible.

Our recent Commodity Projection Study does not yield an optimistic picture for the export returns from agricultural commodities of the under-developed countries over the next decade, assuming that the current trends and policies are continued. The Development Decade will be meaningful only if in addition to other efforts within its frame work, member-nations give special importance to devising international commodity agreements or compensatory payment arrangements for commodities of primary interest to the developing countries. Fortunately, multilateral arrangements for looking into these problems already exist within the UN family. In fact, the UN Commission on International Commodity Trade is already engaged in a study of possible general compensatory arrangements; while the FAO Committee on Commodity Problems and its special study groups or working parties provide a convenient machinery through which the exporting and importsing countries, or the developing and the developed countries may, on equal footing, deal with these problems. Where necessary, these bodies can recommend and prepare draft commodity agreements which may then be formally negotiated at conferences called by the Secretary-General. In conclusion, let me plead that the Development Decade be conceived not so much in terms of statistics or percentages, but in terms of human needs—food, shelter and clothing for all everywhere in the world. Let this be a decade of truly co-operative effort, over-riding narrow economic considerations and ideological and political differences, to bring hope and promise of a better life to millions of our fellow beings.

Operation PL 480

ONE of the great gaps in understanding of the operations involved in the agreements under P.L. 480 concerns the volume and the many-sided character of the business operations following in the wake of the programme. There are, in fact, six major operations each of which makes substantial demands on planning, finance, and organization. The first of these is the reusing of the grain under conditions controlled by special Acts of the United States Congress involving both restriction of acreage and price supports. There are a vast number of regulations which involve inspection and operation of these orders of the United States Agriculture Department. Following upon the growing of the grain, there is the problem of the sale and surrender of that portion of the grain on which the United States Government has a lien after purchase. The problem of storage, particularly in case of wheat has run into spectacular dimensions, and, in every case, instructions have to be issued, transport arranged, and storage arrangements made to keep the grain in good condition. Thereafter, if another Government (or in special cases, private purchasers) wishes to arrange purchase of grain, they are free to inspect and make their choice at various centres in the United States and to fix prices according to circumstances, but generally on the basis of competing tenders. Thereafter, it is the purchaser's responsibility to take possession of the grain and despatch it. Fourthly, there is the receiving of the grain at the point of unloading in a foreign country. Fifthly, there is distribution by the receiving Government and then the handling of that grain by warehousing, despatch to local bodies and so on. Finally, there is the end-use of the grain whether as direct sales to the consumers or for free distribution for humanitarian ends such as the distribution by CARE for mid-day meals in schools.

Two immediate observations need to be made in regard to the character of these operations. In the first place, the total operation is considerably more in value than the original figure paid to the farmer in the United States for this produce. This is because transport, storage, and shipping costs are a substantial portion of the cost of the product to the consumer. Secondly, as a problem in organisation it calls at every stage for the co-operation of nationals of the receiving country with those of the United States. Thus in the case of India it is the Indian Supply Mission in the United States which calls for tenders, purchases grain and directs from which port they are to be despatched and where they are to be received. It is again the Indian Supply Mission which arranges the ships and from the moment the purchase takes place, ownership belongs to the purchasing Government. And it is the purchasing Government's directions which control the movement of commodities even while they are in the United States. In other words, United States nationals carry out the instructions of the foreign Government which has purchased the grain. The ships under certain limitations of flags provided by Acts of Congress can also be chosen subject to quotas by the concerned Missions abroad and there is room for the utilisation of the home country's ships to a very significant degree. In the case of the Indian Union, the real difficulty is that India has not enough ships to carry P.L. 480 supplies upto the full limit which the quota provides. In the Indian Union receiving and distribution are entirely in the hands of Indian nationals and a most elaborate organisation exists throughout the country for this purpose.

Much the most important point of reception is the port of Bombay which controls about half the P.L. 480 supplies under the May 1960 agreement—the largest single transaction ever completed in the history of the world—amounting to over Rs. 1100 crores. The office of the Regional Director of Food in Bombay employs five thousand persons responsible for reception, despatch, storing and so on, and this is only a figure for direct employment. In a following article some reflections are presented on the total volume of employment provided so far as other factors are concerned. One of the most interesting and perhaps, in the long run, educative factors in the distribution is the association of Panchayats in many cases with operation of the P.L. 480 programme. Thus, where there are mid-day meals for schools in villages, the consignments are directed to the Block Development Officer, who in turn makes supplies over to the Sarpanch in the villages where the schools are operated. It is the local authorities that

are responsible for the distribution and the control of these supplies. A high sense of responsibility is said to have been exercised in the areas which are being served under the overall supervision of the CARE, in some cases, under the Block Development Officer. In other words, Community Development and other local self-government have been pressed into service in the operation of the P.L. 480 programme and are fulfilling themselves in many ways.

By whatever standards the operations are regarded, whether it is growing of millions of tons of wheat and other commodities in the United States, or the transfer of these to ports, in some cases, well over 1,500 miles from the point of raising, storage at numerous points in the country after careful inspection and control, or the great shipping operation involved, or the distribution in the receiving country, the dimensions of the operation are massive and constitute an impressive business on their own. It is not generally known that in the last May 1960 agreement the operations involve the equivalent of a ship with a load of 8,000 tons arriving every day, at Indian ports for a period of about four years. Sometimes there are many ships at the ports with full loads of P.L. 480 commodities. The receiving, apart from a vast amount of clerical employment, is only one fact of a major operation in terms of the economy as a whole. The additional grain has to be bought and sold entering the free marketing competition with local grains, and a vast organisation controls issues, stocks and accounts in all the areas of consumption. At the same time, the Central Warehousing Corporation in India bases almost its entire business on this operation and from the sales of these commodities a vast chain of projects, to which reference has been made in another article, is financed. The consequenses reach out at one end in the supply of food to needy people to the accumulation of vast balances which assist the Government of India in its ways and means position. When sales of grains are made from P.L. 480 funds nominally the proceeds stand in the name of the United States, but are constantly being placed at the disposal of the Government of India both by way of loan and grant. A tremendous financial operation has thus been set in motion in which, apart from the control on prices brought about by the availability of supplies, the Government of India has a major interest in finding sources of revenue alternative to direct taxation or its own loan floatations. It has thus been possible to relieve the Indian economy from financial stringency at a time when otherwise this situation would have been intolerable either by the volume of new taxation or by the demands made by the Government for its loan programme on available rupee resources.

It is difficult to believe that there exists any other business in the country of equal size or importance for the economy as a whole. In the last five years P.L. 480 operations have probably exceeded those of any single business firm almost anywhere in the world.

The Structure of PL 480 Assistance to India

INDIA has been one of the most important recipients of assistance from the United States, in the form of farm products, under the US Agricultural Trade Development and Assistance Act, popularly known as the Public Law 480 by virtue of it being the 480th Act to be enacted in that country. The genesis of this Law, which presumably gave rise to the FAO ideas of fostering economic development in under-developed countries through provision of food, are, in fact, to be found in the second decade of the present century when the United States, surplus as it was in food even then, came to the succour of millions of people in Belgium and Northern France who faced starvation as a sequal to the German invasion of these countries in 1914. Since then, its surplus food has been utilised by the US Government to provide relief in various countries of the European continent, not excluding the Soviet Russia, when famine visited them, or the strains of war (which upset their agricultural economies) made them look to the United States for provision of foodstuffs. Today, however, the pattern of this assistance has changed appreciably. Apart from these food surpluses being made available for humanitarian purposes, large supplies of food are being effected by the United States for fostering economic growth in developing countries. The mechanism followed is sale of US surplus farm products to the needy under-developed countries on easy terms and allocation of the sale proceeds of these products, in the form of grants or loans, to them for their economic development.

India has uptil now received US farm products under this Law to the tune of $2,525.5 million. This does not include the Wheat Loan of $189.7 million which the United States extended to this country in 1951.

The US Public Law 480 has three titles (or chapters) under which assistance is granted. Title I authorises the US President to sell agricultural commodities for foreign currencies and provides for the use of the proceeds. Purchases under this Law do not involve expenditure of the dollar holdings of the foreign countries. Title II enables the President to furnish emergency assistance on behalf of the people of the United States to foreign countries for meeting famine or other urgent or extraordinary relief requirements. Supplies made under this title constitute donations and do not involve any payment. Title III permits the US Administration to barter American agricultural commodities with foreign countries for strategic or other materials and also the donation of food commodities to non-profit voluntary agencies for use in the assistance of needy persons both in and outside the United States.

ASSISTANCE TO INDIA UNDER TITLE I

Total assistance already made available or promised by the United States to India under Title I of the Public Law 480 amounts to $2,376.6 million (Rs. 1,131.7 crores). This has been authorised under five agreements, the first of which was signed on August 29, 1956, covering approximately supply of 35 lakh tons of wheat, 2 lakh tons of rice, 60 lakh lbs. of tobacco and a small quantity of dairy products. The total value of commodities actually imported under this agreement was $354.55 million. The agreement was for a period of three years, but in view of the unfavourable weather conditions in India, which led to serious food deficits in 1956 and 1957, the supplies of wheat, rice and dairy products were completed in less than two years.

The second agreement, covering 5.8 lakh tons of wheat and 2 lakh tons of coarse grains, valued at $55.28 million, was signed on July 23, 1958. Soon after this agreement, the third pact was signed on September 26, 1958, under which India was supplied 28 lakh tons of wheat and 3 lakh tons of coarse grains, worth about $259.81 million.

The fourth agreement under this title was signed on November 13, 1959. Under this pact, India received 29.97 lakh metric tons of wheat, 2.1 lakh metric tons

of rice, 3.5 lakh bales of cotton, 226 metric tons of tobacco and one lakh metric tons of coarse grains, in all worth $297.87 million.

Then came the agreement of May 4, 1960, signed by Mr. S. K. Patil, India's Food and Agriculture Minister, under which India was to be made available 16 million metric tons of wheat and one million metric tons of rice from the U.S. surplus stocks. Some supplements to this agreement were negotiated at a later date, providing for import by India of a large quantity of cotton, corn and soyabean oil. Both in terms of the quantity of agricultural products involved and the financial terms, this agreement has been the biggest which the United States has entered into with any country in the world. In terms of financial commitments, this agreement made available to India assistance to the tune of $1,369.8 million (Rs. 652.3 crores). Supplies of wheat under this agreement are still continuing and will come to end in 1964. But the other commodities have been already supplied by the United States.

By 1964, when the current—the fifth—agreement under Title I of the US Public Law 480 comes to a conclusion, India would have received, among other commodities, a total of 26.4 million metric tons of wheat and 1.58 million metric tons of rice.

UTILIZATION OF SALES PROCEEDS

The sale proceeds of the commodities supplied by the United States to India under the above five agreements, totalling Rs. 1,131.7 crores ($2,376.6 million), are to be utilised as follows :

1. For grants to Indian government for economic development	Rs.	375.3 crores
2. For loans to Indian government for economic development	Rs.	533.8 „
3. Cooley Fund for loans to private enterprise	Rs.	77.6 „
4. For U.S. government use	Rs.	145.0 „
TOTAL	Rs.	1,131.7 crores

The repayment of loans envisaged under (2) is to be made in Indian rupees.

Upto February last, by which time a total sum of Rs. 595.9 crores had accrued from these sale proceeds, the following allocations had been made :

1. For grants to Indian government	Rs.	150.8 crores
2. For loans to Indian government	Rs.	280.0 „
3. Cooley Fund for loans to private enterprise	Rs.	75.4 „
4. For U.S. government use	Rs.	89.7 „
TOTAL	Rs.	595.9 crores

Out of the total Rs. 150.8 crores made available to the Indian Government from the sale proceeds as grants, agreements have been concluded with the U.S. Government for utilising them for financing part of the rupee expenditure on the following projects:

(Rs. crores)

Project	Amount
1. River Valley Development (Chambal, Hirakud, Damodar Valley, Mahi Right Bank Canal, Kakrapar, Nagarjunsagar, Kosi, Bhadra, Tungabhadra, Mahanadi Delta Irrigation, Kundah and Koyna Projects)	5.9
2. Malaria Eradication	16.0
3. Indian Institute of Technology, Kanpur	0.5
4. U.P. Agricultural University	1.0
5. All-India Institute of Medical Sciences, New Delhi	2.9
6. Indian Investment Centre	0.2
7. Dairy Development	3.6
8. Soil and Water Conservation	2.0
9. National Highways	20.0
10. Exploration of Groundwater Resources	0.8
11. Craftsmen Training	1.0
12. Modern Storage of Food Grains	10.3
13. Higher Technical Education	2.0
TOTAL	66.2

The following projects have been authorised to be financed through loans made available to the Indian Government out of the sale proceeds of the agricultural commodities received so far:

(Rs. crores)

Project	Amount
1. Refinance Corporation	26.2
2. River Valley Development (Chambal, Hirakud, Damodar Valley, Mahi Right Bank Canal, Kakrapar, Nagarjunasagar, Kosi, Bhadra, Tungabhadra, Mahanadi Irrigation, Kundah and Koyna Projects)	124.1
3. Sharavathi Hydro-Electric Projects (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. Exploartion of Groundwater Resources	0.8
11. Trombay Fertilizer Plant	13.4
TOTAL	223.3

Commitments have been made for the following additional projects to be financed from these loans.

Agreements in regard to them are expected to be signed shortly.

(Rs. crores)

Project	Amount
1. Talcher Thermal Power Project	8.5
2. Birsinghpur (Amlai) Thermal Power Project	6.6
3. Sharavathi Hydro-Electric Project Second Stage	17.2
4. Cambay Thermal Power Station	9.0
5. Pamba-Kakki (Sabarigiri) Hydro-Electric Project	15.3
6. Bandel Thermal Power Project	7.7
TOTAL	64.3

Some more projects to be financed from these funds are being discussed between the Governments of India and the United States. They are expected to be announced shortly.

ASSISTANCE UNDER TITLE II

The total assistance received by India from the United States under Title II of the Public Law 480 amounts to $5.2 million. This came in 1956, 1957 and October, 1961 when several parts of India were visited by natural calamities. In 1956 and 1957, the US Government made available 10,000 tons each of wheat and rice and 3,000 tons of non-fat dry milk powder worth $4.9 million. In October, 1961, the US Government made available 1,250 short tons of milk powder for providing relief to food victims in this country.

ASSISTANCE UNDER TITLE III

The total assistance that India has received uptil now under Title III of the U.S. P.L. 480 amounts to $143.7 million. The only barter deal that has been transacted under this title between the United States and India was in March, 1959, which involved supplies by India of manganese, ferro-manganese and other materials in exchange for 4.5 lakh metric tons of foodgrains from USA. The rest of this assistance has been received in the shape of rice, milk powder, corn meal, vegetable oil and wheat for supplying mid-day meals to school children in four States—Madras, Kerala, Punjab and Andhra Pradesh. As many as 27 lakh children are stated to be provided lunch in their schools under this scheme operated by the State Governments concerned in collaboration with CARE.

The assistance made available out of the Cooley Fund created from the P.L. 480 counterpart resources has been discussed in the following article and need not be repeated here.

Cooley Funds

AN interesting feature of the US Public Law 480 Funds is their incentive for development. According to an amendment of P.L. 480, upto one-fourth of the local currency proceeds from the sale of American agricultural commodities may be made available for lending in the private sector. This amendment came to be popularly known as Cooley Amendment after the name of Mr. Harold D. Cooley who was the Chairman of the Committee on agriculture of the US House of Representatives.

Two categories of borrowers are covered by the Cooley Funds. They are:

(a) American firms or their subsidiaries operating in India or Indian firms having affiliation with American firms.

(b) Indian firms with no American affiliation which facilitate the disposal of American agricultural products.

So far, a sum of Rs. 75.4 crores has been made available to the Cooley Funds. The loans which have been sanctioned so far total upto Rs. 12.68 crores. The names of the recipients along with the volume of loans are given in the table below.

LOANS FROM COOLEY FUND

(Rs. Crores)

Firm	Amount	Firm	Amount
1. Otis Elevator of India Ltd.	0.10	8. Premier Tyres Ltd. (Joint enterprise with Dayton Rubber Co. Inc.)	0.30
2. Goodyear Tyre & Rubber Co. of India Ltd.	2.25	9. Seshasayee Paper & Board Ltd. (Ms. Seshasayee/Parsons & Whittemore Inc.)	2.00
3. Mysore Cements Ltd. (Ms. Sarangapani Mudaliar/Kaiser Inc.)	0.55	10. Lederle Laboratories (India) Pvt. Ltd.	0.25
4. Hindustan Aluminium, Ltd. (Ms. Birla-Kaiser Inc.)	1.00	11. Gabriel India Private Ltd. (Ms. D.C. Anand/Gabriel of Detroit)	0.05
5. Synthetics & Chemicals, Ltd. (Ms. Kilachand/Firestone Inc.)	3.92	12. Carrier Air Conditioning & Refrigeration Pvt. Ltd. (Ms. Voltas/Carrier Air Conditioning Inc.)	0.38
6. Merck, Sharpe & Dohme Private Ltd.	0.50	13. Madras Rubber Factory Ltd., (Factory is being set up in collaboration with Mansfield Rubber Co. of Ohio)	0.25
7. Ex-Cell-O (India) Pvt. Ltd. (Ms. Amerind Engineering Co./Ex-Cell-O Inc.)	0.20	14. East India Hotels Ltd. (Ms. Oberoi/Intercontinental Hotel Corporation Inc)	0.76
		15. Wyeth Laboratories, Pvt. Ltd. (American Home Products Corporation)	0.17
		TOTAL	**12.68**

Negotiations are being completed in respect of many other loans in order to finance the development of other industries. Indo-American co-operation will flourish further when the balance of Rs. 62.7 crores is made available.

Amongst the loans which have already been provided from the Cooley Funds, the Synthetics and Chemicals Ltd. has obtained the highest allocation of Rs. 3.92 crores. Goodyear Tyre and Rubber Company of India Ltd. has obtained Rs. 2.25 crores by way of loans. Next in the scale is Seshasayee Paper and Board Ltd.

As soon as the political climate in Washington clears and the Senate appears in a better mood, the administration is likely to announce the completion of many Indo-American collaborations.

PL 480 Funds: Direct and Indirect Employment

THE import of foodgrains and other agricultural commodities from the United States under the US P.L. 480 programme is a vast employment giving operation. On the average, one ship with 10,000 tons of agricultural commodities is unloaded every day in Indian harbours. No one has kept a record of the number of people employed in taking delivery of the P.L. 480 products and transporting it to the various warehouses in the country for purposes of storage. During the lean months, when shortages appear in various parts in the country these stocks are once again moved to areas of deficit, thus providing work to more men. Throughout these operations, the number of men directly linked with the project is something like 100,000. This may look a staggering figure. It is not often realised that most of these operations in India are completed without the assistance of automatic machinery which is readily available abroad. In almost all cases, the burden is borne by human labour. The process of bagging 10,000 tons of agricultural produce at a port needs no less than 1,000 labourers and, then, there are others who have to put these bags into wagons for conveyance to upcountry centres. Unloading and loading in itself are big tasks both at the ports and the warehouses. In between, there are the railway stations where the same process has to be gone over. Thus the estimate of 100,000 jobs created directly by P.L. 480 imports is a conservative one.

There are no less than 37 stations in India where warehouses are located for storing the agricultural produce. A comprehensive administrative machinery is needed to decide about the distribution of the produce to the various warehouses. The lists of these warehouses along with their capacities is given at the end of the article. It will show that the only States where no warehouses are provided are, Mysore and Himachal Pradesh. Broadly, the location of these warehouses has been governed by the dictates of the demand for wheat —the most important component in P.L. 480 imports.

The volume of indirect employment generated by these imports is much larger than the direct employment. An estimate of indirect employment can be made by employing capital—labour ratio prevalent in Indian industry. The total aid under P.L. 480 to be received is Rs. 1131.7 crores. This will, however, continue to be received till 1964. A sum of Rs. 595.9 crores has already accrued as sales proceeds of commodities supplies to India. The amount has been allocated as under:

(Rs. crores)

(i) For grants to Indian Government ..	150.8
(ii) For loans to Indian Government ..	280.0
(iii) Cooley Fund for loans to private enterprises	75.4
(iv) For US Government use	89.7
TOTAL	595.9

It is true that all these funds have not been utilised. For example, out of Rs. 150.8 crores which have become available by way of grants to the Indian Government, agreement had been reached only in regard to projects for Rs. 66.2 crores. This applied to other categories as well. In all the actual investment of Rs. 250 crores has already taken place out of the proceeds of P.L. 480 sales. On the assumption that every investment of Rs. 7000 results in providing employment to an additional hand in the Indian Union, it is estimated that the total employment generated indirectly comes to nearly 350,000 people. Undoubtedly, this is a rough estimate based on the data provided by the census of manufactures. Even the most conservative co-efficient of Rs. 10,000 investment for every additional job will yield a figure of 2,50,000 additional employment. In the case of certain irrigation projects, the volume of employment generated is much larger. After the completion of these projects, the multiplier effect of investment continues to raise employment by either putting more area under irrigation or by providing power to new industries. In the case of Cooley Amendment funds, wherein loans have been made available to private enterprises, the volume of new employment is likely to be much larger. All in all, it might be stated that P.L. 480 funds have indirectly created nearly 3,00,000 new jobs. Thus in addition to feeding the hungry, assisting in the setting up of new industries and building new irrigation projects, the P.L. 480 scheme has produced a far-reaching impact on the economy by providing work to a large number of additional men and women—estimated to be around 4,00,000 in all.

TABLE I

STATE-WISE LOCATION AND ESTIMATED CAPACITY OF THE FOODGRAINS STORAGE GODOWNS

('000 tons)

State and Centre	Capacity
Andhra Pradesh	
1. Visakhapatnam	20.0
2. Tadepalligudem II & III	7.1
Bihar	
3. Saharsa I, II & III	11.2
4. Patna I & II	22 5
5. Gaya I & II	20.0
6. Muzaffarpur	7.5
7. Dhanbad	10.0
8. Mokameh	13.6
Gujarat	
9. Ahmedabad I, II & III	30.0
10. Ahmedabad IV	7.8
11. Baroda	10.0
Kerala	
12. Kozhikode	7.0
13. Quilon	1.3

Madhya Pradesh	
14. Bhopal I & II	20.0
15. Raipur	10.0
15. Bilaspur	10.0
17. Dhamtari	5.0
Madras	
18. Avadi III	5.0
Maharashtra	
19. Poona I & II	22.7
20. Manmad III, IV & V	112.0
21. Borivilli I, II & IV	88.9
Orissa	
22. Khurda Road	10.0
Punjab	
23. Karnal	5.0
24. Gurdaspur	5.0
Rajasthan	
25. Jodhpur	3.0
26. Udaipur	1.5
27. Bikaner	10.0
28. Jaipur	10.0
29. Ajmer	5.0
Uttar Pradesh	
30. Harduaganj	30.0
31. Kanpur II & IV	28.8
32. Gorakhpur	20.0
33. Varanasi	20.0
34. Agra I, II & III	36.1
West Bengal	
35. Kalyani	32.0
Delhi	
36. Subzimandi (Delhi)	3.0
37. West Patelnagar (Delhi)	65.5

TABLE II

WORKS WHICH ARE EXPECTED TO START SOON

('000 tons)

State and Centre	Capacity
Andhra Pradesh	
Visakhapatnam	10.0
Bheemavaram	5.0
Assam	
Jorhat	5.0
Shillong	1.5
Gauhati	20.0
Tinsukia	5.0
Bihar	
Mokameh II & V	29.4
Katihar	10.0
Darbhanga	5.0
Jamshedpur	10.0
Kerala	
Trivandrum	10.0
Madras	
Avadi IV & V	31.6
Egmore	13.8
Maharashtra	
Wadala	2.20
Bombay (G.M.G.)	4.00
Borivilli	35.6
Sewri (Bombay)	21.7
Nagpur	30.0
Orissa	
Bhubaneshwar	5.00
Rourkela	5.0
Punjab	
Ferozepur	5.00
Amritsar	5.00
Rajasthan	
Jaipur	7.00
Uttar Pradesh	
Basti	5.00
Lucknow	24.00
Hapur	5.2
West Bengal	
Union Jute Mills	15.8
Jhinjiarpool	32.6
Siliguri	30.0

PL 480: The Transport Complex

THE basic fact to be noted about the transport of food grains and other commodities under the P.L. 480 Title I Programme is that it is the exclusive responsibility of the Government of India right from the point of despatch of ships from the United States. Under the P.L. 480 Agreements, although the quantities of the commodities agreed to be supplied are indicated, the actual loan assistance is given in terms of U.S. dollars and it is with these dollars that the stipulated quantities are purchased by the Indian Supply Mission in America. The responsibility for sending the shipments to the different ports of India devolves on the Supply Mission. The real impact of these shipments on India's transport capacity begins to make its impression when the ships arrive at the Indian ports. It is this impact which needs to be assessed here.

The different stages of transport involved from the point of unloading of the ships to their consignment at the consuming centres are not as complex as they are supposed to be. Practically all the food grains (and other commodities) are moved from the port towns, except for such quantities as are retained in those towns for local consumption or for consumption in the proximate region. In this case what happens is that the stocks unloaded are removed to storage houses located at a distance of not more than 15 to 20 miles from the ports. This short distance requires truck transport. But considering both the quantities of stock and the distance, this truck movement forms a negligible proportion of the aggregate traffic movements. Essentially the P.L. 480 imports are transported by rail into the interior at different destinations where the storage capacity is located. From these storage centres the stocks are despatched to the main distribution points in the States and here again movement by rail is involved. There are at the present time about 275 storage centres specially constructed for the preservation of food grains out of which well over 200 are occupied by the P.L. 480 food grain stocks. The location of these storage centres is invariably planned in the close vicinity of railway stations, so that the employment of truck transport in the course of movements for distribution for consumption is reduced to a nominal proportion. But a more significant feature of these storages is that they are so devised as to avoid cross-movements of food grains conveyed to them from the port towns. This planning of location has helped to reduce the strain on the rail capacity which otherwise would have been involved in multiple movements.

In the order of geographical direction, the ships are unloaded at Kandla, Bhavnagar, Bombay, Madras, Visakhapatnam, Haldia and Calcutta. But the heaviest brunt of the shipments falls upon Bombay port, where, it is estimated, not less than 50 per cent of the cargo arrivals are unloaded. Madras is the next to bear the burden of the arriving ships, then comes Calcutta, while the share of the remaining ports is much smaller in comparison. Ships bound for Calcutta involve a double unloading arrangement. This is for the reason that the draft at Calcutta port is shallow, about 27 feet, which necessitates the limitation of the capacity of ships to 6,000 tons. The quantities actually loaded in the ships in excess of this limitation are required first to be unloaded at other earlier ports, particularly Madras and Visakhapatnam. A question may be posed here. How much additional load is thrown on the capacity of the ports in view of the fact that under the P.L. 480 Title I Agreement of May 4, 1960, the average arrivals of ships over the four-year period come to one ship a day? This question in reality does not require an answer at all. One ship per day is only an arithmetical estimate. Actually what is happening is that the element of time-lag is operating in a very impressive manner and the quantities that are actually unloaded since the signing of the prevailing agreement do not relate exclusively to the food grains stipulated in it. A good part of this quantity represents the back-log or throw-forward from the stocks due under the earlier P.L. 480 agreements.

The actual incidence of the demand of the P.L. 480 food grain imports on rail capacity is extremely difficult to estimate. The statistics of the Railway Ministry relate to the aggregate qualities of grains and pulses loaded in terms of four-wheeler wagons on the broad-gauge and the ordinary wagons on the metre-gauge. For instance, in 1960, 454,800 wagons were loaded on the broad-gauge and 381,600 wagons were loaded on the metre-gauge. The corresponding figures for 1961 are 429,600 four-wheeler wagons and 373,200 wagons. These loadings represent all manner of movements. They include P.L. 480 imports, imports from the traditional sources of supply, intra-State movements from the country-side to the towns and movements from the surplus regions to the deficit regions. This variety of classification makes it well-nigh impossible to isolate the shares of the movements of domestically produced food grains, P.L. 480 import movements and movements of other imports. The estimate of rail capacity absorbed by P.L. 480 imports cannot be dismissed is of little practical value. It is to be taken in relation to roughly 20 million metric tons of domestic food grains which involve transport from the growing areas to the markets. Another, though less important, factor to be regarded relates to the length of the haul. Over 200 storage centres holding P.L. 480 food grain imports are obviously far-flung. But depending upon the location of the consuming centres, the movements might involve long or short hauls and this has a definite bearing on the transport capacity occupied.

In the table below are set out the details of the arrivals of shipments of wheat from 1956, when the first P.L. 480 agreement was signed up to June 1962. In parenthesis, it ought to be mentioned that out of the total 17 million tons of food grains

WHEAT ARRIVALS IN INDIA UNDER P.L. 480 TITLE I

Total up to June, 1962.

(In Metric Tons)

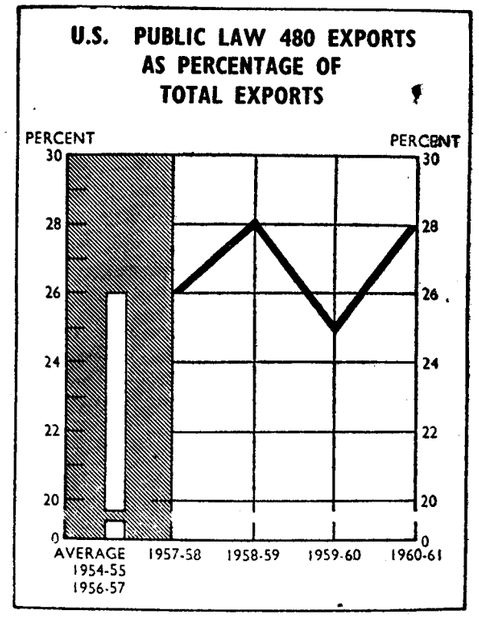
	1956	1957	1958	1959	1960	1961	1962
Upto December	147,233						
January		124,064	149,488	357,929	91,957	290,030	154,188
February		123,500	134,709	396,801	160,601	220,840	200,556
March		177,897	242,676	302,480	464,259	271,610	150,345
1st Quarter		**425,461**	**526,873**	**1,075,210**	**716,817**	**782,480**	**505,089**
April		178,258	137,285	424,159	429,668	176,282	164,074
May		178,518	111,115	313,258	413,660	194,198	244,800
June		244,355	50,817	248,107	345,964	186,757	148,408
2nd Quarter		**601,131**	**299,217**	**985,524**	**1,189,292**	**557,237**	**557,278**
July		269,662	107,048	237,815	416,809	125,640	
August		334,782	64,910	194,295	224,418	111,808	
September		392,552	133,433	282,638	255,781	79,148	
3rd Quarter		**996,996**	**305,391**	**714,798**	**897,008**	**316,596**	
October		178,051	209,326	118,804	442,140	119,574	
November		131,478	302,534	95,094	295,860	175,909	
December		214,298	271,498	176,697	508,490	165,255	
4th Quarter		**523,827**	**783,358**	**390,595**	**1,246,490**	**460,738**	
ANNUAL TOTAL:	**147,233**	**2,547,415**	**1,914,839**	**3,166,127**	**4,049,607**	**2,117,051**	**1,062,367**
						GRAND TOTAL ..	**14,904,643**

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which have been stipulated in the agreement of May 4, 1960, as high a proportion as 16 million tons represents wheat. Out of the balance, more than four-fifths is rice and the rest other grains. An idea of the pressure of P.L. 480 imports on the transport capacity can be fully gathered from the quantities of wheat alone. The capacity that is demanded by other types of commodities is quite small.

The outstanding fact which emerges from this table is that it was in the calendar year 1960 that the largest quantity of wheat shipments arrived in this country. It was of the order of 4.05 million metric tons. Quite a small part of it could be related to the Agreement of May 4, 1960, the bulk representing the food grains procured under the previous agreements. This observation applies in some measure to the arrivals of the quantities in 1961 also. The fact that arrivals of ships were nearly halved in 1961 to those in 1960 is explained by the good harvest enjoyed by this country in the agriculture year 1960-61. Nevertheless, the 1961 quantities compare well with those in 1957 and 1958, although not with those of 1959. The agricultural year 1961-62 is again bringing a plentiful harvest, but it is interesting to note that the arrivals of ships are keeping to the pace of arrivals in 1961. The estimate of 1962 is, of course, based on the actual unloading during January-June. The significance of the actual procurements in 1961 and the first half of 1962 lies in the build-up of reserve stocks whose key role has been described elsewhere in the articles in this Supplement. On the quarterly basis also, 1960 show the high water-mark of imports in the fourth quarter and in the second quarter of the year. It is only after these two quarters that a high level of quarterly imports is revealed in the first quarter of 1959.

The imports of stocks revealed in the table do not give a clue to the quantities that have been procured under the latest Agreement of May 4, 1960. But this class of imports are presumably much less than 3.17 million metric tons imported in 1961 and the first half of 1962. To this needs to be added a small quantity that was bought in 1960. It is, therefore, problematical whether the balance of something like 14 to 14.5 million metric tons of food grains would be shipped during the remaining period of this Agreement. The presumption is that the position will need fresh consideration at the end of the period of the Agreement.



U.S. AID TO INDIA

(From June 1951 to July 23, 1962)

Source of Aid	Dollars (Million)	Rupee equivalent (Crores)
1. U.S. Agency for International Development Mission's Technical Co-operation Programme: (a) Developmental grants (not repayable)	351.9	167.6
(b) Loans (repayable in rupees or dollars)	156.1	74.3
2. U.S. Agency for International Development: Developmental Loans (repayable in dollars)	363.8	173.2
3. U.S. Development Loan Fund credits (repayable in rupees) ..	513.4	244.5
4. **Public Law 480, Title I (grants & loans repayable in rupees)** ..	2,376.6	1,131.7
5. **Public Law 480, Title II (grants) (not repayable)**	5.2	2.5
6. **Public Law 480, Title III (Agricultural commodities donated through voluntary agencies (not repayable**	143.7	68.4
7. Emergency Flood & Famine Relief grants (not repayable) ..	5.5	2.6
8. Export-Import Bank loans (repayable in dollars)	246.9	117.6
9. Wheat Loan of 1951 (repayable in dollars)	189.7	90.3
TOTAL	4,352.8	2,072.6

TABLE 1

COMMODITY COMPOSITION OF PROGRAMMES UNDER TITLE 1, P.L. 480 AGREEMENTS,
(Million dollars*)

Commodity	Average 1954-55 — 1956-57	1957-58	1958-59	1959-60	1960-61	July-Dec. 1960	July-Dec. 1961
Wheat and wheat flour	265.8	238.9	410.2	694.5	1113.1	222.5	562.0
Cotton	113.9	140.9	108.1	92.1	181.0	95.7	62.9
Fats and oils	79.1	111.0	150.4	63.8	46.0	19.6	198.1
Coarse grains	30.4	100.7	50.0	57.2	65.7	44.0	50.8
Rice	49.6	25.5	34.5	64.7	114.3	17.4	21.2
Tobacco	38.6	33.0	33.4	21.5	17.9	11.7	19.7
Dairy Products	6.9	18.7	4.4	1.0	2.2	1.5	12.7
Others	14.9	12.1	5.2	1.8	0.8	—	0.8
TOTAL	599.2	680.8	796.2	996.6	1541.0	412.4	928.2

*Valued at market prices, excluding ocean transportation.

TABLE II

USES OF FOREIGN CURRENCY AS PROVIDED IN TITLE 1, P.L. 480 AGREEMENTS,
(Million dollars*)

Use	Average 1954-55 — 1956-57	1957-58	1958-59	1959-60	1960-61	July-Dec. 1960	July-Dec. 1961
Common defence	67.2	71.4	35.0	20.0	66.0	39.7	42.1
Grants for economic development	50.1	3.8	81.0	321.0	526.3	35.6	479.2
Loans to private enterprise ..	0.6	86.3	140.8	92.4	96.7	28.3	69.2
Loans to foreign governments ..	376.9	261.0	373.5	460.0	711.0	161.7	315.7
United States Uses	197.0	320.6	265.7	244.5	364.4	193.4	153.0
TOTAL	691.8	743.1	896.0	1137.9	1764.4	458.7	1059.2

*The dollar equivalent of foreign currency represents the total value of shipments at market prices plus ocean transportation costs.

TABLE III

EXPORTS OF UNITED STATES FARM PRODUCTS UNDER P.L. 480 COMPARED WITH TOTAL EXPORTS

(Million dollars)

Programme	Average 1954-55- 1956-57	1957-58	1958-59	1959-60	1960-61	1954-55 through 1960-61
Public Law 480						
Title I	474	659	725	825	934	4,564
Title II	87	92	56	65	146	621
Title III						
Barter	275	100	132	151	147	1,354
Donations	161	173	131	104	144	1,086
Total P.L. 480	**997**	**1,024**	**1,044**	**1,145**	**1,371**	**7,575**
Other Exports	2,792	2,979	2,675	3,372	3,575	20,978
Total Exports	**3,789**	**4,003**	**3,719**	**4,517**	**4,946**	**28,553**
Public Law 480 exports as percentage of Total exports	26	26	28	25	28	27

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India and Rumania

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India and Rumania

INDIA'S policy of casting her net wide in the matter of trade and economic aid has stimulated her contacts with a number of countries, big and small, on a scale and in a brief span which otherwise would not have been deemed feasible. Rumania is one of those countries with which India has developed closer economic ties even while both the countries have recently started on the difficult road to economic progress. India's trade with Rumania on the basis of a bilateral agreement falls into the pattern of her post-independence policy for foreign trade. Apart from this vital development, much interest has been evoked in the economic march of Rumania as a direct result of the agreement of collaboration for the Nunmati Oil Refinery. Rumania's capacity and readiness to extend collaboration to this country by furnishing upto-date refinery equipment is a significant indicator of the manner in which she is diversifying her economy. There is certainly something to be studied with profit in the recent growth of Rumania's economy.

Among the natural resources with which she is endowed, Rumania can easily give the pride of place to **oil.** Both in respect of output and export of oil she stands second in the whole of Europe. Natural gas and coal stand out as among her rich natural resources and then there is a considerable potential of hydro-power. Altogether, Rumania's power potential is plentiful and this is one of the basic factors which has facilitated her rapid industrial development.

India and Rumania follow different patterns of industrialisation based on their patterns of economy—India's mixed economy and Rumania's state-owned economy. This explains the lack of any profound similarity between the lines on which the industries in the two countries are being developed. The distinctive feature of Rumania's industrialisation is no doubt her emphasis on heavy industry and in this basic sector top priority has been assigned to machine-building industries. This accent on machine-building is important

As in industry, so in agriculture, is to be found the conventional Communist pattern of economic planning. Rumania's first emphasis on agriculture was to take away the land from the minority of landlords for distribution among the landless peasants, but this was only an interim phase. The socialist transformation which was started in agriculture early in 1949 (and has now been completed) was based on the principle of collectivisation or state-ownership of farms. The underlying object was to raise the productivity of agriculture by mechanization. It is one of the important achievements in Rumania's agricultural development that tractors and other types of machinery are introduced on a country-wide scale. In parenthesis it may be added that tractor manufacture in Rumania has proceeded rapidly enough to enable her to undertake an expanding programme of exports of tractors. India however, can go in the direction of mechanized large-scale farming only to a very limited extent.

State monopoly of foreign trade has enabled Rumania to change its structure rapidly, particularly in respect of its composition. With the progress of industrialisation, there is now a transformation of the foreign trade with an emphasis on the exports of semi-processed or manufactured products, engineering goods, refined oil and products, chemicals, pharmaceuticals, etc. This range of exports is rapidly replacing the conventional pattern based on exports of raw materials. It follows as a corollary that in the sphere of imports raw materials and semi-manufactured goods should find an increasing place, and today their share in Rumania's total imports ranges between 50 per cent and 66 per cent.

Indo-Rumanian economic relations first found a fruitful channel in trade. During the decade ended 1961, the volume of trade between the two countries has gone on expanding, India's exports to Rumania last year being of the order of Rs. 1.95 crores and her imports Rs. 4.55 crores. During the decade India had recorded a trade surplus with Rumania in several years. But since 1960 the situation has changed and India's trade deficit with Rumania has gone up to Rs. 2.40 crores and Rs. 2.60 crores. This is explained largely by the scheme of collaboration in which Rumania has undertaken to assist this country to set up the oil refinery at Nunmati. One of the articles in this Blue Supplement explains the broad outline and significance of this project of collaboration. The closer ties of economic relations which India and Rumania are developing and will develop with a greater accent in the future ought to be assessed not so much in terms of value as in terms of the opportunities that will be explored for cooperation between the two developing countries.

The Pattern of Economic Growth

THE impressive strides made by the economy of Rumania in its various sectors are the result of a co-ordinated policy of development carefully chalked out and meticulously executed. That Rumania's economy ranks among the dynamic economies of Europe is a conclusion endorsed by the United Nations too. The comparisons of the levels of growth achieved in agriculture and industry as well as in workers' wages are usually given, in the official statistics, in terms of percentages. In some cases the base of comparison is a pre-war year, 1938, which is far from being representative in view of the backward and stagnating condition of the economy at that time. But even where the base year is a post-war year, under the impetus to economic growth given by the Communist regime, a full assessment of the advances made and their international comparison is not readily practicable. With this reservation, the fact stands out that since Rumania launched her Six-Year Plans in 1948, the rate of economic growth has been fast enough. The current Six-Year Plan started in the year 1960 and it is placing a pronounced emphasis on the further execution of the growth of machine-building industry in the first instance, and heavy industry in general.

Consistently with the co-ordinated pattern of growth, agriculture came in for early attention under the Communist regime. The traditional distribution of ownership of cultivable land, with concentration in the hands of a small number of landlords (in most cases absentee landlords), existed in Rumania also. In 1945, 0.8 per cent of the total number of land owners had 32.2 per cent of the cultivable land, while 12 per cent of the arable land was distributed in ownership over small owners and the size of the holdings was 5 hectares, their total adding up to something like 2.5 million holdings. The uneconomic scale of operation of farming is quite obvious from this pattern of ownership. As many as 700,000 peasants were landless.

Agricultural transformation was spread over two distinct phases. To begin with, a mild form of land reforms was introduced in 1945 in which there was a substantial re-distribution of land which aimed at eliminating the class of landlords as well as that of landless peasants. But the ownership and cultivation of the farm holdings remained in private hands and the State did not come into the picture during this phase. The second phase which was launched in March 1949 was crucial to the revolution in agriculture. It was completed early in 1962, four years ahead of the original schedule. This advance completion gives an idea of the extent to which mechanization was pushed with vigour. The abolition of small holdings and putting agriculture on the basis of collective or State-owned farms facilitated the rapid mechanization in the methods of cultivation. In 1961, there were as many as 52,000 tractors, 48,000 sowing machines and 23,000 grain harvesters which give a clear idea of the extent to which the traditional methods of agriculture were transformed into the most modern. The current Six-Year Plan aims at nearly doubling the number of tractors and trebling the number of the other two categories of machines. Along with improved seeds and irrigation facilities, mechanization has been responsible for a spectacular increase in agricultural output as well as in the productivity of this basic sector.

It was in the Second Six-Year Plan that the Government of the People's Republic of Rumania turned its attention in all earnestness to a radical approach to the exploitation of its mineral wealth. This pre-supposed extensive and careful geological surveys. In the Second Six-Year Plan, 8,000 million Lei were allocated for geological surveys and in the current Six-Year Plan this allocation has been stepped up by 50 per cent to 12,000 million Lei. These surveys have brought significant results, particularly in the realm of the discovery of the rich wealth of non-ferrous ores. Iron ore as the base material for steel, and manganese ore which is indispensable for the manufacture of steel were already known facts, but the surveys under the Six-Year Plan have succeeded in bringing to knowledge greater resources of ferrous ores and manganese ores. It is the extensive discoveries of zinc, bauxite, antimony, etc. that indicate the achievements of the large outlay on geological surveys. There can be no doubt that a new direction will be given to industrial development for the purpose of diversification in the light of these new finds and the discovery of large non-ferrous ores in the recent past. Most of these ores are used for domestic industry and in place of the traditional practice of exporting ores, the accent now is on exporting processed ores or semi-manufactured materials out of this natural wealth.

In the realm of industry one comes across a volume of statistics many of which give an objective idea of industrial expansion in terms of quantity or value. Elsewhere in this Blue Supplement will be found particular attention drawn to the special progress made in specific industries of which the chemical industry is the most representative illustration. The Statistical Section of the Blue Supplement, setting out the exports of Rumania, gives a positive idea of the surplus industrial manufactured goods which Rumania is now producing. This is to be contrasted with the heavy imports of manufactured goods under the old dispensation.

In view of the marked progress achieved in agriculture, it is apparent that the continuous achievements of the higher levels of industrialisation were achieved without neglecting the basic interests of agriculture. Rumania has changed the face of her economy with a sharp accent on industrialization. Industry has now become not only its dominant part but a major component of the national income.

One of the interesting features of the growth of Rumania's economy is the contribution made to it by labour productivity. The tempo of increasing labour productivity, starting with a low base, was naturally high and thus it is that between 1950 and 1961 there was an increase in labour productivity of the order of 133 per cent. But an official assessment brings out the important fact that between 1955 and 1960 labour productivity increased by 48 per cent. This is as it should be in view of the solid base of modernization very largely laid in the years prior to 1955. There is a frank recognition that this impressive increase in labour productivity has been rendered possible by the employment of the most up-to-date and modern machinery and equipment, new techniques of production, facilities for training of workers and a thoroughly planned and minutely executed industrial organisation under a vigilant State management. In fact, labour productivity has been one of the important levers in raising the industrial output in Rumania.

Rumanian Agriculture

ALTHOUGH crop production in Rumania during the past two years has not shown much improvement over the level reached in 1959, this sector of Rumania's agrarian economy has traversed a long way since 1949. The total crop output in Rumania today is also substantially higher than the immediate pre-World War II average. Gross livestock output, however, has been showing a near-persistent upward trend since the end of the World War II. Rumania's gross agricultural output index (base 1938 = 100) which stood at 71 in 1950, went up to 119 in 1955, 123 in 1959, 125 in 1960 and 131 in 1961. Crop production index went up from 64 in 1950 to 119 in 1955, 121 in 1959, slipped back to 119 in 1960 and forged ahead again to 123 in 1961. The livestock output index showed a steady increase from 88 in 1950 to 150 in 1961.

Part of the increase in the total crop output may have come about as a result of some increase in the total area under cultivation, but most of it has resulted from increase in unit-area yields. The acreage under foodgrains (wheat, rye, maize, barley, rice and oats) has, in fact, gone down by nearly 1.1 million hectares from an average of 8.19 million hectares in 1934-38. But despite this, Rumania today produces nearly 9.8 million tons of foodgrains, as against 8.02 million tons (average) in 1934-38. Unit-area yields of the principal crops in Rumania have gone up as follows: wheat from 10.3 quintals per hectare in 1934-38 to 12.8 quintals per hectare in 1959-60; rye from 9.2 to 10.65; barley from 7.2 to 15.35; maize from 10.4 to 15.75.

The Rumanian Government gives credit for this fairly rapid development of Rumanian agriculture to the system of collectivisation (after the Soviet Union pattern) practised in this country during the last twelve years or so. Today the socialist sector of agriculture in Rumania covers nearly 96 per cent of the arable land and 93.4 per cent of the country's total agricultural area. But collectivation or co-operative farming has only made possible reorganisation of the Rumanian agriculture on more modern lines through making the holdings abundantly larger. The credit for this socialist pattern has to end there. The real reasons for the increase in the unit-area yields of various crops have to be found in the utilisation of the modern methods of agriculture, including mechanisation which has been fostered at a strident pace through massive investments diverted by the State to this sector. Since 1949, the Rumanian Government is stated to have earmarked as many as 23,000 million lei (Rs. 1,828.3 crores) for agricultural development. Today the Rumanian agriculturists have at their disposal as many as 54,000 tractors, 50,000 mechanical seeders, and 25,000 cereal combines and other agricultural machines. Consumption of fertilisers too has been stepped up though not at a very attractive rate. Another important aid to agricultural production that has been made use of is the use of improved seeds, especially hybrid maize. But far more crucial role appears to have been played in the development of Rumanian agriculture, as in the case of the U.S.S.R. agriculture, by the institutional changes brought about in this sector after 1953. Under these, compulsory delivery quota system for co-operative and collective farms was modified with a view to giving incentive to the farmers to put in their best.

Along with fostering the development of crop farming in Rumania, energetic steps have been taken by the Government to encourage animal husbandry and vegetables, vine and fruit growing. This has resulted in the total livestock output index (base 1938 = 100) going up to 158 in 1960; that of milk to 149; of wool to 145 and of eggs to 166. Total vineyard area in Rumania today has been raised to 306,000 hectares from 206,000 hectares (average) in 1934-38 and 220,000 hectares (average) in 1951-55. (Total grapes output today is over a million tons). Fruits production went up from 590,000 tons in 1951-55 (average) to 1,170,100 tons in 1959. It, however, slipped back to 829,300 tons in 1960.

Ambitious targets for the agricultural sector of the Rumanian economy have been fixed under the current Six-Year Plan. Foodgrains output, for instance, is to be raised to 14—16 million tons by 1965, that of meat (live-weight) to 1.70-1.80 million tons, of milk to 5 billion litres and of wool (greasy) to 37,000 tons. Unit-area yields under normal weather conditions are envisaged to be stepped up to 18 quintals in the case of wheat, 25-28 quintals in the case of maize, 250 quintals in the case of sugar-beet, 15 quintals in the case of sunflower seeds and 150 quintals in the case of potatoes. On some collective and State farms, these wheat and maize yield targets are stated to have already been achieved. But how far will the overall output targets be accomplished by the end of the current Plan period depends on the benign smiles of nature which being not plentiful in the last two years have retarded the pace of development.

Rumania's Petroleum Industry's Progress

THE use of Rumanian-made 5D and 4LD drilling rigs in Cambay, Jwalamukhi and Hoshiarpur and the commissioning of the Nunmati Refinery, constructed from the equipment supplied by that country, have not only added a new dimension to the Indian oil industry in that it has helped in building up quite an impressive edifice of the public sector in this vital industry in this country, but has also created an image in the Indian public's mind of the progress that Rumania has made in the oil field. From the primitive refinery set up in 1857 by Theodor Mehedinteanu near Ploiesti — this marked the beginning of the modern oil industry in the world, although Americans claim this development to have taken place in 1859 — the oil processing industry of Rumania has travelled over a hard and long road. But the major developments in this field have come about only since 1948 when the Rumanian oil industry stepped into a new phase; although a certain number of refineries had been put up in Rumania after the turn of the present century, for decades on end their progress was extremely slow and most of it was nullified by the havoc played by the two world wars, particularly the World War II. During the last thirteen years, Rumania has been able to build up a huge oil processing complex by reconstructing and modernising the old units as also by setting up new modern plants. This has been made possible by the powerful oil equipment manufacturing industry that has been established here during this period. This industry, while fully caters to the domestic requirements, has as well built up a lucrative export trade.

Today the whole of the crude oil extracted in Rumania is processed by her own refineries. The phenomenal progress achieved by Rumania in oil processing since 1948 is vividly reflected from the table on the next page.

In Rumania, increasing accent is now placed on improved crude processing through setting up not only installations for primary, atmospheric and vacuum distillation, but also plants for thermal and catalytic cracking, installations for absorption and fractioning of gas, retarded coking, etc. The modern plants that have or are coming up in Rumania use such new technological methods as catalytic flavouring, hydro-cracking and hydro-refining. A typical example of this is provided

by the Brazi complex of catalytic flavouring of crude. This plant is provided with two technological lines, one for turning out gasoline with high octane number and the other for manufacturing aromatic hydrocarbons which would yield such useful materials as benzenem (used in the manufacture of synthetic fibres and yarns and also for producing synthetic rubber), toluene (a solvant used in oil and chemical industries), zyleno (a material used in the synthetic materials industry), gas for petro-chemical industry and high quality fuel for diesel engines. Some of the new crude processing installations that are being put up in Rumania include a unit for electric dieselinization of crude oils, a coke calcination plant, a unit for refining crude oil by adding to it sulphur dioxide, a plant for deparaffination of gas oils, an installation for acid refining of oils, a unit for manufacturing depressing substances to be added to oil in order to lower its congealing ploint, an installation for manufacturing paragel and a petro-chemical complex for the pyrolisis of refinery gases to yield polythelene, ethylene, amyloglycols, plastics, methyl-ethyl-ketone, acetone and other valuable chemical products. India can obviously draw upon the experience of Rumania in these matters for building up her public sector oil complex.

The current Six-Year Plan of Rumania envisages allotment of increasing funds by the State for the progress of the country's oil processing industry with a view to obtaining more and more petroleum products from a ton of crude. Although Rumania's crude oil production by 1965 is expected to go up by only 7 per cent over the 1959 level, the gross output of the industry is envisaged to increase by 40 per cent. The value of the products obtained from one ton of crude oil will increase by 40 per cent, the turning to account of gas by 17 per cent, gasoline output by 44 per cent and the total value of oil products by 50 per cent.

PRODUCTION OF CRUDE OIL AND PETROLEUM PRODUCTS IN RUMANIA

(Thousand metric tons)

	1948	1952	1955	1956	1957	1958	1959	1960	1961
Crude petroleum ..	4,149	8,002	10,556	10,920	11,180	11,336	11,438	11,500	11,582
Liquified petroleum gas	7	21	43	47	52	58	67	77	..
Motor Spirit ..	1,112	2,396	2,635	2,750	2,800	2,820	2,698	2,792	2,667
of which Aviation ..	..	..	20	27	30	29	24	28	..
Kerosene ..	736	986	1,362	1,386	1,435	1,529	1,279	1,289	..
Distillate Fuel Oil ..	507	1,154	1,626	1,637	1,763	1,807	2,277	2,376	2,653
Residual Fuel Oil ..	1,410	2,773	4,037	4,121	4,037	3,930	3,947	3,824	..
Lubricating Oils ..	116	151	162	163	183	212	271	311	..

Topical Notes

Rates of Economic Growth

THE main aim of economic development programmes is to transform the national economy, which has been characterised by low levels of productivity, capital formation and technology, into a self-generating and self-sustaining economy in the shortest possible time. Like every developing nation, India and Rumania are currently engaged in maximising their economic growths, leading to further improvements in the standard of living. An attempt is made here to compare the rates of growth of the two economies since 1950.

Of all the indicators, national income has generally been accepted as the best index to measure the economic progress and prosperity of a nation. The concepts and methods used by the "Centrally Planned Economies" in the computation of national income are quite different from the "definitions" adopted by the non-Communist countries. Hence an exact comparison is extremely difficult. Still it is quite interesting to study the rates of growth in the two countries having entirely different political and economic systems.

During the period 1950-60, the national income of Rumania advanced at a spectacular rate of 16.8 per cent per annum (simple). The high rate of increase of output in all branches of industry — which accounts for a little over 44 per cent of the total income — speaks for the substantial rise in national income. The income per head too shows a remarkable growth, increasing at the rate of 13.8 per cent per annum—nearly seven and a half times the rate of growth of per capita income in India.

GROWTH OF NATIONAL INCOME AND PER CAPITA INCOME

(At constant prices)

(Base: 1950 = 100)

	India			Rumania		
Period	National Income	Population	Per Capita Income	National Income	Population	Per Capita Income
1950	100	100	100	100	100	100
1955	118	109	108	183	107	181
1959	134	119	113	242	112	217
1960	143	121	118	268	113	238

During the past decade, the rise in the case of the Indian Union was of the order 43.4 per cent in national income and 18.2 per cent in per capita income. The rather slow and hesitant growth in agriculture—which accounts for nearly half of the national income—46 per cent in recent years to be exact—, is keeping the overall rate of rise in national income at a very low figure. The organised industry, on the other hand, has advanced in the past decade at the average rate of over 10 per cent per annum, which compares favourably with the rate of growth of industry in the highly industrially advanced countries of the world.

Then again, the moderate rise in national income does not fully reflect the "growth potential" which has been created in the Indian economy during the Second Plan period. The impact of the sizable investments made in the Second Plan, on production is likely to be felt during the Third Plan period and the national income is anticipated to advance at a faster rate of over 6 per cent per annum during the next five years.

The importance of industry—heavy industry in particular—can hardly be overemphasised in the process of economic growth. It is significant to note in this connection that the contribution of the Rumanian industry to the national income in 1961 is tantamount to the whole national income of the year 1938. The emphasis of the new Six-Year Rumanian Plan is again on industry can be clearly seen from the allocation assigned for each sector of the economy. Of the total allocations to industry, nearly 90 per cent of the investments will be spent on producer goods like machine-building industries, engineering, chemicals, and metallurgy.

It is increasingly being emphasized in India that the Industry holds the key to economic prosperity and hence particular emphasis has been placed in the Third Plan on the development of basic industries like, steel, coal, oil, electric power, machine-building and chemicals.

Progress of Plan

RUMANIA'S Six-Year Plan — 1960-65 — is already in its third year. During the first two years completed, the achievements are quite significant. It is to be recognised that the socialist economies lay great emphasis on the proper achievement of their year to year targets. It is not without reason, therefore, that their progress is recorded mostly in terms of percentages than in physical terms — not that actual output figures are not available.

In the field of industry, the average annual rate of increase of overall output during 1960 and 1961 was over 16 per cent which was considered quite on the higher side of the envisaged 13 per cent during the six years of the plan. Evidently the year shows an overfulfilment of targets in the case of most of the industries. Steel output during 1961 was 18 per cent more than 1960, raw coal about 7 per cent, crude oil 10 per cent; electric power 13 per cent, tractors 17 per cent and caustic soda 73 per cent.

The official sources reveal that successes scored in 1961 were essentially the outcome of improvements in the technological level of equipment. This is quite true because under a socialistic economy the introduction and extension of modern technical methods and the continued modernisation and automation of production processes is comparatively easier. In general the problem of costings is not so acute and any degree of replacement at all levels in an accepted norm. During the year a number of new industrial projects too were commissioned which included a 700 cubic meter blast furnace at the Resita Metal Works, an additional open hearth furnace with an annual capacity of 270,000 tons of steel at Hunedoara Iron and Steel Combines, a formaldehyde factory at Victoria Chemical Combines and timber processing combines at Blaj and Gherla, apart from several others.

In the field of agriculture, total cereal output was nearly 10.6 million tons in 1961 which was about 750,000 tons more than in 1960. As far as individual agricultural items were concerned, compared with 1960, increases during 1961 were: wheat 13 per cent, maize 10 per cent, vegetables 21 per cent, milk 25 per cent and wool 15 per cent. In 1961 their agricultural sector received 12,000 tractors, 14,000 tractor ploughs, 15,000 mechanical seeders and various other types of farm equipment. It is revealed that towards the end of 1961 the Rumanian agriculture had at its disposal 52,000 tractors, 48,000 mechanical seeders, 23,000 cereal harvesting combines. This shows that the pattern of their agriculture is essentially socialistic where major part of the output is from collective farms.

In the field of transport too the plan was a success. The total capacity of the railways grew by the expansion of the rolling stock, as well as its utilisation. The plan for motor transport also was implemented to the extent that freight carried increased considerably and increases in the passengers carried were to the extent of 20 per cent.

The achievement in physical terms as recorded above justified an investment of 28,000 million lei during 1961. This investment was nearly 5,000 million lei more than in 1960. This is not supposed to include the investment made by the collective farms. The investment made during the first two years of the plan comes to nearly 51,000 million lei which is 55 per cent more than the previous two years.

Trade

TRADE at present between India and Rumania is being carried on in keeping with the 1959 trade agreement and the arrangements signed in New Delhi in 1960. All payments between the Rumanian People's Republic and Republic of India are effected in non-convertible Indian rupees. Merchandise ships of both countries while entering, staying in or leaving the ports of either country enjoy the most-favoured facilities granted by their respective laws, rules and regulations to ships under the third country's flags.

Trade, as a result of this bilateral agreement has continued to expand. While exports from India were of the value of Rs. 2 lakhs in 1952, they were of the value of Rs. 195 lakhs in 1961. Imports on the other hand from Rumania in 1954 were of the value of Rs. 20 lakhs and in 1961 of Rs. 455 lakhs. While there was a favourable balance of trade in the year 1958 and 1959, the adverse balance of trade came in 1960 and 1961. In 1961 the adverse balance of trade was to the tune of 260 lakhs of rupees. This adverse balance of trade came in mostly because of India's imports of equipment meant for the Nunmati Refinery and drilling equipment for other areas. The table overleaf is self-explanatory.

The major items of export from India were coffee, tea, cocoa and spices, metalliferous, ores and metal scrap, hides and skins, fur skins, vegetable oils, fats, greeses and derivatives, textiles, yarn fabrics, made up articles and related products. The chief items of import were machinery (other than electric), base metals, chemical elements, and compounds, electric machinery, apparatus and appliances. The rupee balances of Rumania are likely to be used, after meeting embassy and other minor expenses in India, for further purchases of Indian goods as it is not in the interest of Rumania to allow the balance to mount. So the exports of Indian goods to that country are likely to increase, but they will be paid for in rupees.

INDO-RUMANIAN TRADE

(Rs. lakhs)

	Imports	Exports	Balance of Trade
1952 ..		2	+ 2
1953 ..		2	+ 2
1954	20	3	—17
1955	35	2	—33
1956	23	7	—16
1957	52	52	Nil
1958	40	52	+12
1959	1,51	2,01	+50
1960	3,82	1,42	—2,40
1961	4,55	1,95	—2,60

It will be interesting to note that Rumania supplied the drilling rigs at Jwalamukhi and Cambay. This steadily expanded and there are at present 7 rigs. Under the 1958 Indo-Rumanian Agreement, Rumania undertook to supply India with an oil refinery of 7,50,000 tons annual capacity to be erected and commissioned at Nunmati with the assistance of Rumanian experts. The refinery was inaugurated in January 1962 before the date laid down in the agreement. Talks are now in a fairly advanced stage for setting up some power plant in the coalfields in U.P. and Kashmir and this collaboration is expected to increase as the years go by.

Chemical Industry

THE chemical industry in Rumania plays a significant role in its economy. It forms an essential element in metallurgical and engineering industries, the oil industry, the building material industry, textile, rubber processing pharmaceutical and footwear industries. It plays an important role in its agriculture by providing fertilizers. Apart from the domestic consumption, chemicals are exported from Rumania to several countries which include Albania, Argentina, Austria, Bulgaria, Czechoslovakia, France, Germany, Britain and many more countries. The Rumanian chemical industry produces nearly all possible items but petro-chemicals, fertilizers and pharmaceuticals do dominate this scene.

The mineral fertilizer industry is one of the most important branches in the chemical sector. Nitrogen fertilizers like ammonium nitrate and other fertilizers like super-phosphates, are among the more important ones in use. During the recent few years more attention has been paid to this branch and by 1965 the output of nitrogenous and phosphatic fertilizers will be to the extent of two million tons.

Rumania is known for its oil resources and as a natural consequence, petro-chemistry is advancing in the country quite rapidly. This section of chemical industry has great potentialities because it leads to the production of synthetic rubber, plastics, synthetic fibre, detergents, solvents, carbon black, pest killers and nitrogen fertilizers. Considerable amount of research has been conducted in this field of industry with the result that by 1965 petro-chemicals production capacity expressed in terms of carbon content will be about 880,000 tons. This will lead to a fuller utilisation of crude oil and natural gasses. For instance in 1965, the output of plastics may be around 95,000 tons. Then chemical fibres may be produced to the extent of 47,000 tons. It may be interesting to add that one thousand tons of synthetic fibre yields some 35 million sq. meters of thin fabrics or 4.6 million meters of suiting. Petro-chemicals raw materials will also be used for the 50,000 tons synthetic rubber plant at Borzesti. Another large capacity unit will be built to produce a new type of synthetic rubber. This in a way will eliminate the need of natural rubber in the country.

Output of other chemicals like soda ash and caustic soda is also increasing rapidly. In physical terms, against an output of 171,000 tons of soda ash and caustic soda in 1959 the output in 1965 will be 500,000 tons. Dye-stuffs and medical drugs are also receiving sufficient attention. All in all the picture that emerges in respect of chemicals industry in Rumania is fairly bright.

COMPOSITION OF INDIA'S TRADE WITH RUMANIA

(Rs. lakhs)

	1957	1958	1959	1960-61
(Exports)				
Coffee, tea, cocoa, spices and manufactures thereof	8,72	5,31	20,89	45,53
Hides, skins and fur skins, undressed	..	1,11	22,07	17,88
Textile fibres and waste	3	..	19,83	..
Crude fertilisers and crude minerals	..	..	52	4,21
Metalliferous ores and metal scrap	..	..	16,42	34,08
Animal and vegetable crude materials	4,08	40	2,41	4,05
Mineral fuels, lubricants and related products	..	..	18	..
Animal and vegetable oils, fats, greases and derivatives	38,17	35,55	1,06,11	13,65
Chemical elements and compounds	..	..	3,45	..
Dyeing, tanning and colouring materials	..	23	20	1,05
Essential oils, perfume materials, and cleansing preparations	44	..	..	41
Textile yarn, fabrics, made-up articles and related products	..	8,87	6,68	14,48
Base metals	..	..	2,70	..
Professional and scientific instruments; photographic and optical goods, watches and clocks	18	..	2	..
Live animals, not for food	..	..	7	46
TOTAL EXPORTS (including others)	51,80	51,53	2,01,71	1,36,01
(Imports)				
Chemical elements and compounds	33	16	26,42	41,92
Dyeing, tanning and colouring materials	..	84	19	9,55
Medicinal and pharmaceutical products	52	1,12	5	1,13
Paper, paperboard and manufactures thereof	11,67	7,01	17,75	12,25
Non-metallic mineral manufactures	36,39	8,30	93	31
Base metals	..	..	10,91	1,14 86
Manufactures of metals	..	..	26,39	29,74
Mineral fuels, lubricants and related materials	27	15	2	32
Machinery other than electric	..	18,25	25,96	2,32,90
Electrical machinery, apparatus and appliances	2,54	3,59	3,44	42,95
Transport Equipment	..	62	..	3
Prefabricated buildings, sanitary, plumbing, heating and lighting fixtures and fittings	..	..	..	7,13
Professional and scientific instruments, photographic and optical goods, watches and clocks	4	..	2	59
TOTAL IMPORTS (including others)	52,29	40,22	1,31,59	4 95,07

COMPOSITION OF RUMANIA'S FOREIGN TRADE

EXPORTS	1960	1961	IMPORTS	1960	1961
Equipment for petroleum refineries (mil. lei)	60.5	59.2	Diesel engine and gas generators (mil. lei)	30.6	46.2
Equipment for petroleum extractive industry (mil. lei)	88.1	164.5	Equipment for petroleum industry mil. lei)	28.9	34.6
Equipment for cement mills (mil. lei)	57.0	44.7	Equipment for tele-communications (mil. lei)	29.5	59.8
Equipment for thermo power plants (mil. lei)	55.7	2.7	Equipment and materials for industrial plants (mil. lei)	510.8	706.3
Naval constructions (mil lei)	73.2	52.3	Agricultural machines and implements (mil. lei)	43.5	41.5
Glassware (mil. lei)	13.0	9.2	Electric cables and conductors (mil. lei)	45.5	35.1
Furniture (mil. lei)	61.9	84.5	Pharmaceutical products and preparations, medicines etc. (mil. lei)	23.3	21.1
Clothing (mil. lei)	53.3	65.4	Cinema films (mil. lei)	6.4	4.9
Power transformers (units)	2,522	4,742	Printed works (mil. lei)	15.8	16.0
Tractors (units)	4,526	6,687	Motor cars (units)	1,186	1,308
Goods wagons and tank cars (units)	3,474	1,570	Motor cycles (including motor bicycles) (units)	39,231	48,296
Gasolene ('000 tons)	2,465.8	2,076.9	Rubber footwear ('000 pairs)	817.9	803.8
Kerosene ('000 tons)	675.7	616.8	Tyres and tubes ('000 sets)	204.6	301.8
Gas oil ('000 tons)	1,286.3	1,767.9	Metal splintering machine tools (units)	1,469	2,238
Fuel oil ('000 tons)	1,229.4	1,304.2	Electric Motors (units)	1,225	1,535
Mineral oil ('000 tons)	211.4	246.3	Bearings (mil. units)	1.6	3.7
Cement ('000 tons)	959.2	1,109.1	Coking coal ('000 tons)	416.3	441.1
Manganese ore ('000 tons)	66.6	74.8	Industrial coke ('000 tons)	655.8	479.3
Cereals ('000 tons)	731.0	1,208.4	Iron ore ('000 tons)	917.1	1,266.7
Soft wood timber ('000 cubic metres)	867.8	931.7	Rolled ferrous metals ('000 tons)	848.8	860.8
Window glass ('000 sq. metres)	5,810.2	6,345.1			
Tarred cardboard ('000 sq. metres)	11,326.0	15,654.2			
Carpets ('000 sq. metres)	381.4	358.8			
Cotton fabrics ('mil. sq. metres)	24.6	20.8			

DIRECTION OF RUMANIA'S FOREIGN TRADE

(In million lei)

	Exports 1960	Exports 1961	Imports 1960	Imports 1961
Europe				
Albania	11.7	7.8	4.4	2.3
Austria	94.2	101.4	59.2	87.7
Belgium	12.8	43.8	15.0	31.1
Bulgaria	55.1	54.4	51.7	84.5
Czechoslovakia	375.8	340.6	383.1	457.6
Denmark	1.8	4.1	3.8	7.9
Finland	22.1	19.5	15.2	21.7
France	116.9	130.8	149.0	152.3
East Germany	323.4	317.9	311.1	351.7
West Germany	262.6	300.1	276.6	380.4
United Kingdom	89.5	137.7	106.5	308.0
Greece	23.7	25.2	12.2	14.0
Netherlands	19.3	41.6	23.6	24.9
Hungary	252.1	150.2	154.6	176.6
Italy	153.7	173.2	98.1	144.1
Norway	14.6	11.8	12.8	8.5
Poland	125.2	147.6	138.5	191.8
Portugal	10.7	9.6	3.7	8.0
Spain	2.3	8.4	4.1	6.6
Sweden	14.3	12.8	28.5	37.1
Switzerland	66.7	98.0	51.4	85.6
U.S.S.R.	1,688.6	2,109.5	1,595.6	1,791.8
Yugoslavia	47.4	53.8	29.1	74.6
Asia				
India	69.3	23.9	20.4	28.0
Ceylon	0.6	0.6	14.8	10.7
China	200.0	55.7	141.6	118.4
Indonesia	2.9	12.0	2.3	8.6
Japan	—	29.0	—	10.3
Korea	31.9	5.2	17.7	17.0
Lebanon	37.3	48.5	2.4	5.9
Viet Nam	26.8	25.8	12.9	15.4
Africa				
Sudan	9.5	2.0	4.8	8.4
United Arab Republic	53.5	83.1	49.3	94.7
America				
Argentina	12.9	20.4	9.7	6.8
Brazil	17.5	12.5	7.3	9.4
Canada	0.5	1.8	7.5	5.1
Cuba	—	68.5	—	3.1
U.S.A.	3.8	4.9	37.8	24.1
Total (including other countries)	4,302.2	4,757.1	3,887.1	4,886.7

Note: 1 lei = U.S. $0.167 = Rs. 0.79.

OUTPUT OF MAJOR INDUSTRIAL PRODUCTS IN RUMANIA: 1938—1961

	1938	1950	1955	1959	1960	1961
Pig Iron ('000 tons)	133	320	570	846	1,014	1,099
Crude Steel ('000 tons)	284	555	766	1,420	1,806	2,127
Rolled Steel (except tubes) ('000 tons)	319	402	498	822	1,254	1,520
Steel Tubes ('000 tons)	0.6	58	67	275	338	400
Iron Ore ('000 tons)	139	392	637	1,064	1,460	1,737
Industrial Coke ('000 tons)	80	72	144	609	820	940
Coal (mined) ('000 tons)	2,826	3,893	6,104	7,977	8,163	8,704
Crude petroleum ('000 tons)	6,594	5,047	10,555	11,438	11,500	11,582
Petroleum derivatives ('000 tons)	3,528	2,970	5,623	6,253	6,457	6,555
Electricity (Million KWH)	1,130	2,113	4,340	6,824	7,650	8,657
Chemical fertilizers (active substance 100 per cent) (Tons)	...	649	10,745	52,077	71,021	86,443
Caustic Soda ('000 tons)	12	15	23	62	74	129
Sulhpric acid (100%) ('000 tons)	44	52	92	199	226	248
Plastic goods and synthetic resins (Tons)	..	359	1,057	6,565	12,401	17,302
Paper ('000 tons)	61	86	109	127	140	146
Cotton fabrics (Mil. sq. metres)	104	148	243	218	248	282
Silk fabrics ('000 sq. metres)	10,800	13,286	20,701	22,518	25,263	29,000
Woollen fabrics ('000 sq. metres)	12,300	22,654	31,309	28,140	31,817	37,000
Confectionery (Tons)	6,546	16,505	40,337	47,309	50,611	54,543
Soap (Tons)	9,000	17,041	28,131	36,385	36,664	36,000
Sugar ('000 tons)	95	87	130	242	391	422
Edible oils and vegetable fats ('000 tons)	18	36	48	77	118	125
Electric transformers ('000 KVA)	11	205	309	1,259	1,577	2,196
Electric motors ('000 KW)	2	94	147	467	553	702
Electric generators ('000 KVA)	3	16	54	61	82	123
Bicycles (in thousands)	—	—	35	157	243	272
Radio sets (in thousands)	—	40	89	167	167	211
Refrigerators (in numbers)	—	—	10	3,756	10,548	30,063
Washing machines (in numbers)	—	—	—	26,905	38,089	69,800
Motor vehicles (in numbers)	—	—	3,028	9,513	12,123	14,858

AGRICULTURAL PRODUCTION AND YIELD PER HECTARE IN RUMANIA

	Area				Production				Yield per hectare			
	1934-38	1951-55	1956-60	1961	1934-38	1951-55	1956-60	1961	1934-38	1951-55	1956-60	1961
	('000 hectares)				('000 tons)				(quintals)			
Grains	8,186	6,971	7,312	7,029	8,016	8,232	9,186	10,612	9.8	11.8	12.6	15.1
Wheat	2,563	2,749	2,932	2,969	2,630	3,121	3,300	3,990	10.3	11.4	11.3	13.4
Rye	179	207	137	90	165	217	129	104	9.2	10.5	9.4	11.6
Barley and white barley	839	472	290	284	602	497	374	468	7.2	10.5	12.9	16.5
Maize	3,884	3,057	3,613	3,428	4,056	3,935	5,028	5,740	10.4	12.9	13.9	16.7
Pulses	103	170	92	122	252	184	164	244	24.5	10.8	17.8	20.0
(a) Peas	39	97	51	89	38	83	46	105	9.6	8.6	9.0	11.9
(b) Beans	49	63	35	28	204	95	113	135	5.3	5.1	5.6	6.5
Sunflower	56	354	385	440	48	266	363	481	8.7	7.4	9.1	10.8
Sugar beet	26	111	163	172	393	1,406	2,428	2,911	153.5	126.8	149.3	169.2
Potatoes	151	248	272	293	1,318	2,352	2,883	2,875	77.2	94.6	105.3	97.5
Maize used for silage	..	37	100	264	..	331	1,690	4,942	..	90.3	152.7	162.5

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The Problems of the Tea Industry

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Tea: The Current Challenge

THE problems of the Indian tea industry over the last decade have been problems of both surplus and abundance. The crisis of 1952 is still a bitter memory, even though today, with costs rising as much by public pressure as by Trade Union agitation, the problems of 1952 look as though they have been forgotten. The essence of the problem of 1952, although it proved in the event happily transient, was that the tea industry is exposed by its predominantly international character to dangerous surprises in terms of fluctuating prices that prevail abroad from time to time. The fluctuations of the price of tea are almost as notorious as those of rubber and tin. The essential basis of stability is, therefore, lacking in the foreign market and, by consequence on the whole pattern of finance inside the industry. Almost all attempts to introduce stability in wages thereby only result in introducing a rigidity in costs making the industry less capable of adjusting itself to adverse events abroad.

This particular theme, namely, that the Indian tea industry, now one of India's greatest export industries, is not free to prescribe its own rate of costs to the world needs to be reiterated hundred times not merely to the Indian general public, but even more often to the Ministry of Labour and to the Planning Commission. Undoubtedly, there have been cases of exploitation in tea plantations in the past; undoubtedly, a social conscience then needed to be aroused in the public, no less than in the plantations, against this exploitation by the prescription of wages which had no relation to a proper level of subsistance. On the other hand, at a time when the earning of foreign exchange is the dominant note in the economy, what might be described as humanitarian or even welfare aspects of industry must give place to a somewhat hard and cold appreciation of their actual competitive handicaps. Much of this Blue Supplement is addressed to this particular theme. It is believed that for an international industry with the targets of foreign exchange earning set before us at the present time the costs of the Indian tea industry are, by and large, excessive. The costs are not only labour costs; they have been affected by local taxation, sales tax, unwarranted transport costs and so on providing a motley series of unreasonable burdens on an industry which is not equipped in many cases to bear these burdens. The small gardens, the under-financed gardens and ineffective management are again sources of weakness in terms of the broad objective of exports which the country should have primarily in mind.

If this Blue Supplement had appeared when it was originally intended in May, there would have been one additional cause for uncertainty. This would have been the attitude of the [illegible] in respect of tea imports into the United Kingdom if Britain entered the European Common Market. For a long time it was believed that Indian tea exports would be the first calamity if Britain's entry was decided upon. Happily in the month of August the decision was reached that there would be no external tariff on tea and thus, so far as this particular element is concerned, a major fear has been removed. This does not, of course, imply that there will be no fiscal duties, so far as the other countries are concerned, particularly Germany, where fiscal duties have been worked much to excess in respect of both coffee and tea. But fiscal duties are unlikely to be imposed in the British market and, therefore, so far as the major market for Indian tea is concerned, the country can reasonably say that it is not being inflated by the Treaty of Rome.

The problems of Indian exports are not, however, only problems of tariffs. They are largely problems of promotion and selling in areas where, notwithstanding the long history of the Tea Board, only moderate success has been recorded. Obviously, a much greater effort is required if this industry is to do in the next 20 or 25 years all that is expected of it. Here there is much room for marketing research and more than marketing research of motivation studies particularly in most of the countries in the European Continent and in the United States where coffee dominates the beverage scene.

It is hoped that by this Blue Supplement, presenting in what might be called the current context, problems of cost of this industry and its export challenge, some additional interest in its problems will be created amongst the public at large who are too often convinced that the profits in this industry are easy and its course is smooth. This is the opposite of the truth; while the industry has had good years, there is no indication that the future is likely to be anything as happy as its recent past.

Trends of Tea Production Costs

THE cost of production has been going up steadily in almost all industries for the past several years and the tea industry is no exception. Where the tea industry does provide an exception, however, is in the peculiar phenomenon that with rising costs, the sale prices have not been keeping pace and for some types have actually receded. Perhaps no other industry in the country suffers so acutely from this double-edged attack.

The Indian tea industry, more than ever, is in direct competition with other tea producing countries of the world. Production everywhere has been rising steadily while consumption shows little change. In this situation prices of Indian tea should be competitive, and if possible, quality for quality, lower than other producing countries.

The ability to compete on this basis depends on production costs in the tea industry. If the industry is to prosper and retain its position in the world markets, prices must remain competitive. In the tea industry, unlike in other manufacturing ventures, the main cost is wages and amenities to labour. This one item makes up such a large proportion of the total cost of production, that even small increase in the daily wage or other perquisites adds very considerably to the unit cost.

According to the report of the Plantation Inquiry Commission, submitted in 1956, the average cost of production for 100 lbs. of tea in 1950 was Rs. 118.15. By 1953, it had risen to Rs. 131, registering a rise of 11 per cent in four years; and by 1960 it was as high as Rs. 215.81, which represents an increase of 82.66 per cent over 1950.

The largest single item of cost in the production of tea, as already stated, is the cost of labour. Thus, over the years, wages have form[illegible] upwards of 32.5 per cent of the production costs in North India while in the South the proportion has been as high as 35 per cent. These are merely wages. Benefits, of which the tea industry has to provide numerous, are extra. A conservative estimate of these places them at upwards of 5.5 per cent in the north and 10 per cent in the south. Total wages, it would thus be seen, form 38 per cent of the cost in North India and as high as 45 per cent in the South.

Matters hardly rest here, however, because neither labour nor its accredited spokesmen, are happy with the present wages structure. A Wage Board for the industry has been constituted. Its report is expected soon; in the interim it has already recommended a 5 to 7 per cent wage boost. This, by way of being an aperitif, with more substantial fare to follow.

How then, the question arises, will the tea industry bear this addition to its cost of production? Specially when the industry has to contend with numerous burdens already. Taxation in the industry has reached a dangerous level. There are Central levies such as the income-tax, excise duty, export duty and cess (lately reduced somewhat by an export oriented administration) and licence fees.

State Governments take their slice by way of agricultural income-tax, sales tax, West Bengal entry tax and the Assam road and waterways tax. The incidence of taxation on an average over the years 1950-53 was of the order of 21 per cent. Of course it was less in 1962 when certain remissions were granted to the industry and far higher in 1954 when an effort was made to catch the industry in a year of prosperity.

Besides these major taxes, State Governments and local bodies have a happy source of revenue in the industry as and when their fancy dictates. There is the land tax; licence fees on factories, vehicles and many other things; land cess; education cess; health cess; vehicle tax; profession tax; panchayat tax; district board tax; road cess; conservancy rates; water and lighting rates; octroi; house and building tax and a chawkidar tax.

For an industry which exports over 500 million lbs. of tea every year, earns some 140 crores of rupees in foreign exchange, contributes vast sums to the national, state and district exchequers, supports a number of subsidiary industries like plywood and transport and employs almost a million agricultural labourers, tea is certainly not receiving the care and attention it deserves.

Lately there has been evidence of the realisation in Government circles that properly nurtured and adequately encouraged, tea can perhaps play a far greater role in meeting the nation's requirements of foreign exchange. At the first meeting of the newly constituted Board of Trade in New Delhi, the Minister of International Trade hinted at this and included the tea industry among those which will receive special attention as being capable of earning more foreign exchange.

The future of the industry, however, is closely linked with its cost of production. India must produce good quality tea at reasonable cost in order to face successfully the growing competition in international markets and to develop as quickly as possible a much larger internal market. Naturally, the question of reduction of wages does not arise — but freezing them at the present levels till such time as the health of the industry permits of further increases, seems to be a necessary step. Reduction in the incidence of taxation, however, should be immediately and speedily possible. Since there is so much talk of export incentives around, perhaps the tea industry too could qualify for some.

Any further rise in the cost of production can be checked and some marginal reduction made possible by increased productivity. This, however, involves the whole-hearted co-operation of labour. When government, industry and other sectors of national life are seized of the necessity to increase productivity all-round, it should be possible to enthuse workers on tea plantations also to do their bit in meeting a national emergency. Labour should, of course, be entitled to a fair share of increased profits as a result of such concerted action.

A study of the most economical size for a tea plantation and labour force to go therewith from the point of view of minimum cost and maximum productivity, should be made immediately under joint industry-government sponsorship. For a long time, it was thought that the bigger the estate, the smaller should be the cost of production. But most of the operations relating to the cultivation and gathering of the tea crop being performed by hand, the possibilities of any significant reduction in cost by increasing the size of the estates and, perforce the number of labourers, are limited.

Rising costs in the tea industry are, in a certain measure, also due to increased selling expenses, higher manufacturing costs and the higher prices of fertilisers, insecticides, machinery spares, transport and all the myriad things that contribute to the efficient working of a tea estate. In order to offset the effects of these all-round price rises, it is essential to attack this problem on many fronts.

Increased productivity, decreased taxation and a more intense nurturing of the markets, both foreign and domestic, are the urgent and immediate needs of the Indian tea industry, if it is to compete with other producing countries in the markets of the world and retain its pre-eminent position as the major tea supplier to the world.

A Fair Wage in the Tea Industry

SINCE the Committee on Fair Wages submitted its report in June, 1949, the country's Industrial Courts, Tribunals and even the Supreme, Court have treated this as the sheet anchor of wage policy. The Indian Labour Conference and the Union Ministry of Labour have placed full faith in the recommendations of this Committee. Although two members of the Committee submitted notes of dissent, for all practical purposes, its report is regarded as the final word on wage policy.

It would, therefore, be in the fitness of things to keep the important recommendations of this Committee in view for an examination of the question of a fair wage in the Tea Industry. These recommendations were taken up by the 15th session of the Indian Labour Conference in 1957 and certain norms were laid down for the guidance of wage boards and other wage fixing authorities. These, form the guiding principles of wage fixation in the country today, though they have yet to be established in respect of Tea.

One of the most important and sweeping recommendations of the Fair Wages Committee lays down that "the standard family should be taken as one requiring three consumption units and providing one wage-earner". We shall examine the implications of this recommendation in its application to the Tea Industry.

The Committee itself has reported that "while there is complete agreement that the fair wage of a worker should be such as to enable him to maintain a standard family, there is not the same measure of unanimity of opinion as regards the size of the standard family". The report goes on to say: "The Committee examined the figures given, which were collected in the course of certain family budget inquiries made in the past. The figures showed that though the number of persons per family frequently exceeded the figures warranted by three consumption units, the total number of earners in the family was well above one."

The figures to which the Committee refers are taken from the Family Budget Inquiries conducted during 1943 — 46 by the Government of India. Following are the figures relevant to Tea plantations:

Area	Number of persons per family	Total number of earners	Average equivalent adult consumption units per family
Surma Valley	4.57	2.29	3.59
Assam Valley	4.15	2.44	3.28
Bengal	4.16	2.52	3.34
Madras	3.80	2.41	2.99

The pattern shown to have existed on Tea plantations in the middle forties by these figures, still persists. If anything, with the coming up of various other industries and projects in tea plantation areas and the permanent settlement of workers, particularly in the Assam Valley, the number of wage earners has risen. It is therefore patently absurd that fair wages in the Tea Industry should be determined on the basis of each adult male worker being responsible for the satisfaction of the needs of three consumption units.

There can be no objection to the average family being treated as one of three consumption units, but it is to be remembered that in the Tea Industry, both the man and the woman are earners. The industry is already on the way to taking steps to equalise women's wages with those of men wherever they are performing the same tasks.

To give the adult male worker a wage sufficient to satisfy the needs of three consumption units and at the same time to give his wife and children a similar wage would be to treat not only the wife and children as dependents of the husband but the husband also as a dependent of the wife—clearly a case of providing at least two wages where only one is justified.

According to the figures quoted above, the average number of consumption units per wage earner works out to 1.5, 1.3, 1.3, and 1.2 in the four areas. The Government itself has issued figures which take the highest of these, 1.5. There is therefore no reason why the standard fair wage should be based on three consumption units. In fact adolescents, who may be presumed to have no dependents, should be given a wage sufficient just for their own needs and working children under the age of 15, half the adult wage. In the Tea Industry manifestly there are only half as many consumption units per wage earner. This family basis of employment in this industry should be ample justification for departing from the so-called 'norms'. Taking the actual fact in the Tea Industry of there being 1.5 consumption units per adult wage earner, it would be possible to calculate a fair wage according to the principles laid down by the Fifteenth session of the Indian Labour Conference.

Since consumption units are the basis of ascertaining the fair wage, it would be fruitful to study the various items that form the pattern of consumption of the working family in the Tea Industry. The Indian Tea Association has calculated that a family of three consumption units will spend Rs. 15.08 per week on food. This includes cereals, pulses, vegetables, milk, sugar, oil, fish and meat and fruits. The cost of clothing, based on the resolution of the 15th session of the Indian Labour Conference, at the rate of 72 yards per family per year works out to Rs. 1.38 per week. Expenditure on 'other items' has been calculated at Rs. 1.86 per week. The Tea Industry provides free educational and medical facilities as well as agricultural land and firewood.

The total weekly expense for a family of three consumption units, thus, comes to Rs. 18.32 or a daily expense of Rs. 3.05. Since the worker in the industry has to maintain only 1.5 consumption units, the daily fair wage should be Rs. 1.53. In districts where cereals are supplied at concessional prices much below market rates, the wage would come down still further. Thus in parts of Assam and Darjeeling, it would be Rs. 1.46 per day while in Dooars and Terai, where the concession price of cereals is Rs. 15 per maund as against Rs. 20 or more in the market, it would be Rs. 1.41 per day.

The following comparison of the fair wage against the current wage establishes the fact that current wages are fair wages or somewhat higher:

	Fair Wage	Current Wage
Assam Zone A	1.53	1.89
„ Zone B	1.46	1.82
„ Zone C	1.46	1.76
Cachar	1.53	1.53
Dooars	1.41	1.84
Terai	1.41	1.81
Darjeeling	1.46	1.45

It would be of interest to note that in the Assam Valley there were 37,400 individual workers as against 121,747 families employed in tea gardens during 1960. If the average number of workers per family is about three, then it would be seen that 90 per cent of the workers are employed in families of more than one earning member.

These wages relate to workers employed on time-rates. The vast majority of tea plantation workers are switched to piece-rate system during the plucking season, giving them an opportunity to enhance their wages by

diligent work in the same hours that they are used to keeping.

The Indian National Plantation Workers Federation has said in its reply to a questionnaire issued by the Wage Board: "The cost of producing tea varies considerably as between different tea producing regions in India. The costs are generally higher in the North than in the South. Darjeeling is the highest cost region for tea production in India,"

The question of higher wages ultimately is tied up with the question of higher productivity of labour. The Tea companies have taken a number of steps to improve productivity, such as the steadily increasing use of fertilisers, improved selection of seed and clonal material, replanting of bushes and and improved methods of planting, improved machinery and improved factory design, improved tools for cultivation work, scientific methods of protecting bushes against pests and blights, improved measures for workers' health and housing and institution of the incentive of a profit bonus. The workers on the other hand have shown no interest in increasing productivity nor have the unions given any assistance in this respect.

The number of workers per acre of planted tea has remained steady since 1950, with wages having more than doubled during the same period. But for the measures taken by the plantations, productivity would have lagged far behind costs and tea growing would have become a losing proposition.

The Tea Industry is now the most important export industry in India from the point of view of earning foreign exchange. In 1959-60 it earned foreign exchange worth Rs. 129.50 crores. If the industry is to expand and to increase its exports from 500 to 600 million pounds a year, it is essential that its costs should not be raised by an increase in wages at the present juncture.

Nevertheless if the industry's viewpoint is accepted that the actual practice and circumstances of the industry are such that each adult worker has only to satisfy the needs of 1.5 consumption units, in the greater part of North-East India the present level of wages fully satisfies the just criteria for a fair wage. Moreover, it is not a question of exports only that has to be considered when judging the effect on the national economy. Any increase in wages leading to additional unemployment in marginal areas will undoubtedly have an adverse effect on the economy as a whole.

As the country's largest foreign exchange earner and as an industry that is subject to economic pressures from far off parts of the world, the Tea Industry today needs careful nurturing. If the cost structure, which is mainly the wage structure, is made so rigid as to make the industry vulnerable to the slightest fall in overseas demand, then it will become nervy and unsure of its future. This nervousness is bound to bring harm to the very wage earners in whose behalf these efforts to boost wages are directed. If, however, the industry is allowed to function on such a cost structure as would allow it to develop shock absorbing qualities, then there would be greater security and almost permanency of employment and earning for the million plus wage earners dependent on Tea.

Labour-Management Relations in the Tea Industry

THE large labour force in the tea industry today is among the most highly organised and vociferous group of workers in the country. This is a development of considerable significance. The original workers who came from the villages of Bihar and Orissa to work in uninhabited and dangerously malarial virgin forests of Assam under conditions primitive, would hardly recognise in today's militant worker a direct descendant. During this century of its existence, the tea industry has grown into a giant of magnificent proportions. Also during this period, the concepts of employer-employee relations throughout the world have undergone a complete metamorphosis. The worker is considered a partner in industry rather than a mere cog in the production machine. In more and more parts of the world, he is being increasingly associated with the functions and responsibilities of a participant in production. In the tea industry too labour participation in management has made a beginning.

When organised production began in this country in the latter half of the last century, more often than not the employers were British. Coupled with the general concept of labour in those days —even in Britain itself — and the overtones of the ruler and the ruled relationship introduced in the situation, some companies were inclined to be indifferent towards their workers. The fact that the first efforts to legislate on behalf of tea labour were made as far back as 1863, however, indicates the awareness on the part of the then Government of this indifference and the need to watch it.

But those were the days of labour shortage. Wages on tea plantations, then as now, were far better than in other agricultural pursuits. Once brought to the plantations, the workers were housed, fed, paid for work and generally taken care of — not always out of humanitarian considerations perhaps, but because by then the plantations would have invested quite a sum on acquiring and transporting them and needed them to perform the various jobs on a plantation.

This system worked well for the first few years of the existence of the plantations. Later, a sudden expansion of the industry created a class of contractors who began to supply labour to the tea gardens which were being established very rapidly. This brought to an end the direct contact between the planter and his workers. He began to rely more and more on the contractor. Competition among contractors led to some shameful disasters over the years and the Government instituted an inquiry in 1861. This in turn led to the passing of the Inland Emigration Act of 1863.

This system of recruitment with slight modifications here and there, persisted up to 1915. It was then represented on behalf of the planters that a better system should be evolved so as to ensure an adequate supply of labour. By the time the planters could take any effective steps in this direction, the Royal Commission of Labour in India was appointed in 1928. As a result of the findings of this Commission, the Tea Districts Emigrant Labour Act was passed in 1932 to regulate the entire emigration of labour to tea plantations.

It is interesting to note that the T.D.L.A. is now being wound up, for it is no longer needed: adequate workmen can now be recruited in the locality. As a result, it was possible for India's representative at the 1961 December meeting of the I.L.O. Committee on Plantations at Geneva to speak of the closing down of recruitment as the word is generally understood, while many other plantation countries were still involved in the arguments and difficulties to which "recruitment" has so often given rise.

A Labour Investigation Committee appointed by the Government of India in 1944, said in its report: "That the planters have done a lot for their labour cannot be denied. The plantation industry has provided employment to lakhs of aboriginal people and has improved their standard of living, even if to a small extent. It must also be admitted that generally labour conditions in Indian-owned estates are worse than in the European-owned".

Such then were the conditions till the advent of independence. The growth of trade unionism and collective bargaining had been very slow. The development of plantations in scattered and isolated places, the poverty and illiteracy of workers, their migratory character and the nature of plantation work were hardly conducive to trade unionism. The fact that the then government did not look too kindly on any trade union activity, added to the weight of other factors.

In the post-independence years, however, trade unions came into being rapidly and began representing the workers somewhat aggressively. Since the employers were already organised in the Indian Tea Association, the United Planters Association of Southern India, the Indian Tea Planters' Association, the Assam Tea Planters' Association and others a new era of collective bargaining began in the tea industry.

There is no denying the fact that the cash wages of workers in the industry then were low. The employers were of the view that the more cash was put into the possession of the workers and more of it would be wasted on liquor, gambling and other similar pursuits. On the other hand the employers provided cheap foodgrains and other necessities of life to the workers in order to keep the level of real wages high. This was particularly true of the war years when prices were soaring all round. Even after the war, in 1951 for instance, the Indian Tea Association spent some seventy lakhs of rupees on airlifting supplies of rice for workers on tea plantations.

However there was a phychological change in the air. With their organisation into trade unions, the workers began to think of higher wages. The post-war period was not a very happy one for the industry. Managements were harried by the absence and accelerated retirement of experienced administrators, rising costs, uncertainty of markets and continuing shortages of necessary materials. Into this medley came the unions with their demands for higher wages, bonus, better housing, more medical facilities and many other amenities.

It was but natural that disputes should ensue. Some managements resented the intrusion of a third party into the affairs of their workers; others were upset by the post-war conditions. In this atmosphere of suspicion, strikes and disputes became the order of the day. Thus in 1949 the industry faced 20 disputes, in 1950 just 10 and thereafter the number rose to 35 and 37. So much so that in 1955, following the recovery of the industry from the slump of the early fifties, the number of disputes arose to 217 involving 94,257 workers and causing a loss of 611,812 man-days.

Although the figures of disputes declined in 1957 to 146 and in 1958 to 99, lightening strikes and disputes on account of bonus — wages having been more or less rigidly fixed by legislation — continued to form the pattern of disturbed labour-management relations in the industry. This, in spite of the fact, that plantations are covered by the definition of the term 'industry' in the Industrial Dispute Act, 1947, which makes provision for the investigation and settlement of industrial disputes through prescribed channels. The Act provides for conciliation machinery and for a three-tier system of original tribunals, namely labour courts, industrial tribunals and national tribunals. The industrial Committee on Plantations is also designed to mitigate by tripartite agreements, the sources of conflict and to initiate labour reforms and legislation by consultation and agreement.

The Industrial Disputes Act, moreover, provides for the constitution of works committees in undertakings employing 100 or more workers. These committees are serving a useful purpose on the estates where they have been established. The Code of Discipline for industry, prepared by the Central Ministry of Labour, was adopted by the plantation industry in 1958. This too has had a beneficial effect on employer-employee relations in the industry.

It is certain that the comprehensive and sometimes irksome labour legislation has played on effective role in protecting the interests of plantation workers though the same cannot be said always of the intrests of employers. The effectiveness of legislation has been to a great extent dependent on the management's understanding of the spirit rather than the letter of the law. It speaks volumes for the liberal views of the management when it is found that generally, the conditions of life and work on tea plantations have improved enormously during recent years. The earlier problems in the field of recruitment are no more and permanent working populations are now living near the estates.

The Chairman of the Indian Tea Association reported last year: "We have continued to give annual employment in our own Association to nearly three-quarters of a million men, women and minors and to house them and their dependents free of cost. We have increased our wages in every area; each worker is now a member of a Provident Fund to which the employer subscribes, and, in Assam alone, there already stands to the credit of the workers the sum of over Rs. 13 crores. We give annual holidays with pay, and, in addition, we pay a daily wage which allows for one paid holiday each week. Our standards of medical attention are such that the death rate on tea estates is as low as that in the United Kingdom, while our live birth rate is exceeded in only one country in the world. Our labour relations are good, and the strike weapon has been used by each of our workers on an average on only one day in every four years: a remarkable average for which resourceful managers, our labour and wise union officials may share the credit."

The most overwhelming fact about the tea industry is that it provides steady employment for a million agricultural workers on a steady basis on remuneration that is adequate and perquisites that are far beyond the reach of other agricultural workers in the country. In the past there might have been unsatisfactory conditions on account of the need to bring in large numbers of workers from far off places; this is no longer so and today the workers are settled, the trade unions are strong and active and the majority of the employers willing to share with the workers the fruits of joint capital-labour enterprise.

It is also true that no group of workmen has such comprehensive and protective legislation to ensure its well-being. The Plantation Labour Act — providing as it does for housing, medical attention, education and a host of other benefits — embodies in the Statute Book all those past practices which were the custom on the better estates, and though it is true that financial and

other considerations have not always enabled all companies to maintain the same level, progress has been steady and impressive.

In 1956 a Bonus Agreement was signed between the employers and the workmen which covered the years from 1953 to 1956, and which, in modified form, was renewed in 1959 and in 1961. As a result of these agreements — probably the biggest voluntary settlements made in the history of Indian Labour relations — over fifteen crores of rupees has already been paid to the workmen in North-East India, while in the South an even earlier agreement guarantees 4 per cent of the year's earnings as an additional bonus payment.

The original drafting of the Plantation Labour Act and the preparation of the Bonus Agreements were the work of tripartite bodies, and reveal the remarkable co-operation which now exists in the Tea Industry between management and labour: an understanding which has found tangible expression not merely in these and other agreements but also in the fact that the number of man-days lost through disputes in Tea is lower than in any other Industry.

Tea Prices

IN the context of India's export trade, tea prices in the foreign market dominate the overall picture of tea more than other aspects like its total output and consumption at home. This is because tea for the Indian economy is a major item that earns foreign exchange. World tea prices have been fluctuating considerably. There has been a substantial increase in the world output of tea which has touched a peak figure of 2,280 million lbs. in 1961 against 2,130 million lbs. a year before. This advance in world output has to be seen in terms of the share of the exporting countries of which India and Ceylon are the leading ones. Between them, India and Ceylon exported nearly 900 million lbs. of tea, against world exports of 1,240 million lbs. Naturally, therefore, in a year when the world output is higher the prices in the foreign market get depressed, and it is the major exporters that suffer. That is what happened in 1961.

Production of tea in India in 1961 reached a record figure of 779 million lbs. against 708 million lbs. in 1960 and 718 million lbs. in 1959. This substantial increase in output during 1961 ultimately leads to a fall in prices and consequently the earnings during the first part of 1962 were lower. The table below gives the quantity exported and value earned during January-June 1962, along with the figures for the corresponding months of 1961 and 1960. It may be noticed that the quantity exported has risen from 132 million lbs. during January-June 1960 to 156 million lbs. in 1962 — an increase of nearly 18 per cent. Against this the value earned during the same period went up from Rs. 35.5 crores to nearly Rs. 39 crores, which is less than 10 per cent. In fact between 1961 and 1962, the quantity exported has risen while the total earnings have actually dropped by nearly Rs. 1.5 crores or 4 per cent.

EXPORTS OF TEA

	Quantity (Million Kg.)	Value (Rs. Crores)
January - June 1960 ..	132	35.5
January - June 1961 ..	145	40.4
January - June 1962 ..	156	38.9

The table at page xi in the Statistical Section of this Supplement gives the prices of tea exported from India and Ceylon as they prevailed in the principal importing countries in 1959, 1960 and 1961. It is interesting to observe certain variations. Between 1960 and 1961, for instance, the price has had a fall all through the year, so that the total comes to Rs. 2.37 per lb. in 1961 against Rs. 2.81 per lb. in 1960. In the case of Ceylon, the fall was much lesser. The price had moved to Rs. 2.62 per lb. in 1961 from Rs. 2.61 per lb. in 1960. Some very significant factors must have operated in the case of certain individual markets because Ceylon tea was actually sold at a premium in the Netherlands where it earned Rs. 2.61 per lb. in 1961 while it earned Rs. 2.46 per lb. in 1960. Against this performance of Ceylon tea, Indian tea lost in price, though only marginally. Similar was the record of the two exporting countries in Iran and Australia, where Ceylon actually sold at a premium. In the London Market, which is the most important both for Indian and Ceylon teas, the prices in 1961 were lower than in 1960 for both the countries. The fall, however, was steeper as far as Ceylon tea was concerned. The latest figures that are available for the week ended August 17, 1962, also show that North Indian tea in the London Market was sold at lower prices at 4 sh. 2d. per lb. against 4 sh. 6d. per lb. a year ago. But similar was the performance of Ceylon tea during the week ended August 17, 1962. It was sold at 4sh. 1.5d. per lb. against 4 sh. 5d. per lb. a year before.

It may be added here that the demand for Indian tea, or for that matter tea from other countries, is increasing in the foreign markets steadily. This is explained by the fact that during the last several years the exports from the surplus countries have been increasing and they are likely to go up further in years to come. The output of Indian tea in 1962 was estimated by the Board of Trade to be only marginally higher than it was in 1961 which in turn was considered to be a bumper crop. Naturally, therefore, the prices in the foreign market for the whole year 1962 are likely to level off to some extent unless exports from other countries like Ceylon do not push up further. Besides this there is another factor which has strengthened the competitiveness of Indian tea in foreign markets. This is the fiscal concessions granted by the Finance Minister in the last budget presented to the Lok Sabha in April 1962. The Finance Minister had reduced the export duty on tea from 44 nP. to 25 nP. per kg. Also a refund of excise duty of 15 nP. per Kg. is allowed. These two measures have made Indian tea more competitive in terms of prices in the international market.

The output for 1962 was estimated by the Board of Trade at around 800 million lbs. The latest indicators that are available show that the output may not be stepped up to that extent because crop figures up to mid-August 1962 are lower than 1961 by something like 3 per cent. Under these conditions the actual output may not even reach the 1961 level. Internal consumption being higher, exports also may not touch the 1961 level. The estimates outlined in the Board of Trade papers, therefore, may not materialise. Under these conditions the prices earned by the Indian teas in the London Market and elsewhere may also take a turn for the better if the law of demand and supply is to operate, although there are, of course, several other factors that operate in the determination of prices. It is time that due attention is paid to consumer sovereignty in the foreign markets. What is necessary at the moment from the point of view of prices is that sufficient propaganda is carried on so that the Indian teas become more and more popular with the consumers. The problem of exports will need to be faced by Indian tea in the foreign markets with more energetic efforts if the target of an output of 900 million lbs. to be achieved by 1965 — is to be absorbed with an emphasis on the foreign exchange earning potential of this key item.

South Indian Tea: Special Problems

THE South Indian tea industry's output being a small percentage of the all-India production and the diversification of the plantation industry there having a preponderance of the other plantation crops, namely, coffee, rubber, spices, and cashewnuts, the problems of this industry are invariably camouflaged in the travails of the other plantation crops in this area. An attempt is made in this article to spotlight some of the particular issues that the South Indian tea industry faces today, apart from the general problems which it shares with the industry in the North, particularly the problem of exports arising out of keen competition from Ceylon and East Africa since the South Indian tea is of superior quality and high grade, and the likelihood of high internal tariffs being raised by the members of the European Economic Community even though tea imports into the ECM, in the event of Britain's joining it, would be permitted on a duty-free basis.

The South Indian tea, like its counterpart Northern Indian tea, is today subject to a heavy burden of taxation. But its position appears to be slightly worse, particularly in the Kerala State, thanks to the diverse policies followed by the State Governments. A clear indication of lack of uniformity in the policy regarding the plantation industry among the Southern States is available in the treatment meted out to the Kerala rubber plantations. The Kerala Government has been postponing the decision, for nearly two years now, on one of the most important recommendations of the Tariff Commission which allowed for a provision in the rubber price structure of Rs. 9 per 100 lbs. of rubber to represent the depreciation element in the wasting asset of the rubber trees. This recommendation has been given effect to by the neighbouring States of Mysore and Madras. Although an instance of the sort of discrimination in regard to South Indian tea is difficult to cite at present, under the Communist regime in Kerala it was not a myth. Since, however, all the stringent measures affecting this industry have not yet been liberalised and brought at par with the neighbouring States by the Congress-PSP coalition Government, there is reason to believe that the tax structure in the three tea-growing States of South India varies to no small extent.

These variations in the tax structure of South Indian tea were brought about by the levy of the agricultural income-tax, particularly in the Kerala State. The procedure followed in assessing this tax is also said to be very often quite different from the method adopted by the Central Government Income-Tax Authorities. This, according to the industry, also leads to disproportionately higher tax at the State level. To obviate all these difficulties and to make the South Indian tea more competitive in the international market, particularly in comparison with the Ceylon tea, which in quality is not very much different from the South India tea, an eminent suggestion has been put forth by Mr. M. M. Varghese, Chairman, Planters' Association, Kerala, to the effect that all the taxes on tea should be centralised and tea should be subject to one standard tax to be levied by the Central Government. This, Mr. Varghese says, would lighten the burden on the South Indian tea industry or at any rate will decrease the weight of the burden to a considerable extent. According to Mr. Varghese's scheme the States may be reimbursed with the revenue accruing to them at present from this source by the Central Government, wholly or partly, on the basis of sharing the proceeds of the tax collected by the Centre, either on the population basis or as subvention, as is done in the case of various other Central excise levies. This suggestion needs to be studied carefully by the Union and the State Governments, particularly by the latter, for the South Indian plantation industry, labour-intensive as it is, provides large-scale employment which, if rationalised, would create no minor headache for them.

Another element has recently been added to this irrationality of the tax structure of the South Indian plantation industry by the powers granted to Panchayats to levy full taxation forming part of their jurisdiction on plantations even though the Panchayat Boards are unable to use their revenue for affording any benefits to plantation labour. The majority of the welfare services such as housing, educational and medical facilities for plantation labour remain the legal liability of the plantations under the Plantations Labour Act. There is also reported to be developing intense rivalry between the various trade unions in the industry for the control of the Panchayats which makes the discharge of various functions of the plantation management more difficult. The plantation managements in numerous cases have to seek the permission of the Panchayat Boards for installing or moving machinery from one place to another and for building houses etc. This anomalous state of affairs — Panchayats having unwarranted powers of intervention without corresponding responsibility in the working of plantations on the pretext of the latter being more agricultural in their character than industry—obviously needs to be rectified at the earliest. The denial of any subsidy to the plantation industry for labour housing—various manufacturing industries receive assistance from the Government by direct financial aid for labour housing—is another matter which is not easily comprehensible, especially in the present days of rising housebuilding costs.

On the labour front, the South Indian plantation industry, not excluding tea, suffers from the handicap of multiplicity of trade unions, besides the high percentage of absenteeism and only five-hour working day in many cases. This necessitates the industry to carry 20 to 25 per cent more labour than is actually required. When the wage structure for the South Indian tea industry is finalised by the Tea Wage Board, it is hoped that this peculiar phenomenon in South India would be taken cognizance of. This is essential if the cost of production of South Indian tea is to be brought down.

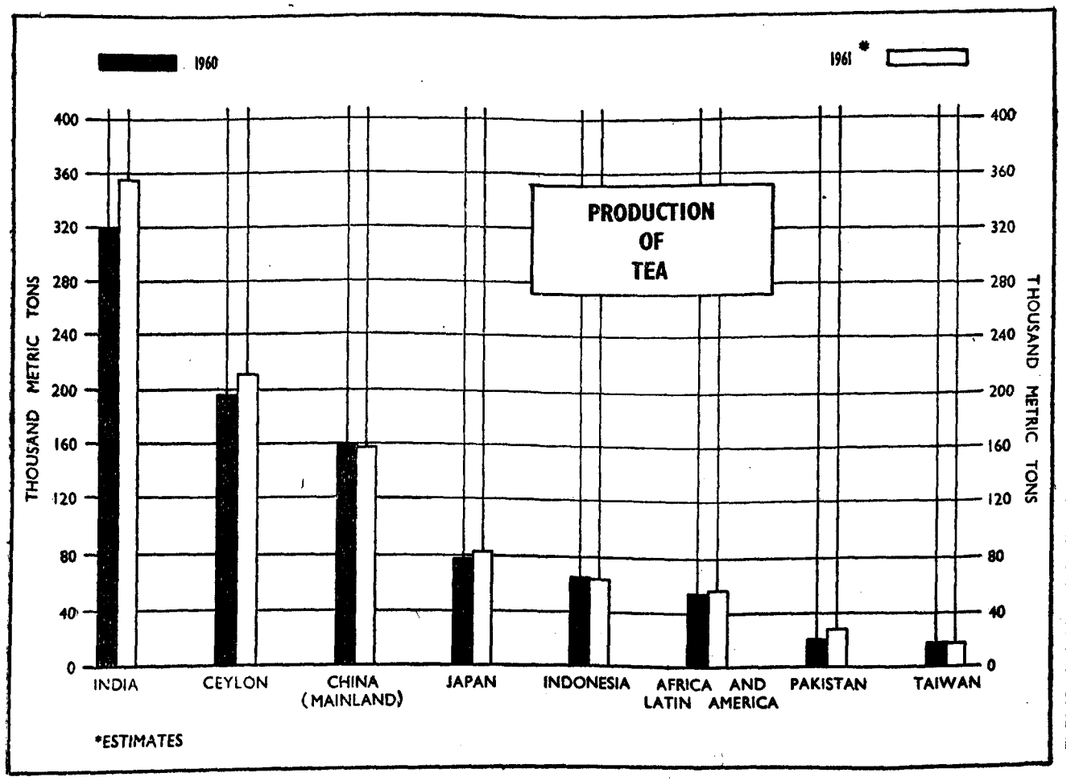
If the South Indian tea industry is not to be allowed to stagnate and the Third Plan target fixed for it is to be achieved it is obvious that the industry should be given access to the necessary equipment and finances with which to purchase this equipment. A vital role in this respect is to be played by the industry's own earnings and the surplus which is left with it in the form of profits—the State Financial Corporations of Madras, Mysore and Kerala can make available finances to this industry only to a limitd extent. Whereas thought is to be given to reduce its cost of production to the extent possible, the unnecessary and undue taxation burden on it requires to be removed. The hindrances experienced by this industry on account of the operation of the agricultural lands ceilings Acts in the three States, particularly in matter of replantation, also need to be obviated. Quality tea production is called for if the Indian tea is to hold its own in the world market. Replantation has an important role to play in this.

PRODUCTION OF TEA IN MAJOR PRODUCING COUNTRIES

(In thousand Kilograms)

State	1950	1953	1955	1956	1957	1958	1959	1960 (P)	1961 (P)
India	278,212	278,777	307,704	308,719	310,802	325,225	325,955	320,404	351,157
Pakistan	23,595	24,563	23,806	24,966	21,059	25,588	25,932	19,027	27,000
Ceylon	138,897	155,597	172,371	170,359	180,428	187,404	187,392	197,180	210,000
Indonesia	35,384	37,040	43,995	42,931	47,570	48,518	43,742	45,443	43,000
Kenya	6,776	5,864	8,645	9,648	9,991	11,421	12,640	13,776	12,700
Uganda	1,879	2,175	3,157	3,085	3,639	3,749	4,427	4,668	5,000
Tanganyika	793	1,280	2,051	2,428	2,779	2,870	3,699	3,722	4,536
Nyasaland	6,989	6,072	7,938*	9,435*	8,205	10,566	10,557	11,829	14,500
China	62,596	84,822	107,955	120,202	11,584	141,521	152,861	159,000	158,000
Japan	41,725	56,463	72,854	70,747	72,381	74,588	79,479	78,000	84,000
Formosa	9,645	11,903	14,680	13,432	15,002	15,764	16,956	18,046	N.A.
Argentina	231	354	1,814	2,495	3,221	2,994	4,491	4,536	N.A.

*Estimated. (P.)—Provisional.

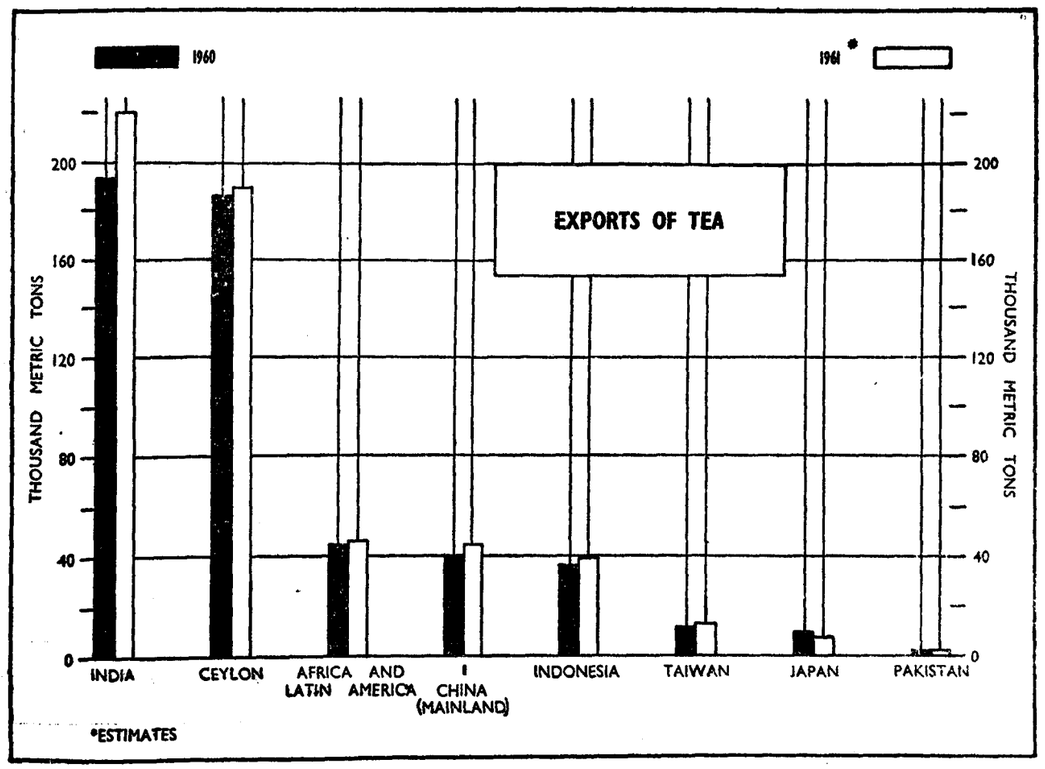


WORLD EXPORTS OF TEA

(In thousand kilograms)

Country	1950	1953	1955	1956	1957	1958	1959	1960 (P)	1961 (P)
India ..	182,905	227,097	166,708	237,484	200,786	229,503	214,315	195,113	205,250
Pakistan ..	7,603	12,028	5,851	10,670	4,462	5,756	5,851	1,832	2,000
Ceylon ..	135,215	152,205	164,307	157,909	166,800	186,323	173,950	185,875	190,000
Indonesia ..	28,581	29,289	32,790	36,521	38,853	37,731	32,339	36,135	39,000
Kenya ..	4,704	3,550	5,973	7,567	8,190	9,152	10,600	11,601	10,900
Uganda ..	999	1,294	2,300	2,470	2,825	2,758	3,390	3,981	4,100
Tanganyika ..	502	1,150	1,755	2,154	2,395	2,510	2,864	3,340	3,200
Nyasalond ..	6,875	5,954	7,659	8,918	8,835	9,471	10,182	11,127	13,600
China ..	11,794	9,979	31,751	37,648	37,195	44,906	46,266	47,627	45,000
Formosa ..	7,549	10,376	7,769	10,663	11,994	11,927	14,372	N.A.	N.A.
Japan ..	7,166	12,771	14,113	9,890	10,689	7,198	7,684	9,811	8,000

P: Provisional.



PRODUCTION OF TEA IN INDIA: 1950 - 61

(In thousand Kilograms)

State	1950	1953	1955	1956	1957	1958	1959	1960	1961
North India									
Assam	147,602	145,903	166,640	167,725	161,360	171,161	171,046	157,584	182,892
West Bengal	81,464	72,782	74,433	76,361	75,397	76,193	80,107	81,363	85,735
Bihar	1,100	1,083	1,058	119	98	68	56	40	56
Tripura	1,997	1,724	2,113	2,145	2,094	2,412	2,481	2,108	2,641
Uttar Pradesh ..	815	628	967	846	738	810	952	944	863
Punjab (Kangra) ..	904	797	924	1,100	1,104	1,026	1,026	1,010	N.A.
Himachal Pradesh (Mandi)	99	104	133	108	82	116	145	129	N.A.
Total North India ..	233,981	223,021	246,268	248,404	240,873	251,785	255,813	243,178	272,186
South India									
Madras	21,244	29,100	33,668	28,197	32,816	34,750	33,011	37,364	37,860
Mysore	689	914	1,153	1,382	1,551	1,658	1,531	1,692	1,855
Kerala	22,298	25,742	26,615	30,736	35,562	37,031	35,600	38,170	39,257
Total South India ..	44,231	55,756	61,436	60,315	69,929	73,439	70,142	77,226	78,971
All-India	278,212	278,777	307,704	308,719	310,802	325,225	325,955	320,404	351,157

A COMPARISON OF TEA EXPORT PRICES: 1959 TO 1961

(In Rs. per lb.)

Importing Countries	From India			From Ceylon		
	1959	1960	1961	1959	1960	1961
U.K.	2.68	2.80	2.77	2.86	2.76	2.69
West Germany ..	3.40	3.52	3.46	2.99	3.01	2.78
Irish Republic ..	2.86	2.90	2.51	2.06	2.14	2.19
Netherlands ..	2.63	2.73	2.72	2.43	2.46	2.61
U.S.S.R.	3.33	3.34	3.28	N.A.	N.A.	N.A.
Afghanistan ..	2.24	2.47	2.41	N.A.	N.A.	N.A
Bahrein Islands ..	2.53	2.72	2.71	2.42	2.30	2.18
Iraq ..	2.43	2.57	2.61	2.52	2.60	2.57
Iran ..	3.51	3.50	3.32	3.21	3.30	3.46
Kuwait ..	2.34	2.58	2.52	N.A.	N.A.	N.A.
Arabia ..	2.69	3.10	3.31	2.59	2.67	2.56
Turkey ..	2.71	2.95	2.71	2.64	2.71	2.60
Egypt ..	2.30	2.53	2.33	2.36	2.37	2.30
Sudan ..	2.05	2.37	2.25	N.A.	N.A.	N.A.
Canada ..	2.75	2.98	2.76	3.07	2.78	2.72
U.S.A. ..	2.59	2.78	2.64	2.64	2.58	2.56
Chile ..	2.52	2.82	2.97	N.A.	N.A.	N.A.
Australia ..	2.27	2.32	2.25	2.42	2.34	2.35
New Zealand ..	2.59	2.67	2.62	2.43	2.42	2.49
Other Countries ..	2.61	2.88	2.73	2.82	2.79	2.68
TOTAL ..	2.67	2.81	2.73	2.72	2.67	2.62

N.A. - Not available.

INDIA'S EXPORTS OF TEA (DESTINATION-WISE)

(Quantity in million Kgs.)
(Value in million Rs.)

Country		1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62
United Kingdom	Qty. ..	128.1	161.0	125.8	139.8	130.7	124.6	121.5
	Value ..	744.3	998.2	729.8	835.1	781.9	775.3	733.6
Irish Republic	Qty. ..	9.0	8.3	8.4	6.2	7.0	7.0	5.8
	Value ..	56.2	50.9	49.4	38.5	45.2	40.7	34.7
Netherlands	Qty. ..	1.8	1.6	1.1	1.1	1.8	1.3	1.7
	Value ..	10.4	10.5	4.3	6.3	10.6	8.0	9.5
Germany, West	Qty. ..	1.9	2.8	1.8	1.9	2.6	1.7	1.5
	Value ..	12.4	21.6	13.0	14.3	19.3	13.2	11.4
U.S.S.R.	Qty. ..	..	8.3	6.3	13.2	10.6	11.0	11.9
	Value ..	..	56.1	46.5	94.1	80.9	79.5	87.0
U.S.A.	Qty. ..	11.5	11.9	10.7	11.1	10.6	8.6	10.9
	Value ..	67.8	77.4	61.6	62.8	61.5	52.7	63.4
Canada	Qty. ..	7.8	9.8	8.2	7.8	7.6	6.7	6.4
	Value ..	47.2	65.4	48.1	48.3	47.1	44.2	37.1
Egypt	Qty. ..	6.6	10.3	9.0	11.4	13.1	13.0	17.1
	Value ..	41.0	63.5	43.8	53.2	70.6	71.7	85.9
Sudan	Qty. ..	1.4	3.5	3.3	5.1	10.4	5.1	6.5
	Value ..	6.9	13.9	14.4	22.1	47.4	26.6	31.5
Iran	Qty. ..	3.8	3.9	4.0	5.0	3.4	4.4	3.5
	Value ..	39.9	28.4	49.8	40.4	26.5	32.3	26.2
Iraq	Qty. ..	1.1	0.02	0.02	0.7	1.6	2.0	2.4
	Value ..	0.7	0.1	0.1	3.6	8.9	11.4	13.0
Turkey	Qty. ..	2.4	2.0	3.6	3.9	4.3	2.3	3.7
	Value ..	17.2	12.1	23.4	23.4	26.2	15.3	21.9
Kuwait	Qty. ..	1.3	1.2	1.7	1.2	1.0	0.8	1.0
	Value ..	7.3	5.9	8.9	6.4	5.5	4.6	5.4
Bahrein Islands	Qty. ..	1.2	0.9	0.8	0.9	0.6	0.5	0.5
	Value ..	6.9	4.8	4.4	4.9	3.7	2.7	2.2
Afghanistan	Qty. ..	1.4	0.7	0.8	1.6	2.9	3.3	3.4
	Value ..	5.9	2.9	3.3	8.2	14.7	18.4	17.9
Australia	Qty. ..	2.8	3.7	3.5	3.2	3.0	2.1	2.5
	Value ..	15.1	20.8	16.8	15.7	15.7	10.5	12.3
New Zealand	Qty. ..	0.6	0.6	0.6	0.6	0.8	0.6	0.5
	Value ..	3.8	4.0	3.5	3.1	4.4	3.6	2.8
Total (including other countries)	Qty. ..	183.8	233.1	191.8	217.3	216.1	199.0	205.9
	Value ..	1096.4	1451.3	1136.4	1297.0	1295.0	1235.9	1224.0

INDUSTRYWISE PROFITABILITY RATIOS, 1959 AND 1960

Industry	Gross Profits as % of Sales		Gross Profits as % of Total Capital Employed		Profit After Tax as % of Net Worth		Dividends as % of Paid up Capital	
	1959	1960	1959	1960	1959	1960	1959	1960
Tea plantations	20.6	20.0	13.3	12.0	10.5	8.8	14.0	13.6
Coffee plantations	20.0	28.4	8.7	13.0	7.1	10.6	13.5	12.7
Rubber plantations	30.1	34.0	13.9	17.2	7.8	10.4	10.3	11.6
Coal	8.2	9.8	7.4	9.0	6.0	8.6	9.4	10.1
Edible, vegetable & hydrogenated oils	4.3	3.1	10.3	7.5	16.1	10.7	8.3	7.5
Sugar	8.9	9.8	10.3	9.0	11.9	11.5	14.4	14.8
Cotton textiles	6.2	9.2	8.3	11.8	7.1	13.3	10.5	12.9
Jute textiles	8.9	5.3	11.1	7.7	12.3	7.4	11.6	8.7
Silk and woollen textiles	22.8	22.4	19.6	18.8	22.6	21.9	14.0	12.2
Iron and steel	15.6	12.9	8.0	7.0	14.1	10.5	10.7	12.6
Transport equipment	8.1	8.7	9.6	10.7	9.8	12.8	9.1	10.4
Electrical machinery, apparatus, appliances, etc.	13.7	14.0	13.4	14.0	14.3	15.6	14.6	16.1
Machinery (other than transport and electrical)	11.4	11.9	10.8	10.3	12.2	11.8	11.6	11.4
Non-ferrous metals	10.6	14.8	13.7	17.1	17.6	19.0	8.3	6.7
Basic Industrial chemicals	17.1	19.1	8.4	11.3	10.0	13.4	7.3	8.0
Cement	11.5	10.7	7.9	8.4	8.1	7.9	9.6	10.3
Paper and paper products	14.6	12 5	12.1	9.5	12.4	9.4	12.6	10.6
Electricity generation and supply	24.6	22.7	7.7	7.4	8.4	8.8	8.0	8.0
TOTAL (including others)	10.0	10.2	9.8	10.1	10.5	10.8	10.9	11.6

NET CAPITAL FORMATION* RATES OF 1001 COMPANIES

(Percent per annum)

	1956	1957	1958	1959	1960
Tea plantations	6.3	1.1	4.3	3.0	6.0
Coffee plantations	11.5	1.3	6.1	—2.3	3.1
Rubber plantations	6.8	4.6	0.6	—0.9	—1.2
Coal	4.8	7.8	10.6	4.2	7.4
Edible, vegetable and hydrogenated oils	4.2	—1.4	11.5	6.8	14.7
Sugar	18.6	6.2	—4.5	7.6	32.6
Cotton textiles	23.1	12.5	—0.8	0.3	12.8
Jute textiles	10.1	—0.3	8.9	5.0	8.3
Silk and woollen textiles	25.1	7.5	—8.6	1.0	6.6
Iron and steel	44.8	72.7	23.4	4.6	0.3
Transport equipment	56.7	4.3	0.7	6.4	17.5
Electrical machinery, apparatus, appliances, etc.	18.2	9.4	14.7	13.7	15.0
Machinery (other than transport and electrical)	18.1	23.9	11.6	13.0	18.8
Non-ferrous metals	9.9	—1.1	8.0	9.1	4.8
Basic industrial chemicals	8.1	17.6	42.9	19.8	9.0
Medicines and pharmaceutical preparations	7.7	10.4	12.8	13.2	19.7
Other chemical products	26.9	0.1	10.3	9.7	20.8
Matches	8.4	19.4	9.3	1.1	3.5
Minerals oils	6.2	—2.0	—3.3	—4.6	—7.5
Cement	23.7	26.4	16.5	0.8	—3.2
Paper and paper products	11.9	30.7	14.1	5.0	10.3
Electricity generation and supply	9.4	8.5	7.4	7.1	7.7
Trading	33.7	—3.4	—4.5	—0.9	19.0
Shipping	25.9	7.8	15.1	8.0	—1.4
TOTAL (including others)	20.2	15.8	7.6	4.4	9.6

*Net capital is defined as the sum of net fixed assets and inventories.

Source: Reserve Bank Bulletin.

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The Development Decade

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The United Nations and the Development Decade

"THE Eastern Economist" has decided to devote the current month's Blue Supplement to 'The Development Decade' because it believes that the Indian people, although they are most intimately concerned with every aspect of this matter, are pitiably unaware of its tremendous importance to them as an instrument of their own progress. Indeed, it seems difficult to believe, yet it is true, that Indian newspapers are largely unaware of the spacious programme of integrated development contained in the United Nations' presentation of the Development Decade in June this year. The many-sided approach of the Specialised Agencies of the United Nations needed co-ordination and the Development Decade might be described as the concerted effort of the United Nations to present in one programme all aspects of its tremendous operations to be of special service to the developing countries of the world. In this programme, India, by democratic right as well as by the claims of population, should have the largest place. This in fact does not currently obtain, largely because the Indian people and the Government of India and State Governments have not seen the opportunities this spacious programme provides both for explaining to the world India's case for obtaining those strategic resources both in men and material which the United Nations might be able to sponsor. By and large, the Development Decade is a fortunate windfall which has come to us at a time when we are poised on the threshold of what is sometimes called a "take-off" for the economy. Guesses — not very reputable — suggest the take-off will come in this decade.

Because the Development Decade belongs to the United Nations, and is, therefore, free from suspicion that it is overcast with national political strings, because it is already accepted, and, in a larger sense, because it has a universal appeal, it is more likely to succeed than would an individual approach or one sponsored bilaterally or by individual national agencies in various countries. In any case, we are coming after the last Aid-India Consortium meeting, very near to the ceiling of the capacity of the existing institutions to finance and to sponsor our projects even in the Third Plan. It is something that the United Nations should lay out, in the context of the Development Decade, a plan for the developing countries for a rise of 5 per cent per year in national income, and suggests necessary support in financial and manpower terms to bring it about. We can, therefore, readily take our place inside the Development Decade, which has a plan akin to our own. It is not too exacting or too timidly conceived. Its dimensions and our own run on parallel lines.

While taking advantage, therefore, of our association with the Development Decade, we must not forget that our purpose is not selfish in the sense that we are entering only for our own national needs. We have to give as well as receive. We cannot give as much as we have to receive, because of our pitiable poverty and our shortage of manpower in almost every field. Nevertheless, the Development Decade comes to us as a challenge to give and not only as a challenge to participate.

The directions in which India can participate in the United Nations Development Decade are set out in the articles which follow. Particular attention is devoted to the Specialised Agencies, United Nations Special Fund and the work of FAO and UNESCO. One must not, however, forget that WHO, ECOSOC and Communications and Information are vital elements in United Nations' programmes of development. India has always done less than justice to the Information Services of the United Nations, which are now being expanded and developed under the inspiration of the Secretary-General himself.

All in all, the picture of the Development Decade in India is scanty and incomplete. The Development Decade is a spacious canvas on which the people of developing countries themselves will have to paint. It is, therefore, time that the people themselves realise that they must take inspiration for themselves, and utilise the magnificent canvas which is presented to them to paint a picture of their own wants and their fulfilment. It is hoped this Blue Supplement will contribute to that end.

UNESCO and the Development Decade

THE pride of place in the UNESCO programme for the Development Decade has been accorded to "intensified action for development of education". Special studies have been made of the educational needs at both the national and regional levels and decisions have been taken in regard to the targets for the decade ending 1970-71. The various targets to be achieved are:

IN AFRICA :

Seventy 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:

Fifty 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 graduates 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 at the appropriate age group in second level schools; and 4 per cent of the appropriate age group in universities.

The attainment of these goals will need an annual outlay equivalent to 4 per cent of the gross national product. The external assistance needed for these ambitious targets lies outside the national investment. A special feature of the programme is that even I.D.A. which has previously never delved into these spheres will start allocating funds for the propagation of education.

In the immediate future, the goals of the Development Decade will need to be translated into national educational plans for which technical assistance is being provided to each participating country by UNESCO. In Africa, Asia and Latin America, for planning of education only no less than 500 experts are required. All efforts are being made to increase the supply of these experts so that planning of educational schemes is in no way hindered. Experts in economics and statistics are being recruited by UNESCO from all over the globe in order to set up educational planning institutes in the developing countries and for providing assistance in the establishment of units furthering economic development. I.L.O. as well as F.A.O. are also assisting in these schemes and are actively participating in the technical long term studies for forecasting demand for man-power.

Great stress is also being laid in agricultural training and education — programmes in which F.A.O. is also intensifying its efforts.

In the fields of primary and secondary education as well UNESCO has plans to extend its activities with regard to the training of teachers. The following concrete steps are proposed to be taken :

(i) The establishment of national colleges for the training of secondary school teachers to meet the priority goals of expansion of secondary education, with special emphasis on the training of science and language teachers.

(ii) An intensified programme for training instructors in teacher-training institutions for primary school teachers, to match the goal of universal primary education by 1980.

(iii) Research into the reform of teaching methods in primary schools and the establishment of pilot projects in the use of new techniques.

(iv) Attention will also be given to the need to revise secondary school curricula in the light of national conditions and economic needs.

Simultaneously, efforts are being made to eradicate illiteracy by adopting extensive adult education programmes. A number of countries are actively participating in these programmes with the support of UNESCO. The programme for adult education will include the following important aspects of planning and administrative training of staff, studies and research, employment of mass media and utilisation of voluntary and local sources:

(i) **Planning and Administration :** Special attention is needed during the decade for planning literacy and adult education programmes within the framework of community development and other national development plans and establishment of administrative machinery to conduct these programmes which is weak or non-existing in many countries;

(ii) **The training of staff:** At regional and national levels, assistance in training could be provided, and training projects established in certain specialised fields;

(iii) **Studies and research,** including research into teaching methods, the use of new media (their testing in pilot projects), etc.;

(iv) The use of mass media for educational purposes and the large scale production of reading materials;

(v) New and additional measures of financing educational programmes from voluntary and local resources must be developed during the decade.

UNESCO is also laying adequate stress on higher education and on the supply of highly qualified personnel. Stress is laid on the principle that "those who have the ability and aptitude to pursue higher education should have an equal opportunity of access to it." UNESCO will extend its assistance for the development as well as the improvement of the standards of the universities and other centres of higher learning and research. Specialists in the various scientific fields are also being trained.

In addition to extensive plans in regard to the spread of education, UNESCO is planning to widen the network of media of communication. According to estimates made by UNESCO nearly three-fourths of the total population of the world lacks mass communication facilities. During the Development Decade, the level of communication will be raised to such an extent that "for every 100 inhabitants in any country there should be at least ten copies of a daily newspaper, five radio sets and two cinema seats". These targets will demand a financial investment of more than $2,800 million. If programmes of educational television are also included the cost may rise to $3,400 million.

Development Through Food

IF the 1950s are remembered in the world annals as the decade during which new ideas about international economic co-operation flowered, the sixties will perhaps go down in history as the decade in which concerted action on a global scale for the economic uplift of what are called the under-developed or the developing countries, is being taken for the first time. During this decennary, known as the Development Decade, the pride of place has been given to economic rejuvenation of the backward nations through development of the human personality. In this, agricultural development has obviously to play a vital role. No wonder the slogan has gone up: "Development Through Food".

Fostering of the economic development of the less-developed countries at the rate of 5 per cent per annum — the goal of this Decade — is appropriately sought to be spearheaded by the development of their agrarian sectors' output at a rate of 4 to 4.5 per cent. This is at it should be; firstly, because a successful development of the economy of any country requires a "breakthrough in agriculture", and secondly, owing to the fact that in the three largely under-developed continents of the world, namely, Asia, Africa, and Latin America — which contain amongst themselves a major portion of the world population — according to a recent authoritative estimate, roughly 500 million people suffer from a lack of sufficient calories and approximately twice that number from malnutrition or diet deficiencies in terms of vitamins, minerals and proteins. Shortened life-spans, retarded physique, impaired health and lessened energy are the dark side of the human picture in the less-developed countries and are primarily responsible for their economic backwardness.

To raise large segments of humanity in these three continents from the morass of poverty and squalor, the United Nations envisage during the sixties the raising of nutritional levels in the four major under-developed regions of the world in terms of per capita calories and animal proteins in grammes as follows: Far East, 2,300 and 10g., Near East 2,740 and 20g. Africa 2,420 and 15g. and Latin America 2,400 and 25g. The disparities in climatic conditions, which have a vital bearing on the food habits of the people, presumably have been taken into consideration in fixing these targets. If these targets are to be achieved, per capita food supplies will have to be increased at the rate of 1.5 to 2 per cent per annum (1.8 per cent in the Far East, 1.6 per cent in the Near East, 1.4 per cent in Latin America and 1.3 per cent in Africa).

One of the ways to feed the semi-starved population in the under-developed countries is the diversion of surplus food from the advanced countries of the world. But, as an old Chinese proverb says. "If you give a man a fish you feed him for one day. If you teach him to fish you feed him for many days." Thus, a lasting solution to the present-day low nutritional levels in the under-developed countries involves the more prudent policy of helping them to raise their indigenous output.

The challenge of the Development Decade in the field of agriculture is three-fold. In the first place, food and other agricultural commodities have to be produced in larger quantities by extensive use of scientific methods and modern technology that have been harnessed successfully so far only in the advanced countries of the world. In the second place, arrangements have to be made for proper distribution, both within a country and between countries, of the increased output so as to help solve the problem of agricultural surpluses as and when they arise in various countries. The third challenge is to expand the employment opportunities in rural areas with a view to make the farm life more attractive and to counteract the drift to towns.

The Food and Agriculture Organisation of the United Nations will be helping the under-developed countries in all these matters in diverse ways. It will afford assistance in developing their nutritional goals, preparing of targets of production for them and inducing them to taking to the modern techniques of agriculture, animal husbandry and fishing. It will also help them in improving storage, processing and marketing of their agricultural products and undertake on their behalf pre-investment surveys in various agricultural fields. Some of the other activities of F.A.O. will be rendering of advice to the developing nations on matters of land reforms and co-operative movements, assisting in the training of technicians in various fields of agriculture (including forestry, fisheries, veterinary services, nutrition and home economics) and arranging for an orderly distribution of their surplus agricultural commodities in the world markets. Another significant role that this Organisation is envisaged to play in improving the agrarian economies of the under-developed countries is helping them in the supply of capital goods through the creation of some sort of fund from which these supplies could be effected.

All this assistance programme of F.A.O. is to be channeled through two principal agencies, one dealing with the Freedom-from-Hunger Campaign and the other with Food Aid. While the former would envelope all its activities for increasing food production, improving nutrition and raising both incomes and standards of living of the rural population, the latter would work through setting up of pilot projects which will act as catalytic agents for fostering the overall economic development. For setting up these pilot projects an experimental programme has been drawn up for a period of three years in the first instance, during which $100 million in food and cash are to be expended. A few instances of the projects to be financed under this programme are: (i) paying workers employed on construction jobs partly in the form of food made available by F.A.O.. (ii) provision of food supplies in the initial stages for those employed on reclamation of land for cultivation; (iii) assisting in the migration of people from thickly populated areas to new settlements within a country and meeting their food requirements for a short initial period from the reserves created by F.A.O. under this scheme.

For countries like India, the Development Decade programme of the U.N. is of immense importance. More so in the agricultural field. Although through massive investment and herculean efforts — which at times, of course, have tended to slacken down, especially after bumper crops in a year — India over the past decade has been able to achieve a gross rate of growth in her agrarian economy of 4.5 per cent per annum, it has been hardly commensurate with the growing raw material needs of her industry and the food requirements of her explosively expanding population. The progress recorded in the case of protective foods has been, however, much slower. Here F.A.O.'s assistance can be of vital importance, and it is encouraging to note that this fact is by and large appreciated. A clear evidence of this is available in the assistance provided by this Organisation in the fields of poultry and fish-

eries development. F.A.O. is already understood to be engaged in chartering out the fish resources of the Arabian Sea and its assistance, both in the shape of men and materials, to modernise India's fishing industry can be of invaluable help in raising the nutritional standards in this sub-continent. There are also various other fields in this country's agrarian economy such as milch cattle development, sheep rearing, poultry development etc., in which we should look forward to greater assistance from F.A.O. during the Development Decade. One only hopes this august body's resources to help the under-developed countries would be strengthened adequately by contributions from the U.N. members, especially those that are affluent.

The Development Decade: The Growth of Industry

THE global strategy proposed to be evolved for raising standards of living in the developing countries during the sixties under the programmes being evolved by the Economic and Social Council of the United Nations will require a very fast rate of growth in industry. In overall terms, it has been estimated that the national incomes of the developing countries would be raised from the present level of 3 to 3½ per cent per annum to 5 per cent per annum at the end of the decade. It will need raising of the manufacturing output in the developing countries by at least 130 per cent in 10 years or 13 per cent per annum, on the average. The ambitious programme of industrialisation will naturally increase the bill of imports by a wide margin. The present estimates show that the demand for imports of industrial equipment alone will be doubled from the present level of $3 billion to more than $6 billion.

The achievement of these objectives will involve various stages of development such as the preparation of industrial plans, extension of industrial advisory services, promotion of small industries through industrial estates and extensive programmes in industrial training. The pride of place in this programme must be accorded to industrial planning. It is proposed to encourage the study of project programming of those industrial problems which are associated with the organisation of planning. Comprehensive studies are proposed to be undertaken to accord priorities for various industries and attempts will be made to forecast the probable levels of demands for various industrial products. It is true that in the past these studies have been made rather difficult because of the paucity of data, but during the last 15 years the United Nations has already amassed sufficient statistical information to warrant the initiation of such studies.

The extension of Industrial Advisory Services will be launched with the assistance of groups of experts taken from various countries. Care will be taken to select specialists who are conversant not only with the problems of industrial programming in general but who have also specialised in particular sectors of industry. Assistance of technical knowledge residing in the private consulting organisations and firms will also be acquired. It will naturally need strengthening of the staff and other resources of the United Nations Secretariat in the industrial field. If the objectives of the development decade are to be realised, additional recruitment of staff will become absolutely necessary.

Industrialisation in the developing countries on the gigantic scale witnessed in the Western nations may not be possible in the short span of 10 years and that is why the United Nations Development Programmes have advocated the establishment of small-scale units in the Industrial Estates. An Industrial Estate represents "a developed tract of land" which provides common facilities and services for all the units in the Estate. This mode of encouraging industrialisation has made rapid progress in many of the developing countries including the Indian Union where no less than 70 Industrial Estates are humming with activity. Technical Assistance through the Special Fund is also being provided. Very soon I.D.A. will also lend a helping hand. The establishment of a network of industrial estates will encourage the emergence of a new industrial community in the developing countries.

The United Nations, as well as the Special Fund will provide technical assistance only in the sense that they will help in the selection of the site, preparation of the feasibility reports of the various projects, technical knowledge in regard to the basic requirements and estimates of the total cost of such projects. As these new ideas catch up in the developing world, experts would be sent out to advise on the planning, construction and initial operations of the Estates.

What the developing countries lack most is technical knowledge and the best mode of communicating technical knowledge would be to encourage the establishment of institutes of technology. The Special Fund of the United Nations has provided assistance for the setting up of 22 institutes. They are already working successfully in the developing countries and are providing general information as well as knowledge on specific industries. They are undertaking investigation, research analysis, and testing. There are some centres which provide management services such as guidance, advice and technical services to industry. This applies particularly to small-scale industries which do not have financial and technical resources to employ specialists.

The financial institutions run by the United Nations will face the more challenging problem of providing finance to these small-scale industries. The privately-owned development banks will indirectly finance small-scale industries while the International Bank, is, and will continue, to provide finance to the large-scale industries. The International Finance Corporation has also been authorised to make equity investment. Certain countries have through their own funds given encouragement to small-scale and cottage industries and the United Nations will also lend a helping hand to encourage further action in this direction. With the increase in the resources of the United Nations, special funds would be provided for the financing of industrial estates and other small scale enterprises. It is believed that on the average, a 10-acre industrial estate may cost about $2,50,000 for land development, basic utilities and factory and building. It shows that even the development of small-scale industries will be a big draw on the financial resources available with the United Nations.

Successful industrial development in the poor countries cannot break through the multiple barriers without much more ambitious programme of "industrial training." The skilled worker, the technician or the foreman can certainly be more useful in the establishment of the industries than the unskilled one. A special role of I.L.O. will be to chalk out programmes of industrial training so that the broad objective of setting out a net work of industries in the developing countries may be readily achieved. The training programmes to be initiated by I.L.O. will include guidance under experts from all future managers and scientists to be associated with the industries. It is proposed that the I.L.O. units in every developing country will work in association with the National Productivity or Management Development Centre. More stress will be laid in these programmes on the management of the enterprises rather than with the industrial policies, the location of industry or even the separate problem of industrial development. The latter would be tackled by a separate machinery set up for the purpose.

All these steps proposed to be undertaken by the United Nations under the Development Decade programme will not be deemed very ambitious in view of the miserably low standards of living prevailing in these countries at the moment. Even with these large-scale programmes of industrialisation the levels of living would not compare very favourably with those of the advanced nations. Even the tempo of industrialisation hastened in the manner outlined above in the present decade will accelerate the economies of these countries to such a level as to double the personal incomes at the end of the present century which certainly is not a very high standard as compared to even the present standards in the industrially advanced nations. But it is certainly worth attempting because, otherwise, the gap between the developing and developed nations would widen so much as to keep two-thirds of the population of the world in perpetual misery.

The Expansion of Trade in the Development Decade

THE pace of the economic development of the underdeveloped countries is no doubt conditioned in the first instance by their capacity to mobilise the internal manpower, physical and financial resources. Granting that they give a good performance on this score, the crux of the problem still remains to be faced — raising the external purchasing power in order to meet the progressively mounting bill of development imports. External purchasing power can be strengthened in two ways — by an intensification of exports and by external assistance. The question of external financial assistance is discussed in the next article in this Blue Supplement. The present discussion centres round the acquisition of foreign exchange by means of exports.

An analysis of the trends in the availability of total external foreign exchange resources in the underdeveloped countries during the years 1956 to 1959 has brought out the all-pervading importance of exports. During this period the export earnings of the less developed countries of the world were six times as high as their receipts of long term capital inflows and official donations. Exports went to satisfy 90 per cent of the costs of imports, while 10 per cent of the imports were met out of external assistance. This is apart from the liability of the underdeveloped countries to meet the obligations of payments on account of external debts. It must be observed that this ratio between export earnings and external assistance in the total pool of external purchasing power cannot be regarded as normal even during the development decade. The fact to remember is that as the development programmes gather rapid momentum during the decade, the gap between the earnings of foreign exchange and the total import bill will become wider and wider. It will be the function of the underdeveloped countries to strain every nerve, in co-operation, of course, with the economically advanced countries, to minimise it.

But this function poses difficulties. The variations in the terms of trade make or mar the chances of an effective drive to close the gap of trade deficit. During the 1950's the terms of trade of the primary producing countries, or less developed countries, went on deteriorating. Furthermore, the intake of the imports of the less developed countries, by the industrially advanced ones, also declined and failed to keep pace with the rate of growth in their trade in other directions. The IMF's latest report for 1961-62 highlights the fact that the consequences of the recession of 1958 were quite marked in so far as they related to the less developed countries. Between 1958 and 1961, the increase in the trade of the advanced countries among themselves shot up by 50 per cent, while, by a telling contrast, their imports from the less developed primary producers recorded a bare increase of 15 per cent. This factor of a worsening in the terms of trade and a tardy rate of growth in the exports of less developed countries to the advanced countries is a major problem which policy for the expansion of the trade in the development decade has to reckon with as one of the main challenges.

One of the ways in which this challenge of the widening gap of trade deficit and the consequent necessity to rely increasingly on external assistance for foreign exchange can be met is to give a positive orientation to the export trade with a deliberate accent on the non-traditional exports. The Economic Survey of Europe in 1960, in its analysis of the trends in world trade in the decade, records the significant finding that the developing countries will have to intensify their efforts to raise the share of their non-traditional exports in the total foreign exchange earnings to one-third. The non-traditional exports in simple terms signify manufactured goods and semi-processed or highly processed products — agricultural and mineral.

An argument is advanced some times that the internal trade pattern of the advanced countries is disturbed by the offtake of low wage-based manufactures from the back-ward countries. There may be some truth in this grievance. But obviously the basic fact seems to have been overlooked that the supposed advantage of low wages is practically nullified by the low productivity of labour and the consequent high wage cost per unit of product in the underdeveloped countries. However, it is heartening to find that enthusiastic co-operation from the advanced countries to encourage the inflow of imports from the backward countries is forthcoming and it is expected to render the task of the export promotion effort of the developing countries easier. To quote a conspicuous example, the long-term arrangement for the import of cotton textiles from the major less developed producers to the advanced countries is conceived on liberal principles and it already took effect in September 1962.

The new trend in the form of regional economic groupings and integration, particularly as typified by the European Common Market, has been misunderstood by most of the underdeveloped countries both for its basic purpose as well as for its impact on the trade of these countries. Regional integration in economic matters, of which trade is an inseparable and vital part, is only a camp follower of the onward march of economic progress towards the goal of the mass consumption market. In the short transitional period, it may appear that the members of the European Economic Communty are following an inward-looking policy as illustrated by progressively and rapidly reduced rates of intra-regional tariffs and the comparatively higher common tariffs. But once free trade within the Community is establish-

ed the economies of scale and division of labour are bound to be reflected in the demolition of the higher tariff wall against imports from external sources. The rapid rate of economic growth and the expanding demand for imports in the Community are offering an ever-increasing scope for the exports of the outside countries, including, of course, the less developed ones. The difficulties of the transitional short period must be borne, but their magnitude is perhaps being exaggerated. What is of abiding importance is the large market that will be available for exports after the transition.

The Economic Commission for Asia and the Far East, the Economic Commission for Latin America and the Economic Commission for Africa, the three regional economic commissions set up by the UN for less developed parts of the world — can be used, it is urged, as effective agencies to bring about the integration of the regions within their jurisdiction, albeit on a modest scale. The purpose of this integration would be to co-ordinate and, to the extent it is practicable, to unify their economic policies. In this integration and co-ordination, the flow of trade will naturally occupy an important place. Intra-regional trade can be promoted and the prevailing compulsion for each individual counto make a frantic search for foreign export markets anywhere can be mitigated within limits. Similarly, their concerted price policies in key commodities may be effective in obtaining suitable schemes of international commodity agreements by negotiations with the industrialised importing countries. The policy of regional integration for the backward countries, under the auspices of the UN regional economic commissions, it must be stressed, is not being advocated in a spirit of retaliation. Its aim, pure and simple, is to maximise the benefits of regional trade by the elimination of competition and a resort to co-ordination. When all this is granted, the overriding fact remains that the scope for such intra-regional promotion of trade can but be limited. The countries of these regions are desperately in need of developmental imports which can be obtained primarily from the advanced countries. It is, therefore, of the utmost importance that the less developed countries should constantly keep in view the economic urgency to increase the proportion of their exports to the advanced countries to pay for these imports as well as for servicing the credits which they receive from them.

A lowering of tariffs on a basis of reciprocity and encouraging the exports of the backward countries, both conventional and non-conventional, is being achieved steadily through the agency of GATT. This fact has perhaps failed to receive proper recognition. Furthermore, participation in GATT gives the backward countries the automatic benefit of the principle of the most-favoured-nation-treatment. Since November 1958, particular attention is being paid by the contracting parties to GATT to the problem, among others, of stimulating the trade of the backward primary producers. The Committee of expert economists, set up in 1957, tendered its findings towards the close of 1958 and those findings provided the basis for preparing a scheme in removing the obstacles to the promotion of their trade. On the basis of these findings a report was prepared in 1961 and the Ministers of the Contracting Party endorsed the Declaration of Promotion of Trade of the Less Developed Countries. The non-tariff policies which directly affected the flow of trade have been appropriately dealt with in the guiding principles incorporated in the Declaration. They relate to quantitative restrictions, subsidies, disposal of commodity surpluses, preferential tariffs and similar trade policies at present prevailing in the advanced countries. The Declaration is in the nature of a recommendation, but this character of the Declaration will not detract from its practical utility. It is of the essence of international co-operation that constant consultation and advocacy of liberal multilateral trade policies be designed to produce within a reasonable time a climate receptive to the requirements of the underdeveloped countries in the matter of trade as a logical essential concomitant of aid.

External Finance in Development

THE basic financial scheme of the development decade is to induce the advanced countries to earmark one per cent of their national incomes to provide the external finance required for the development programmes of the underdeveloped countries. It is assumed that the national income of the advanced countries will increase during the decade at the annual rate of around 5 per cent, but not above, in view of the fact that the high tempo of this growth in recent years can hardly be maintained. On this assumption the incomes would be doubled by the end of the decade in 1970. It is reckoned that something like $4 to 5 billion would be available each year in this manner. The allocation of 1 per cent of the national incomes of the advanced countries will be available for financing development at the different levels and under different auspices of which the UN would constitute an important channel. In what proportion the flows from this fund would be directed through the UN system or through the national systems or by means of bilateral or multilateral agreements and for investment and other purposes cannot be predetermined with reference to any targets which are the outstanding feature of the national development plans.

But the basic aim of this grand movement of the development decade is to create ramified patterns inside the UN, as one of the vital channels for development, to provide funds and technical assistance which the individual countries cannot adequately obtain by their own efforts. The contributions to the fund contemplated in the scheme of the development decade are to flow from Government sources. But apart from these, there will be all the urgency for the individual countries to induce the flow of foreign private investment. It is not necessary in this context to consider the incentives and the climate which would be necessary for attracting the flow of foreign private investment. Attention is here focused on the international agencies and the manner in which they can be geared to the task of obtaining larger funds to meet the requirements of external assistance for these countries.

The existing financial institutions will undoubtedly remain the mainstay of the flow of these funds. This gives added importance to the operations of the International Bank for Reconstruction and Development, the International Monetary Fund, the International Finance Corporation and the latest addition to the family — the International Development Association. The role of the IBRD has not only been that of a leader in providing finance but in supplying other essential resources of development. The technical assistance which is available through the agency of the IBRD is now assuming greater importance and it is noteworthy that there is a close relationship between the UN and the IBRD in providing this assistance. A liaison committee of the IBRD is now formally established to function in intimate co-operation with the United Nations Special Fund. In fact the IBRD functions as the special agency to administer allocations of aid made by the UN Special Fund. This aspect of the developmental function of the IBRD has probably received very little attention in the almost exclusive preoccupation with the generous loan assistance which it provides. There is yet another interesting aspect of the IBRD's technique of functioning which serves the two-fold purpose of augmenting capital resources for the development of the backward countries and integrating foreign private investment with the financing of projects initially assisted by the IBRD. The IBRD's loans or bonds are sold to private investors as a result of which private capital goes to finance projects in the developing countries releasing the IBRD's resources for additional provision of credit. During the last six years the one billion mark has been crossed in this technique of sale of bonds to private purchasers.

The International Finance Corporation arrived on the scene to fulfil a function, which the IBRD could not, owing to the limitations of its charter. Unlike the IBRD, the IFC, which provides credit exclusively to the private sector, does not require the guarantee of the national Government concerned. With experience and confidence acquired, larger responsibilities are being cast on the IFC. Its charter was amended in September 1961 with the specific purpose of enabling it to undertake equity investment as well as to underwrite issues of shares. One of the difficulties which has limited the expansion of the volume of the IFC's business is created by the high rate of interest or the return which it claims, in addition to or without interest, in the form of participation in profits etc. If a way can be found to lighten the burden of the cost of the IFC's credit assistance, greater benefit can be derived from its resources by the borrowing countries during the decade.

The International Development Association addresses itself to the specific task of providing soft loans to relieve the strain on the balance of payments of the borrowing backward countries created by the obligation of servicing their debts. IDA allows a period of maturity of 50 years with a period of grace of 10 years and there are more liberal terms. During the first 10 years of amortization the charge of interest does not exceed 1 per cent and any increase in it that is agreed in the terms of the credit is permissible in the last 30 years. The interest is in some cases nil, but where it is charged, it is low. Only a charge of ¾th of 1 per cent is levied to cover the administrative cost and it is calculated on the amounts actually disbursed. Another distinctive feature of the loan facilities provided by the IDA is that non-productive but vitally important development projects do qualify for its assistance. In this category may be mentioned credits to underdeveloped countries to expand schemes of sanitation, water supply, housing, technical training, education, printing of text books, and so forth. IDA's initial funds of about $770 million will be practically exhausted by the middle of 1963 and accent was placed at its recent annual meeting on replenishing these funds on a substantially large scale.

Apart from these widely known international financial institutions, the UN has set up specific agencies to provide investment and technical co-operation. The chief agencies are the UN Special Fund, set up in 1957, and the Expanded Programme of Technical Assistance. The initial resources of the Special Fund were aimed at the figure of $100 million on the basis of the pledges of annual contributions given by the member nations while approving its establishment. The General Assembly now expects, in view of the rapid growth in the national incomes of the advanced countries, a step-up in the resources to $150 million and the goal is to carry the figure to $300 million at the end of the development decade. The volume of these resources is obviously modest — a fact which can be easily gathered from the estimate that, at the figure of $300 million, only 20 per cent of the requirements of the pre-investment work on which the UN lays emphasis will be met by it. Yet another source of finance is contemplated in the UN Capital Development Fund. In 1960 its scheme was voted in principle by the General Assembly and further acceleration to this idea was given by the appointment of a special committee to draft its statute. The Capital Development Fund is thus nearing the end of the preliminaries, but the flow of resources needed to set it afoot will take some time. Under the new impact of the grand design of the development decade this Fund is expected to take a concrete shape in the near future.

Peace and prosperity on earth are the goals for which the UN has been brought into existence and both are indivisible. The major plank in the programme of winning perennial peace by abolishing war is disarmament. No one entertains any idle dream that disarmament can be achieved in a single stroke or within a short span. Fears and suspicions and animosities which have combined to give armament its present staggering and dangerous proportion can be eliminated by patient and persevering efforts at the level of the Disarmament Conference and also by educative propaganda outside. Disarmament, it goes without saying, will release large volumes of funds now locked up in unproductive investment with a great destructive potential. But as disarmament comes in stages, larger slices from the funds thereby unlocked will be claimed for financing the effort of the developing countries for economic prosperity. All in all, the multi-pronged programme of the development decade depends for its success in a significant sense on sustaining and expanding the new climate which has already been created.

DEMAND FOR MAJOR FOOD PRODUCTS BY 1970

(Income and population effect only)

(Base: 1958=100

Region/Country	Cereals		Pulses & nuts		Starchy roots		Sugar		Vegetables & fruits		Fats & oils*		Milk & Mil products	
	L	H	L	H	L	H	L	H	L	H	L	H	L	H
I. High-Income Countries	104	102	120	121	103	100	126	128	131	137	..	..	125	128
(a) **North America**	114	108	118	114	112	102	123	123	128	133	123	123	124	126
Canada	120	113	124	119	117	108	129	129	136	143	130	130	131	132
U.S.A.	113	108	118	113	111	102	123	123	127	132	123	123	124	124
(b) **Oceania**	120	114	124	121	119	114	126	125	133	139	129	131	128	130
Australia	120	114	124	122	120	114	126	126	133	139	130	133	130	133
New Zealand	119	115	122	120	118	112	125	125	132	139	125	125	125	125
(c) **Western Europe**	98	96	..	..	100	98	122	126	132	139	..	..	119	122
E.E.C.	98	97	..	..	97	94	130	134	136	143	115	117	122	125
of which: France	98	98	..	..	90	90	121	121	121	130	116	118	119	129
Germany, West	95	95	..	..	93	87	115	121	139	146	108	108	117	119
Italy	99	98	..	..	124	124	167	177	146	152	127	130	138	143
Netherlands	98	96	..	..	101	96	129	135	138	142	112	112	152	159
Other West European Countries	96	93	106	106	98	96	107	107	119	124	107	107	107	107
United Kingdom	97	93	105	105	97	96	105	105	118	124	106	106	107	108
Norway	103	100	111	111	105	103	116	118	121	126	108	107	112	112
Sweden	97	94	107	107	99	97	107	107	120	125	106	105	107	106
Switzerland	94	91	107	107	98	96	107	107	121	125	106	106	104	103
Denmark	99	96	108	108	99	96	108	108	121	127	107	107	110	110
Mediterranean Countries	102	99	116	117	112	112	151	162	133	140	132	138	151	164
Spain	103	101	115	116	111	111	150	158	132	137	129	132	163	176
Yugoslavia	102	99	119	121	115	115	161	180	147	163	155	172	147	163
(d) Japan	104	103	129	132	98	97	169	180	142	148	182	196	243	267
(e) South Africa	128	130	128	130	126	126	133	140	138	149	144	162	140	153
(f) Argentina & Uruguay	116	113	122	122	118	116	127	130	133	139	128	132	129	133
II. Low-income Countries	141	147	139	145	135	137	154	172	152	165	156	175	167	197
Latin America (excluding Argentina, Uruguay)	142	143	144	147	137	137	148	152	155	162	163	174	165	175
Brazil, Paraguay	138	140	140	142	132	130	142	145	148	154	156	166	159	170
Mexico	142	142	150	153	142	142	157	162	170	180	170	180	170	180
Asia and Far East	141	148	139	145	135	139	156	182	149	168	156	182	169	205
Ceylon	144	149	143	147	141	143	148	159	150	164	153	172	160	209
India	143	150	139	145	136	141	161	186	156	177	161	186	173	209
Indonesia	135	144	133	139	131	136	149	182	142	164	145	171	168	235
Pakistan	138	142	133	139	133	137	135	161	134	152	135	163	136	170
Philippines	151	155	152	160	148	150	168	193	159	174	170	197	190	240
Taiwan	153	155	158	166	151	153	180	208	172	192	177	203	232	308
Thailand	144	146	145	149	142	144	177	210	155	168	161	178	196	244
Near East & Africa	140	144	138	142	135	137	163	186	151	166	152	168	162	184
North Africa	140	143	142	148	137	139	152	169	149	164	154	173	159	183
Other Africa (excl. S. Africa)	141	148	137	140	135	137	181	229	149	165	149	165	159	185

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*Including butter.

L=A low one based on past trends.

H=A high one related to economic plans.

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